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, 2005

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

Commission File Number: 1-13274

MACK-CALI REALTY CORPORATION
(Exact Name of Registrant as specified in its charter)

Maryland (State or other jurisdiction of incorporation or organization)	**22-3305147** (IRS Employer Identification No.)
11 Commerce Drive, Cranford, New Jersey (Address of principal executive offices)	**07016-3599** (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**
Preferred Share Purchase Rights	**Pacific Exchange**

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes☐ No ☒

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. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.) Yes☐ No ☒

As of June 30, 2005, the aggregate market value of the voting stock held by non-affiliates of the registrant was $2,768,957,517. As of February 17, 2006, the aggregate market value of the voting stock held by non-affiliates of the registrant was $2,855,247,112. The aggregate market values were computed with references to the closing prices on the New York Stock Exchange on such dates. These calculations do not reflect a determination that persons are affiliates for any other purpose.

As of February 17, 2006, 62,150,563 shares of common stock, $0.01 par value, of the Company ("Common Stock") were outstanding.

LOCATION OF EXHIBIT INDEX: The index of exhibits is contained herein on page number 124.

DOCUMENTS INCORPORATED BY REFERENCE: Portions of the registrant's definitive proxy statement for fiscal year ended December 31, 2005 to be issued in conjunction with the registrant's annual meeting of shareholders expected to be held on May 24, 2006 are incorporated by reference in Part III of this Form 10-K. The definitive proxy statement will be filed by the registrant with the SEC not later than 120 days from the end of the registrant's fiscal year ended December 31, 2005.

FORM 10-K

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PART I

ITEM 1. BUSINESS

GENERAL

Mack-Cali Realty Corporation, a Maryland corporation (together with its subsidiaries, the "Company"), is a fully-integrated, self-administered and self-managed real estate investment trust ("REIT") that owns and operates a real estate portfolio comprised predominantly of Class A office and office/flex properties located primarily in the Northeast. The Company performs substantially all commercial real estate leasing, management, acquisition, development and construction services on an in-house basis. Mack-Cali Realty Corporation was incorporated on May 24, 1994. The Company's executive offices are located at 11 Commerce Drive, Cranford, New Jersey 07016-3599, and its telephone number is (908) 272-8000. The Company has an internet website at www.mack-cali.com.

As of December 31, 2005, the Company owned or had interests in 270 properties, aggregating approximately 30.0 million square feet, plus developable land (collectively, the "Properties"). The Properties are comprised of: (a) 267 wholly-owned or Company-controlled properties consisting of 161 office buildings and 96 office/flex buildings aggregating approximately 29.1 million square feet, six industrial/warehouse buildings totaling approximately 387,400 square feet, two stand-alone retail properties totaling approximately 17,300 square feet, and two land leases (collectively, the "Consolidated Properties"); and (b) one office building and one office/flex building aggregating approximately 538,000 square feet, and a 350-room hotel, which are owned by unconsolidated joint ventures in which the Company has investment interests. Unless otherwise indicated, all references to square feet represent net rentable area. As of December 31, 2005, the office, office/flex, industrial/warehouse and stand-alone retail properties included in the Consolidated Properties were 91.0 percent leased to approximately 2,200 tenants. Percentage leased includes all leases in effect as of the period end date, some of which have commencement dates in the future (including, at December 31, 2005, leases with commencement dates substantially in the future consisting of 15,125 square feet scheduled to commence in 2009 and 10,205 square feet scheduled to commence in 2011), and leases that expire at the period end date. Leases that expire as of the period end date aggregate 311,623 square feet, or 1.1 percent of the net rentable square footage. The Properties are located in seven states, primarily in the Northeast, and the District of Columbia. See Item 2: Properties.

The Company's strategy has been to focus its operations, acquisition and development of office properties in high-barrier-to-entry markets and sub-markets where it believes it is, or can become, a significant and preferred owner and operator. The Company plans to continue this strategy by expanding through acquisitions and/or development in Northeast markets where it has, or can achieve, similar status. 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 rental, occupancy and tenant retention rates within their markets. The Company also believes that its extensive market knowledge provides it with a significant competitive advantage, which is further enhanced by its strong reputation for, and emphasis on, delivering highly responsive, professional management services. See "Business Strategies."

As of December 31, 2005, executive officers and directors of the Company and their affiliates owned approximately 9.2 percent of the Company's outstanding shares of Common Stock (including Units redeemable into shares of Common Stock). As used herein, the term "Units" refers to limited partnership interests in Mack-Cali Realty, L.P., a Delaware limited partnership (the "Operating Partnership") through which the Company conducts its real estate activities. The Company's executive officers have been employed by the Company and/or its predecessor companies for an average of approximately 19 years.

BUSINESS STRATEGIES

Operations

Reputation: The Company has established a reputation as a highly-regarded landlord with an emphasis on delivering quality tenant services in buildings it owns and/or manages. The Company believes that its continued success depends in part on enhancing its reputation as an operator of choice, which will facilitate the retention of current tenants and the

attraction of new tenants. The Company believes it provides a superior level of service to its tenants, which should in turn allow the Company to outperform the market with respect to occupancy rates, as well as improve tenant retention.

Communication with tenants: The Company emphasizes frequent communication with tenants to ensure first-class service to the Properties. Property managers generally are located on site at the Properties to provide convenient access to management and to ensure that the Properties are well-maintained. Property management's primary responsibility is to ensure that buildings are operated at peak efficiency in order to meet both the Company's and tenants' needs and expectations. Property managers additionally budget and oversee capital improvements and building system upgrades to enhance the Properties' competitive advantages in their markets and to maintain the quality of the Company's properties.

Additionally, the Company's in-house leasing representatives develop and maintain long-term relationships with the Company's diverse tenant base and coordinate leasing, expansion, relocation and build-to-suit opportunities within the Company's portfolio. This approach allows the Company to offer office space in the appropriate size and location to current or prospective tenants in any of its sub-markets.

Growth

The Company plans to continue to own and operate a portfolio of properties in high-barrier-to-entry markets, with a primary focus in the Northeast. The Company's primary objectives are to maximize operating cash flow and to enhance the value of its portfolio through effective management, acquisition, development and property sales strategies, as follows:

Internal Growth: The Company seeks to maximize the value of its existing portfolio through implementing operating strategies designed to produce the highest effective rental and occupancy rates and lowest tenant installation cost within the markets that it operates. The Company continues to pursue internal growth through re-leasing space at higher effective rents with contractual rent increases and developing or redeveloping space for its diverse base of high credit tenants, including IBM Corporation, Morgan Stanley and Allstate Insurance Company. In addition, the Company seeks economies of scale through volume discounts to take advantage of its size and dominance in particular sub-markets, and operating efficiencies through the use of in-house management, leasing, marketing, financing, accounting, legal, development and construction services.

Acquisitions: The Company also believes that growth opportunities exist through acquiring operating properties or properties for redevelopment with attractive returns in its core Northeast sub-markets where, based on its expertise in leasing, managing and operating properties, it believes it is, or can become, a significant and preferred owner and operator. The Company intends to acquire, invest in or redevelop additional properties that: (i) are expected to provide attractive initial yields with potential for growth in cash flow from 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 in which the Company can become a significant and preferred owner and operator; and (iv) it believes have been under-managed or are otherwise capable of improved performance through intensive management, capital improvements and/or leasing that should result in increased effective rental and occupancy rates.

Development: The Company seeks to selectively develop additional properties where it believes such development will result in a favorable risk-adjusted return on investment in coordination with the above operating strategies. Such development primarily will occur: (i) when leases have been executed prior to construction; (ii) in stable core Northeast sub-markets where the demand for such space exceeds available supply; and (iii) where the Company is, or can become, a significant and preferred owner and operator.

Property Sales: While management's principal intention is to own and operate its properties on a long-term basis, it periodically assesses the attributes of each of its properties, with a particular focus on the supply and demand fundamentals of the sub-markets in which they are located. Based on these ongoing assessments, the Company may, from time to time, decide to sell any of its properties.

Financial

The Company currently intends to maintain a ratio of debt-to-undepreciated assets (total debt of the Company as a percentage of total undepreciated assets) of 50 percent or less. As of December 31, 2005, the Company's total debt

constituted approximately 42.8 percent of total undepreciated assets of the Company. The Company has three investment grade credit ratings. Standard & Poor's Rating Services ("S&P") and Fitch, Inc. ("Fitch") have each assigned their BBB rating to existing and prospective senior unsecured debt of the Operating Partnership. S&P and Fitch have also assigned their BBB- rating to existing and prospective preferred stock offerings of the Company. Moody's Investors Service ("Moody's") has assigned its Baa2 rating to existing and prospective senior unsecured debt of the Operating Partnership and its Baa3 rating to existing and prospective preferred stock offerings of the Company. Although there is no limit in the Company's organizational documents on the amount of indebtedness that the Company may incur or a requirement for the maintenance of investment grade credit ratings, the Company has entered into certain financial agreements which contain covenants that limit the Company's ability to incur indebtedness under certain circumstances. The Company intends to conduct its operations so as to best be able to maintain its investment grade rated status. The Company intends to utilize the most appropriate sources of capital for future acquisitions, development, capital improvements and other investments, which may include funds from operating activities, proceeds from property and land sales, short-term and long-term borrowings (including draws on the Company's revolving credit facility), and the issuance of additional debt or equity securities.

EMPLOYEES

As of December 31, 2005, the Company had approximately 350 full-time employees.

COMPETITION

The leasing of real estate is highly competitive. The Properties compete for tenants with lessors and developers of similar properties located in their respective markets primarily on the basis of location, rent charged, services provided, and the design and condition of the Properties. The Company also experiences competition when attempting to acquire or dispose of real estate, including competition from domestic and foreign financial institutions, other REITs, life insurance companies, pension trusts, trust funds, partnerships, individual investors and others.

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 the release of asbestos-containing materials into the air, 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.

There can be no assurance that (i) future laws, ordinances or regulations will not impose any material environmental liability, (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, or (iii) the Company's assessments reveal all environmental liabilities and that there are no material environmental liabilities of which the Company is aware. 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.

INDUSTRY SEGMENTS

The Company operates in only one industry segment — real estate. The Company does not have any foreign operations and its business is not seasonal. Please see our financial statements attached hereto and incorporated by reference herein for financial information relating to our industry segment.

RECENT DEVELOPMENTS

As a result of the economic climate since 2001, substantially all of the real estate markets the Company operates in materially softened. Demand for office space declined significantly and vacancy rates increased in each of the Company's core markets over the period. Through February 22, 2006, the Company's core markets continued to be weak. The percentage leased in the Company's consolidated portfolio of stabilized operating properties decreased to 91.0 percent at December 31, 2005 as compared to 91.2 percent at December 31, 2004 and 91.5 percent at December 31, 2003. Percentage leased includes all leases in effect as of the period end date, some of which have commencement dates in the future (including, at December 31, 2005, leases with commencement dates substantially in the future consisting of 15,125 square feet scheduled to commence in 2009 and 10,205 square feet scheduled to commence in 2011), and leases that expire at the period end date. Leases that expire as of the period end date aggregate 311,623 square feet, or 1.1 percent of the net rentable square footage. Excluded from percentage leased at December 31, 2004 was a non-strategic, non-core 318,224 square foot property acquired through a deed in lieu of foreclosure, which was 12.7 percent leased at December 31, 2004 and subsequently sold on February 4, 2005. Market rental rates have declined in most markets from peak levels in late 2000 and early 2001. Rental rates on the Company's space that was re-leased (based on first rents payable) during the year ended December 31, 2005 decreased an average of 8.2 percent compared to rates that were in effect under expiring leases, as compared to a 8.7 percent decrease in 2004 and a 7.8 percent decrease in 2003. The Company believes that vacancy rates may continue to increase in most of its markets in 2006. As a result, the Company's future earnings and cash flow may continue to be negatively impacted by current market conditions.

In 2005, the Company:

- acquired six office properties, aggregating 1,832,251 square feet, at a total cost of approximately $387.8 million and;
- sold seven office properties, aggregating 1,081,389 square feet, for aggregate net sales proceeds of approximately $115.0 million.

Additionally, in 2005, the Company sold its interest in an unconsolidated joint venture which owned two office properties aggregating 298,000 square feet, for aggregate net sales proceeds of approximately $2.7 million. See Note 4 to the Financial Statements for further information regarding joint venture activity.

Property Acquisitions

The Company acquired the following office properties during the year ended December 31, 2005:

Acquisition Date	Property/Address	Location	# of Bldgs.	Rentable Square Feet	Acquisition Cost (in thousands)
03/02/05	101 Hudson Street (a)	Jersey City, Hudson County, NJ	1	1,246,283	$ 330,302
03/29/05	23 Main Street (a)(b)	Holmdel, Monmouth County, NJ	1	350,000	23,948
07/12/05	Monmouth Executive Center (c)	Freehold, Monmouth County, NJ	4	235,968	33,561
Total Property Acquisitions:			6	1,832,251	$ 387,811

(a) Transaction was funded primarily through borrowing on the Company's revolving credit facility.
(b) In addition to its initial investment, the Company intends to make additional investments related to the property of approximately $12.1 million, of which the Company has incurred $6.2 million through December 31, 2005.
(c) Transaction was funded primarily through available cash and assumption of mortgage debt.

In November 2005, the Company announced that it entered into a contract to acquire all the interests in Capital Office Park, a seven-building office complex totaling approximately 842,300 square feet in Greenbelt, Maryland for aggregate purchase consideration of approximately $161.7 million. The purchase consideration for the acquisition, which is expected to close in the first quarter of 2006, will consist of the issuance of approximately $97.9 million of common operating partnership units in Mack-Cali Realty, L.P. and the assumption of approximately $63.8 million of mortgage debt. At closing, the sellers may elect to receive approximately $27.9 million in cash in lieu of common operating partnership units.

On February 16, 2006, the Company announced it had reached agreements in principle with each of SL Green Realty Corp. ("SL Green") and The Gale Company, a privately-owned real estate services company based in New Jersey ("Gale"), pursuant to which the Company plans to acquire interests in certain assets and operations of SL Green and Gale.

Pursuant to the contemplated transactions, the Company is expected to:

- Purchase the Gale Real Estate Services Company for up to $40 million. The purchase price is expected to be based on an earn-out formula with an initial payment of $10 million in common operating partnership units in Mack-Cali Realty, L.P., and $12 million in cash, with a total consideration of up to $40 million.

- Acquire substantially all the ownership interests in 12 office properties valued at approximately $337 million and totaling 1.7 million square feet in Northern and Central New Jersey; and
- Acquire approximately one-half of the ownership interests in eight office properties valued at approximately $168 million and totaling 1.1 million square feet, also in Northern and Central New Jersey.

The Company plans to finance the transactions through a combination of approximately $240 million in drawings on its revolving credit facility, the assumption of existing and placement of new mortgage debt, and the issuance of common operating partnership units.

These planned acquisitions are subject to the execution of definitive acquisition agreements with Gale and SL Green in one instance, and with Gale alone in the other instance, which agreements shall contain mutually acceptable terms and customary closing conditions to be negotiated in good faith with such parties and entered into as soon as practicable. While the Company is confident that these transactions will be completed in accordance with the terms outlined above, there can be no assurance that either or both will close or that the structure or terms of one or both acquisition agreements may not reflect changes from the current agreements in principle.

Property Sales

The Company sold the following office properties during the year ended December 31, 2005:

Sale Date	Property/Address	Location	# of Bldgs.	Rentable Square Feet	Net Sales Proceeds (in thousands)	Net Book Value (in thousands)	Realized Gain/ (Loss) (in thousands)
02/04/05	210 South 16th Street	Omaha, Douglas County, Nebraska	1	318,224	$ 8,464	$ 8,210	$ 254
02/11/05	1122 Alma Road	Richardson, Dallas County, Texas	1	82,576	2,075	2,344	(269)
02/15/05	3 Skyline Drive	Hawthorne, Westchester County, New York	1	75,668	9,587	8,856	731
05/11/05	201 Willowbrook Blvd.	Wayne, Passaic County, New Jersey (a)	1	178,329	17,696	17,705	(9)
06/03/05	600 Community Drive/ 111 East Shore Road	North Hempstead, Nassau County, New York	2	292,849	71,593	59,609	11,984
12/29/05	3600 South Yosemite	Denver, Denver County, Colorado	1	133,743	5,566	11,121	(5,555)
Total Office Property Sales:			7	1,081,389	$ 114,981	$ 107,845	$ 7,136

(a) In connection with the sale, the Company provided a mortgage loan to the buyer of $12 million which bears interest at 5.74 percent, matures in five years with a five year renewal option, and requires monthly payments of principal and interest.

Investments in Marketable Securities

In 2005, the Company purchased approximately 1.5 million shares of common stock in CarrAmerica Realty Corporation, which carried a value of approximately $50.8 million at December 31, 2005. From January 1 through January 25, 2006, the Company purchased an additional 336,500 shares in CarrAmerica for a total purchase price of approximately $11.9 million.

FINANCING ACTIVITY

Senior Unsecured Notes Transactions

On January 25, 2005, the Company issued $150 million face amount of 5.125 percent senior unsecured notes due January 15, 2015 with interest payable semi-annually in arrears. The proceeds from the issuance (net of selling commissions and discount) of approximately $148.1 million were used primarily to reduce outstanding borrowings under the Company's unsecured facility.

On April 15, 2005, the Company issued $150 million face amount of 5.05 percent senior unsecured notes due April 15, 2010 with interest payable semi-annually in arrears. The proceeds from the issuance (net of selling commissions and discount) of approximately $148.8 million were used to reduce outstanding borrowings under the 2004 unsecured facility.

On November 15, 2005, the Company issued $100 million face amount of 5.80 percent senior unsecured notes due January 15, 2016 with interest payable semi-annually in arrears. The proceeds from the issuance (net of selling commissions and discount) of approximately $99 million were used to reduce outstanding borrowings under the 2004 unsecured facility.

On January 24, 2006, the Company issued $100 million face amount of 5.80 percent senior unsecured notes due January 15, 2016 with interest payable semi-annually in arrears, and $100 million face amount of 5.25 percent senior unsecured notes due January 15, 2012 with interest payable semi-annually in arrears. The total proceeds from the issuances, including accrued interest on the 5.80 percent notes of approximately $200.8 million, were used to reduce outstanding borrowings under the Company's unsecured facility.

Revolving Credit Facility

In 2004, the Company refinanced its unsecured revolving credit facility. The $600 million unsecured facility, which is expandable to $800 million, currently carries an interest rate equal to LIBOR plus 65 basis points, representing a reduction of five basis points from the previous facility. The credit facility was refinanced for a three-year term with a one-year extension option. The interest rate and facility fee are subject to adjustment, on a sliding scale, based upon the Operating Partnership's unsecured debt ratings.

On September 16, 2005, the Company extended and modified its unsecured facility with a group of 23 lenders (reduced from 27). The facility was extended for an additional two years and now matures in November 2009, with an extension option of one year, which would require a payment of 25 basis points of the then borrowing capacity of the facility upon exercise. In addition, the facility fee was reduced by five basis points to 15 basis points at the current BBB/Baa2 pricing level.

AVAILABLE INFORMATION

The Company's internet website is www.mack-cali.com. The Company makes available free of charge on or through its website its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after it electronically files or furnishes such materials to the Securities and Exchange Commission. In addition, the Company's internet website includes other items related to corporate governance matters, including, among other things, the Company's corporate governance guidelines, charters of various committees of the Board of Directors, and the Company's code of business conduct and ethics applicable to all employees, officers and directors. The Company intends to disclose on its internet website any amendments to or waivers from its code of business conduct and ethics as well as any amendments to its corporate governance principles or the charters of various committees of the Board of Directors. Copies of these documents may be obtained, free of charge, from our internet website. Any shareholder also may obtain copies of these documents, free of charge, by sending a request in writing to: Mack-Cali Investor Relations Department, 11 Commerce Drive,

Cranford, NJ 07016-3501.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

We consider portions of this report, including the documents incorporated by reference, to be forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 21E of such act. Such forward-looking statements relate to, without limitation, our future economic performance, plans and

objectives for future operations and projections of revenue and other financial items. Forward-looking statements can be identified by the use of words such as "may," "will," "plan," "should," "expect," "anticipate," "estimate," "continue" or comparable terminology. Forward-looking statements are inherently subject to risks and uncertainties, many of which we cannot predict with accuracy and some of which we might not even anticipate. Although we believe that the expectations reflected in such forward-looking statements are based upon reasonable assumptions at the time made, we can give no assurance that such expectations will be achieved. Future events and actual results, financial and otherwise, may differ materially from the results discussed in the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements.

Among the factors about which we have made assumptions are:

- changes in the general economic climate and conditions, including those affecting industries in which our principal tenants compete;
- the extent of any tenant bankruptcies or of any early lease terminations;
- our ability to lease or re-lease space at current or anticipated rents;
- changes in the supply of and demand for office, office/flex and industrial/warehouse properties;
- changes in interest rate levels;
- changes in operating costs;
- our ability to obtain adequate insurance, including coverage for terrorist acts;
- the availability of financing;
- changes in governmental regulation, tax rates and similar matters; and
- other risks associated with the development and acquisition of properties, including risks that the development may not be completed on schedule, that the tenants will not take occupancy or pay rent, or that development or operating costs may be greater than anticipated.

For further information on factors which could impact us and the statements contained herein, see Item 1A: Risk Factors. We assume no obligation to update and supplement forward-looking statements that become untrue because of subsequent events.

ITEM 1A. RISK FACTORS

Our results from operations and ability to make distributions on our equity and debt service on our indebtedness may be affected by the risk factors set forth below. All investors should consider the following risk factors before deciding to purchase securities of the Company. The Company refers to itself as "we" or "our" in the following risk factors.

Declines in economic activities in the Northeastern office markets could adversely affect our operating results.

A majority of our revenues are derived from our properties located in the Northeast, particularly in New Jersey, New York, Pennsylvania and Connecticut. Adverse economic developments in this region could adversely impact the operations of our properties and, therefore, our profitability. Because our portfolio consists primarily of office and office/flex buildings (as compared to a more diversified real estate portfolio), a decline in the economy and/or a decline in the demand for office space may adversely affect our ability to make distributions or payments to our investors.

The continued economic downturn in the real estate market has resulted in the relocation of companies and an uncertain economic future for many businesses. We are uncertain how long the current downturn will last. The current economic downturn may also be having a negative economic impact on many industries, including securities, insurance services,

telecommunications and computer systems and other technology, businesses in which many of our tenants are involved. Such economic impact may cause our tenants to have difficulty or be unable to meet their obligations to us.

Our performance is subject to risks associated with the real estate industry.

General: Our business and our ability to make distributions or payments to our investors depend on the ability of our properties to generate funds in excess of operating expenses (including scheduled principal payments on debt and capital expenditure requirements). Events or conditions that are beyond our control may adversely affect our operations and the value of our properties. Such events or conditions could include:

- changes in the general economic climate;
- changes in local conditions such as an oversupply of office space, a reduction in demand for office space, or reductions in office market rental rates;
- decreased attractiveness of our properties to tenants;
- competition from other office and office/flex properties;
- our inability to provide adequate maintenance;

- increased operating costs, including insurance premiums, utilities and real estate taxes, due to inflation and other factors which may not necessarily be offset by increased rents;
- changes in laws and regulations (including tax, environmental, zoning and building codes, and housing laws and regulations) and agency or court interpretations of such laws and regulations and the related costs of compliance;
- changes in interest rate levels and the availability of financing;
- the inability of a significant number of tenants to pay rent;
- our inability to rent office space on favorable terms; and
- civil unrest, earthquakes, acts of terrorism and other natural disasters or acts of God that may result in uninsured losses.

Financially distressed tenants may be unable to pay rent: If a tenant defaults, we may experience delays and incur substantial costs in enforcing our rights as landlord and protecting our investments. If a tenant files for bankruptcy, a potential court judgment rejecting and terminating such tenant's lease could adversely affect our ability to make distributions or payments to our investors.

Renewing leases or re-letting space could be costly: If a tenant does not renew its lease upon expiration or terminates its lease early, we may not be able to re-lease the space. If a tenant does renew its lease or we re-lease the space, the terms of the renewal or new lease, including the cost of required renovations or concessions to the tenant, may be less favorable than the current lease terms which could adversely affect our ability to make distributions or payments to our investors.

Our insurance coverage on our properties may be inadequate: We currently carry comprehensive insurance on all of our properties, including insurance for liability, fire and flood. We cannot guarantee that the limits of our current policies will be sufficient in the event of a catastrophe to our properties. We cannot guarantee that we will be able to renew or duplicate our current insurance coverage in adequate amounts or at reasonable prices. In addition, while our current insurance policies insure us against loss from terrorist acts and toxic mold, in the future insurance companies may no longer offer coverage against these types of losses, or, if offered, these types of insurance may be prohibitively expensive. If any or all of the foregoing should occur, we may not have insurance coverage against certain types of losses and/or there may be decreases in the limits of insurance available. Should an uninsured loss or a loss in excess of our insured limits occur, we could lose all or a portion of the capital we have invested in a property or properties, as well as the anticipated future revenue from the property or properties. Nevertheless, we might remain obligated for any mortgage debt or other financial obligations related to the property or properties. We cannot guarantee that material losses in excess of insurance proceeds will not occur in the future. If any of our properties were to experience a catastrophic loss, it could seriously disrupt our operations, delay revenue and result in large expenses to repair or rebuild the property. Such events could adversely affect our ability to make distributions or payments to our investors.

Illiquidity of real estate limits our ability to act quickly: Real estate investments are relatively illiquid. Such illiquidity may limit our ability to react quickly in response to changes in economic and other conditions. If we want to sell an investment, we might not be able to dispose of that investment in the time period we desire, and the sales price of that

investment might not recoup or exceed the amount of our investment. The prohibition in the Internal Revenue Code of 1986, as amended, and related regulations on a real estate investment trust holding property for sale also may restrict our ability to sell property. In addition, we acquired a significant number of our properties from individuals to whom we issued limited partnership units as part of the purchase price. In connection with the acquisition of these properties, in order to preserve such individual's tax deferral, we contractually agreed not to sell or otherwise transfer the properties for a specified period of time, except in a manner which does not result in recognition of any built-in-gain (which may result in an income tax liability) or which reimburses the appropriate individuals for the tax consequences of the recognition of such built-in-gains. As of December 31, 2005, 56 of our properties, with an aggregate net book value of approximately $1.3 billion, were subject to these restrictions, which expire periodically through 2010. For those properties where such restrictions have lapsed, we are generally required to use commercially reasonable efforts to prevent any sale, transfer or other disposition of the subject properties from resulting in the recognition of built-in gain to the appropriate individuals. 74 of our properties, with an aggregate net book value of approximately $667.7 million, have lapsed restrictions and are subject to these conditions. The above limitations on our ability to sell our investments could adversely affect our ability to make distributions or payments to our investors.

Americans with Disabilities Act compliance could be costly: Under the Americans with Disabilities Act of 1990 ("ADA"), all public accommodations and commercial facilities must meet certain federal requirements related to access and use by disabled persons. Compliance with the ADA requirements could involve removal of structural barriers from certain disabled persons' entrances. Other federal, state and local laws may require modifications to or restrict further renovations of our properties with respect to such accesses. Although we believe that our properties are substantially in compliance with present requirements, noncompliance with the ADA or related laws or regulations could result in the United States government imposing fines or private litigants being awarded damages against us. Such costs may adversely affect our ability to make distributions or payments to our investors.

Environmental problems are possible and may be costly: Various federal, state and local laws and regulations subject property owners or operators to liability 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 or operator was responsible for or even knew of the presence of such substances. The presence of or failure to properly remediate hazardous or toxic substances (such as toxic mold) may adversely affect our ability to rent, sell or borrow against contaminated property and may impose liability upon us for personal injury to persons exposed to such substances. Various laws and regulations also impose liability on persons who arrange for the disposal or treatment of hazardous or toxic substances at another location for the costs of removal or remediation of such substances at the disposal or treatment facility. These laws often impose liability whether or not the person arranging for such disposal ever owned or operated the disposal facility. Certain other environmental laws and regulations impose liability on owners or operators of property for injuries relating to the release of asbestos-containing or other materials into the air, water or otherwise into the environment. As owners and operators of property and as potential arrangers for hazardous substance disposal, we may be liable under such laws and regulations for removal or remediation costs, governmental penalties, property damage, personal injuries and related expenses. Payment of such costs and expenses could adversely affect our ability to make distributions or payments to our investors.

Competition for acquisitions may result in increased prices for properties: We plan to acquire additional properties in New Jersey, New York and Pennsylvania and in the Northeast generally. We may be competing for investment opportunities with entities that have greater financial resources. Several office building developers and real estate companies may compete with us in seeking properties for acquisition, land for development and prospective tenants. Such competition may adversely affect our ability to make distributions or payments to our investors by:

- reducing the number of suitable investment opportunities offered to us;
- increasing the bargaining power of property owners;
- interfering with our ability to attract and retain tenants;
- increasing vacancies which lowers market rental rates and limits our ability to negotiate rental rates; and/or
- adversely affecting our ability to minimize expenses of operation.

Development of real estate could be costly: As part of our operating strategy, we may acquire land for development or

construct on owned land, under certain conditions. Included among the risks of the real estate development business are the following, which may adversely affect our ability to make distributions or payments to our investors:

- financing for development projects may not be available on favorable terms;
- long-term financing may not be available upon completion of construction; and
- failure to complete construction on schedule or within budget may increase debt service expense and construction costs.

Property ownership through joint ventures could subject us to the contrary business objectives of our co-venturers. We, from time to time, invest in joint ventures or partnerships in which we do not hold a controlling interest. These investments involve risks that do not exist with properties in which we own a controlling interest, including the possibility that our co-venturers or partners may, at any time, have business, economic or other objectives that are inconsistent with our objectives. Because we lack a controlling interest, our co-venturers or partners may be in a position to take action contrary to our instructions or requests or contrary to our policies or objectives. While we seek protective rights against such contrary actions, there can be no assurance that we will be successful in procuring any such protective rights, or if procured, that the rights will be sufficient to fully protect us against contrary actions. Our organizational documents do not limit the amount of available funds that we may invest in joint ventures or partnerships. If the objectives of our co-venturers or partners are inconsistent with ours, it may adversely affect our ability to make distributions or payments to our investors.

Debt financing could adversely affect our economic performance.

Scheduled debt payments and refinancing could adversely affect our financial condition. We are subject to the risks normally associated with debt financing. These risks, including the following, may adversely affect our ability to make distributions or payments to our investors:

- our cash flow may be insufficient to meet required payments of principal and interest;
- payments of principal and interest on borrowings may leave us with insufficient cash resources to pay operating expenses;
- we may not be able to refinance indebtedness on our properties at maturity; and
- if refinanced, the terms of refinancing may not be as favorable as the original terms of the related indebtedness.

As of December 31, 2005, we had total outstanding indebtedness of $2.1 billion comprised of $1.4 billion of senior unsecured notes, outstanding borrowings of $227.0 million under our $600.0 million revolving credit facility and approximately $468.7 million of mortgage loans payable and other obligations indebtedness. We may have to refinance the principal due on our current or future indebtedness at maturity, and we may not be able to do so.

If we are unable to refinance our indebtedness on acceptable terms, or at all, events or conditions that may adversely affect our ability to make distributions or payments to our investors include the following:

- we may need to dispose of one or more of our properties upon disadvantageous terms;
- prevailing interest rates or other factors at the time of refinancing could increase interest rates and, therefore, our interest expense;
- if we mortgage property to secure payment of indebtedness and are unable to meet mortgage payments, the mortgagee could foreclose upon such property or appoint a receiver to receive an assignment of our rents and leases; and
- foreclosures upon mortgaged property could create taxable income without accompanying cash proceeds and, therefore, hinder our ability to meet the real estate investment trust distribution requirements of the Internal Revenue Code.

We are obligated to comply with financial covenants in our indebtedness that could restrict our range of operating activities. The mortgages on our properties contain customary negative covenants, including limitations on our ability, without the prior consent of the lender, to further mortgage the property, to enter into new leases outside of stipulated guidelines or to materially modify existing leases. In addition, our credit facility contains customary requirements,

including restrictions and other limitations on our ability to incur debt, debt to assets ratios, secured debt to total assets ratios, interest coverage ratios and minimum ratios of unencumbered assets to unsecured debt. The indentures under which our senior unsecured debt have been issued contain financial and operating covenants including coverage ratios and limitations on our ability to incur secured and unsecured debt. These covenants limit our flexibility in conducting our operations and create a risk of default on our indebtedness if we cannot continue to satisfy them.

Rising interest rates may adversely affect our cash flow. As of December 31, 2005, outstanding borrowings of approximately $227 million under our revolving credit facility bear interest at variable rates. We may incur additional indebtedness in the future that also bears interest at variable rates. Variable rate debt creates higher debt service requirements if market interest rates increase. Higher debt service requirements could adversely affect our ability to make distributions or payments to our investors and/or cause us to default under certain debt covenants.

Our degree of leverage could adversely affect our cash flow. We fund acquisition opportunities and development partially through short-term borrowings (including our revolving credit facility), as well as from proceeds from property sales and undistributed cash. We expect to refinance projects purchased with short-term debt either with long-term indebtedness or equity financing depending upon the economic conditions at the time of refinancing. Our Board of Directors has a general policy of limiting the ratio of our indebtedness to total undepreciated assets (total debt as a percentage of total undepreciated assets) to 50 percent or less, although there is no limit in Mack-Cali Realty, L.P.'s or our organizational documents on the amount of indebtedness that we may incur. However, we have entered into certain financial agreements which contain financial and operating covenants that limit our ability under certain circumstances to incur additional secured and unsecured indebtedness. The Board of Directors could alter or eliminate its current policy on borrowing at any time at its discretion. If this policy were changed, we could become more highly leveraged, resulting in an increase in debt service that could adversely affect our cash flow and our ability to make distributions or payments to our investors and/or could cause an increased risk of default on our obligations.

We are dependent on external sources of capital for future growth. To qualify as a real estate investment trust, we must distribute to our shareholders each year at least 90 percent of our net taxable income, excluding any net capital gain. Because of this distribution requirement, it is not likely that we will be able to fund all future capital needs, including for acquisitions and developments, from income from operations. Therefore, we will have to rely on third-party sources of capital, which may or may not be available on favorable terms or at all. Our access to third-party sources of capital depends on a number of things, including the market's perception of our growth potential and our current and potential future earnings. Moreover, additional equity offerings may result in substantial dilution of our shareholders' interests, and additional debt financing may substantially increase our leverage.

Competition for skilled personnel could increase our labor costs.

We compete with various other companies in attracting and retaining qualified and skilled personnel. We depend on our ability to attract and retain skilled management personnel who are responsible for the day-to-day operations of our company. Competitive pressures may require that we enhance our pay and benefits package to compete effectively for such personnel. We may not be able to offset such added costs by increasing the rates we charge our tenants. If there is an increase in these costs or if we fail to attract and retain qualified and skilled personnel, our business and operating results could be harmed.

We are dependent on our key personnel whose continued service is not guaranteed.

We are dependent upon our executive officers for strategic business direction and real estate experience. While we believe that we could find replacements for these key personnel, loss of their services could adversely affect our operations. We have entered into an employment agreement (including non-competition provisions) which provides for a continuous four-year employment term with each of Mitchell E. Hersh, Barry Lefkowitz and Roger W. Thomas, and a continuous one-year employment term with Michael A. Grossman. We do not have key man life insurance for our executive officers.

Certain provisions of Maryland law and our charter and bylaws as well as our stockholder rights plan could hinder, delay or prevent changes in control.

Certain provisions of Maryland law, our charter and our bylaws, as well as our stockholder rights plan have the effect of discouraging, delaying or preventing transactions that involve an actual or threatened change in control. These provisions include the following:

Classified Board of Directors: Our Board of Directors is divided into three classes with staggered terms of office of three years each. The classification and staggered terms of office of our directors make it more difficult for a third party to gain control of our board of directors. At least two annual meetings of stockholders, instead of one, generally would be required to affect a change in a majority of the board of directors.

Removal of Directors: Under our charter, subject to the rights of one or more classes or series of preferred stock to elect one or more directors, a director may be removed only for cause and only by the affirmative vote of at least two-thirds of all votes entitled to be cast by our stockholders generally in the election of directors. Neither the Maryland General Corporation Law nor our charter define the term "cause." As a result, removal for "cause" is subject to Maryland common law and to judicial interpretation and review in the context of the facts and circumstances of any particular situation.

Number of Directors, Board Vacancies, Term of Office: We have, in our bylaws, elected to be subject to certain provisions of Maryland law which vest in the Board of Directors the exclusive right to determine the number of directors and the exclusive right, by the affirmative vote of a majority of the remaining directors, even if the remaining directors do not constitute a quorum, to fill vacancies on the board. These provisions of Maryland law, which are applicable even if other provisions of Maryland law or the charter or bylaws provide to the contrary, also provide that any director elected to fill a vacancy shall hold office for the remainder of the full term of the class of directors in which the vacancy occurred, rather than the next annual meeting of stockholders as would otherwise be the case, and until his or her successor is elected and qualifies.

Stockholder Requested Special Meetings: Our bylaws provide that our stockholders have the right to call a special meeting only upon the written request of the stockholders entitled to cast not less than a majority of all the votes entitled to be cast by the stockholders at such meeting.

Advance Notice Provisions for Stockholder Nominations and Proposals: Our bylaws require advance written notice for stockholders to nominate persons for election as directors at, or to bring other business before, any meeting of stockholders. This bylaw provision limits the ability of stockholders to make nominations of persons for election as directors or to introduce other proposals unless we are notified in a timely manner prior to the meeting.

Exclusive Authority of the Board to Amend the Bylaws: Our bylaws provide that our board of directors has the exclusive power to adopt, alter or repeal any provision of the bylaws or to make new bylaws. Thus, our stockholders may not effect any changes to our bylaws.

Preferred Stock: Under our charter, our Board of Directors has authority to issue preferred stock from time to time in one or more series and to establish the terms, preferences and rights of any such series of preferred stock, all without approval of our stockholders.

Duties of Directors with Respect to Unsolicited Takeovers: Maryland law provides protection for Maryland corporations against unsolicited takeovers by limiting, among other things, the duties of the directors in unsolicited takeover situations. The duties of directors of Maryland corporations do not require them to (a) accept, recommend or respond to any proposal by a person seeking to acquire control of the corporation, (b) authorize the corporation to redeem any rights under, or modify or render inapplicable, any stockholders rights plan, (c) make a determination under the Maryland Business Combination Act or the Maryland Control Share Acquisition Act, or (d) act or fail to act solely because of the effect of the act or failure to act may have on an acquisition or potential acquisition of control of the corporation or the amount or type of consideration that may be offered or paid to the stockholders in an acquisition. Moreover, under Maryland law the act of a director of a Maryland corporation relating to or affecting an acquisition or potential acquisition of control is not subject to any higher duty or greater scrutiny than is applied to any other act of a director. Maryland law also contains a statutory presumption that an act of a director of a Maryland corporation satisfies the applicable standards of conduct for directors under Maryland law.

Ownership Limit: In order to preserve our status as a real estate investment trust under the Code, our charter generally prohibits any single stockholder, or any group of affiliated stockholders, from beneficially owning more than 9.8 percent of our outstanding capital stock unless our Board of Directors waives or modifies this ownership limit.

Maryland Business Combination Act: The Maryland Business Combination Act provides that unless exempted, a Maryland corporation may not engage in business combinations, including mergers, dispositions of 10 percent or more of its assets, certain issuances of shares of stock and other specified transactions, with an "interested stockholder" or an affiliate of an interested stockholder for five years after the most recent date on which the interested stockholder became an interested stockholder, and thereafter unless specified criteria are met. An interested stockholder is generally a person owning or controlling, directly or indirectly, 10 percent or more of the voting power of the outstanding stock of the Maryland corporation. Our board of directors has exempted from this statute business combinations between the Company and certain affiliated individuals and entities. However, unless our board adopts other exemptions, the provisions of the Maryland Business Combination Act will be applicable to business combinations with other persons.

Maryland Control Share Acquisition Act: Maryland law provides that "control shares" of a corporation acquired in a "control share acquisition" shall have no voting rights except to the extent approved by a vote of two-thirds of the votes eligible to cast on the matter under the Maryland Control Share Acquisition Act. "Control Shares" means shares of stock that, if aggregated with all other shares of stock previously acquired by the acquirer, would entitle the acquirer to exercise voting power in electing directors within one of the following ranges of the voting power: one-tenth or more but less than one-third, one-third or more but less than a majority or a majority or more of all voting power. A "control share acquisition" means the acquisition of control shares, subject to certain exceptions.

If voting rights of control shares acquired in a control share acquisition are not approved at a stockholder's meeting, then subject to certain conditions and limitations, the issuer may redeem any or all of the control shares for fair value. If voting rights of such control shares are approved at a stockholder's meeting and the acquirer becomes entitled to vote a majority of the shares of stock entitled to vote, all other stockholders may exercise appraisal rights. Our bylaws contain a provision exempting from the Maryland Control Share Acquisition Act any acquisitions of shares by certain affiliated individuals and entities, any directors, officers or employees of the Company and any person approved by the board of directors prior to the acquisition by such person of control shares. Any control shares acquired in a control share acquisition which are not exempt under the foregoing provisions of our bylaws will be subject to the Maryland Control Share Acquisition Act.

Stockholder Rights Plan: We have adopted a stockholder rights plan that may discourage any potential acquirer from acquiring more than 15 percent of our outstanding common stock since, upon this type of acquisition without approval of our board of directors, all other common stockholders will have the right to purchase a specified amount of common stock at a substantial discount from market price.

Consequences of failure to qualify as a real estate investment trust could adversely affect our financial condition.

Failure to maintain ownership limits could cause us to lose our qualification as a real estate investment trust: In order for us to maintain our qualification as a real estate investment trust, not more than 50 percent in value of our outstanding stock may be actually and/or constructively owned by five or fewer individuals (as defined in the Internal Revenue Code to include certain entities). We have limited the ownership of our outstanding shares of our common stock by any single stockholder to 9.8 percent of the outstanding shares of our common stock. Our Board of Directors could waive this restriction if they were satisfied, based upon the advice of tax counsel or otherwise, that such action would be in our best interests and would not affect our qualifications as a real estate investment trust. Common stock acquired or transferred in breach of the limitation may be redeemed by us for the lesser of the price paid and the average closing price for the 10 trading days immediately preceding redemption or sold at the direction of us. We may elect to redeem such shares of common stock for limited partnership units, which are nontransferable except in very limited circumstances. Any transfer of shares of common stock which, as a result of such transfer, causes us to be in violation of any ownership limit will be deemed void. Although we currently intend to continue to operate in a manner which will enable us to continue to qualify as a real estate investment trust, it is possible that future economic, market, legal, tax or other considerations may cause our Board of Directors to revoke the election for us to qualify as a real estate investment trust. Under our organizational documents, our Board of Directors can make such revocation without the consent of our stockholders.

In addition, the consent of the holders of at least 85 percent of Mack-Cali Realty, L.P.'s partnership units is required: (i) to merge (or permit the merger of) us with another unrelated person, pursuant to a transaction in which Mack-Cali Realty, L.P. is not the surviving entity; (ii) to dissolve, liquidate or wind up Mack-Cali Realty, L.P.; or (iii) to convey or otherwise transfer all or substantially all of Mack-Cali Realty, L.P.'s assets. As of February 17, 2006, as general partner,

we own approximately 82.0 percent of Mack-Cali Realty, L.P.'s outstanding partnership units.

Tax liabilities as a consequence of failure to qualify as a real estate investment trust: We have elected to be treated and have operated so as to qualify as a real estate investment trust for federal income tax purposes since our taxable year ended December 31, 1994. Although we believe we will continue to operate in such manner, we cannot guarantee that we will do so. Qualification as a real estate investment trust involves the satisfaction of various requirements (some on an annual and some on a quarterly basis) established under highly technical and complex tax provisions of the Internal Revenue Code. Because few judicial or administrative interpretations of such provisions exist and qualification determinations are fact sensitive, we cannot assure you that we will qualify as a real estate investment trust for any taxable year.

If we fail to qualify as a real estate investment trust in any taxable year, we will be subject to the following:

- we will not be allowed a deduction for dividends paid to shareholders;
- we will be subject to federal income tax at regular corporate rates, including any alternative minimum tax, if applicable; and
- unless we are entitled to relief under certain statutory provisions, we will not be permitted to qualify as a real estate investment trust for the four taxable years following the year during which we were disqualified.

A loss of our status as a real estate investment trust could have an adverse effect on us. Failure to qualify as a real estate investment trust also would eliminate the requirement that we pay dividends to our stockholders.

Other tax liabilities: Even if we qualify as a real estate investment trust, we are subject to certain federal, state and local taxes on our income and property and, in some circumstances, certain other state and local taxes. In addition, our taxable REIT subsidiaries will be subject to federal, state and local income tax for income received in connection with certain non-customary services performed for tenants and/or third parties.

Risk of changes in the tax law applicable to real estate investment trusts: Since the Internal Revenue Service, the United States Treasury Department and Congress frequently review federal income tax legislation, we cannot predict whether, when or to what extent new federal tax laws, regulations, interpretations or rulings will be adopted. Any of such legislative action may prospectively or retroactively modify our and Mack-Cali Realty, L.P.'s tax treatment and, therefore, may adversely affect taxation of us, Mack-Cali Realty, L.P., and/or our investors.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

PROPERTY LIST

As of December 31, 2005, the Company's Consolidated Properties consisted of 263 in-service office, office/flex and industrial/warehouse properties, as well as two stand-alone retail properties and two land leases. The Consolidated Properties are located primarily in the Northeast. The Consolidated Properties are easily accessible from major thoroughfares and are in close proximity to numerous amenities. The Consolidated Properties contain a total of approximately 29.5 million square feet, with the individual properties ranging from 6,216 to 1,246,283 square feet. The Consolidated Properties, managed by on-site employees, generally have attractively landscaped sites and atriums in addition to quality design and construction. 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.

Office Properties

Property Location	Year Built	Net Rentable Area (Sq. Ft.)	Percentage Leased as of 12/31/05 (%) (a)	2005 Base Rent ($000's) (b) (c)	2005 Effective Rent ($000's) (c) (d)	Percentage of Total 2005 Base Rent (%)	2005 Average Base Rent Per Sq. Ft. ($) (c) (e)	2005 Average Effective Rent Per Sq. Ft. ($) (c) (f)
NEW JERSEY								
Atlantic County								
Egg Harbor								
100 Decadon Drive	1987	40,422	100.0	951	857	0.18	23.53	21.20
200 Decadon Drive	1991	39,922	100.0	923	801	0.17	23.12	20.06
Bergen County								
Fair Lawn								
17-17 Route 208 North	1987	143,000	100.0	3,449	2,945	0.64	24.12	20.59
Fort Lee								
One Bridge Plaza	1981	200,000	92.2	4,778	4,384	0.88	25.91	23.77
2115 Linwood Avenue	1981	68,000	82.6	1,297	954	0.24	23.09	16.98
Little Ferry								
200 Riser Road	1974	286,628	100.0	1,907	1,742	0.35	6.65	6.08
Montvale								
95 Chestnut Ridge Road	1975	47,700	100.0	796	729	0.15	16.69	15.28
135 Chestnut Ridge Road	1981	66,150	92.1	1,535	1,242	0.28	25.20	20.39
Paramus								
15 East Midland Avenue	1988	259,823	100.0	6,201	6,122	1.14	23.87	23.56
140 East Ridgewood Avenue	1981	239,680	90.4	4,625	3,923	0.85	21.35	18.11
461 From Road	1988	253,554	98.6	6,064	6,045	1.12	24.26	24.18
650 From Road	1978	348,510	99.1	8,114	7,182	1.50	23.49	20.79
61 South Paramus Avenue	1985	269,191	93.3	6,609	5,998	1.22	26.31	23.88
Rochelle Park								
120 Passaic Street	1972	52,000	99.6	1,398	1,318	0.26	26.99	25.45
365 West Passaic Street	1976	212,578	94.5	4,062	3,531	0.75	20.22	17.58
Upper Saddle River								
1 Lake Street	1973/94	474,801	100.0	7,465	7,465	1.38	15.72	15.72
10 Mountainview Road	1986	192,000	100.0	4,032	3,758	0.74	21.00	19.57
Woodcliff Lake								
400 Chestnut Ridge Road	1982	89,200	100.0	1,950	1,456	0.36	21.86	16.32
470 Chestnut Ridge Road	1987	52,500	100.0	1,192	1,192	0.22	22.70	22.70
530 Chestnut Ridge Road	1986	57,204	100.0	1,166	1,166	0.22	20.38	20.38
50 Tice Boulevard	1984	235,000	100.0	6,041	5,432	1.12	25.71	23.11
300 Tice Boulevard	1991	230,000	100.0	6,099	5,343	1.13	26.52	23.23
Burlington County								
Moorestown								
224 Strawbridge Drive	1984	74,000	85.4	1,371	1,252	0.25	21.69	19.81
228 Strawbridge Drive	1984	74,000	100.0	1,043	896	0.19	14.09	12.11
232 Strawbridge Drive	1986	74,258	98.8	1,131	1,127	0.21	15.42	15.36
Essex County								
Millburn								
150 J.F. Kennedy Parkway	1980	247,476	100.0	7,009	6,079	1.29	28.32	24.56

Property Location	Year Built	Net Rentable Area (Sq. Ft.)	Percentage Leased as of 12/31/05 (%) (a)	2005 Base Rent ($000's) (b) (c)	2005 Effective Rent ($000's) (c) (d)	Percentage of Total 2005 Base Rent (%)	2005 Average Base Rent Per Sq. Ft. ($) (c) (e)	2005 Average Effective Rent Per Sq. Ft. ($) (c) (f)
Roseland								
101 Eisenhower Parkway	1980	237,000	94.8	5,395	4,953	1.00	24.01	22.05
103 Eisenhower Parkway	1985	151,545	82.2	3,054	2,608	0.56	24.52	20.94
105 Eisenhower Parkway	2001	220,000	71.6	3,848	2,927	0.71	24.43	18.58
Hudson County								
Jersey City								
Harborside Financial Center Plaza 1	1983	400,000	44.8	2,609	2,403	0.48	14.56	13.41
Harborside Financial Center Plaza 2	1990	761,200	100.0	18,577	17,518	3.43	24.40	23.01
Harborside Financial Center Plaza 3	1990	725,600	100.0	17,045	16,035	3.15	23.49	22.10
Harborside Financial Center Plaza 4-A	2000	207,670	97.5	6,659	5,834	1.23	32.89	28.81
Harborside Financial Center Plaza 5	2002	977,225	94.7	30,183	25,832	5.58	32.62	27.91
101 Hudson Street (g)	1992	1,246,283	99.5	23,254	20,084	4.29	22.44	19.38
Mercer County								
Hamilton Township								
600 Horizon Drive	2002	95,000	100.0	1,373	1,373	0.25	14.45	14.45
Princeton								
103 Carnegie Center	1984	96,000	100.0	1,983	1,818	0.37	20.66	18.94
100 Overlook Center	1988	149,600	100.0	4,102	3,607	0.76	27.42	24.11
5 Vaughn Drive	1987	98,500	94.0	2,339	2,080	0.43	25.26	22.46
Middlesex County								
East Brunswick								
377 Summerhill Road	1977	40,000	100.0	363	357	0.07	9.08	8.93
Piscataway								
30 Knightsbridge Road, Bldg 3	1977	160,000	100.0	2,464	2,464	0.45	15.40	15.40
30 Knightsbridge Road, Bldg 4	1977	115,000	100.0	1,771	1,771	0.33	15.40	15.40
30 Knightsbridge Road, Bldg 5	1977	332,607	43.6	169	166	0.03	1.17	1.14
30 Knightsbridge Road, Bldg 6	1977	72,743	47.2	30	30	0.01	0.87	0.87

Plainsboro								
500 College Road East	1984	158,235	100.0	4,365	4,187	0.81	27.59	26.46
South Brunswick								
3 Independence Way	1983	111,300	38.8	414	377	0.08	9.59	8.73
Woodbridge								
581 Main Street	1991	200,000	100.0	4,924	4,667	0.91	24.62	23.34
Monmouth County								
Freehold								
2 Paragon Way (g)	1989	44,524	86.9	336	263	0.06	18.32	14.34
3 Paragon Way (g)	1991	66,898	69.3	288	258	0.05	13.11	11.74
4 Paragon Way (g)	2002	63,989	100.0	545	411	0.10	17.97	13.55
100 Willbowbrook (g)	1988	60,557	73.6	390	345	0.07	18.46	16.33
Holmdel								
23 Main Street (g)	1977	350,000	100.0	3,782	3,610	0.70	14.19	13.54

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Middletown								
One River Center Bldg 1	1983	122,594	89.2	2,099	1,950	0.39	19.19	17.83
One River Center Bldg 2	1983	120,360	100.0	2,769	2,736	0.51	23.01	22.73
One River Center Bldg 3	1984	214,518	94.7	4,362	4,311	0.81	21.47	21.22
Neptune								
3600 Route 66	1989	180,000	100.0	2,400	2,171	0.44	13.33	12.06
Wall Township								
1305 Campus Parkway	1988	23,350	92.4	361	337	0.07	16.73	15.62
1350 Campus Parkway	1990	79,747	99.9	1,599	1,454	0.30	20.07	18.25
Morris County								
Florham Park								
325 Columbia Turnpike	1987	168,144	99.4	3,972	3,634	0.73	23.77	21.74
Morris Plains								
250 Johnson Road	1977	75,000	100.0	1,587	1,473	0.29	21.16	19.64
201 Littleton Road	1979	88,369	88.9	1,783	1,582	0.33	22.70	20.14
Morris Township								
412 Mt. Kemble Avenue	1986	475,100	—	2,984	2,984	0.55	—	—
Parsippany								
4 Campus Drive	1983	147,475	91.1	3,482	3,282	0.64	25.92	24.43
6 Campus Drive	1983	148,291	67.9	2,038	1,696	0.38	20.24	16.84
7 Campus Drive	1982	154,395	100.0	2,037	1,924	0.38	13.19	12.46
8 Campus Drive	1987	215,265	100.0	6,282	5,588	1.16	29.18	25.96
9 Campus Drive	1983	156,495	92.5	3,659	3,142	0.68	25.28	21.71
4 Century Drive	1981	100,036	68.2	1,163	1,163	0.21	17.05	17.05
5 Century Drive	1981	79,739	97.3	2,073	2,073	0.38	26.72	26.72
6 Century Drive	1981	100,036	3.0	125	125	0.02	41.65	41.65
2 Dryden Way	1990	6,216	100.0	108	108	0.02	17.37	17.37
4 Gatehall Drive	1988	248,480	78.8	4,895	4,416	0.90	25.00	22.55
2 Hilton Court	1991	181,592	100.0	5,019	4,518	0.93	27.64	24.88
1633 Littleton Road	1978	57,722	100.0	1,131	1,131	0.21	19.59	19.59
600 Parsippany Road	1978	96,000	65.7	1,179	982	0.22	18.69	15.57
1 Sylvan Way	1989	150,557	100.0	3,502	3,106	0.65	23.26	20.63
5 Sylvan Way	1989	151,383	98.0	3,683	3,403	0.68	24.83	22.94
7 Sylvan Way	1987	145,983	100.0	2,927	2,509	0.54	20.05	17.19
5 Wood Hollow Road	1979	317,040	88.1	4,274	4,167	0.79	15.30	14.92
Passaic County								
Clifton								
777 Passaic Avenue	1983	75,000	100.0	1,532	1,338	0.28	20.43	17.84
Totowa								
999 Riverview Drive	1988	56,066	100.0	880	797	0.16	15.70	14.22
Somerset County								
Basking Ridge								
222 Mt. Airy Road	1986	49,000	60.7	597	466	0.11	20.07	15.67
233 Mt. Airy Road	1987	66,000	100.0	1,315	1,103	0.24	19.92	16.71

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Bernards								
106 Allen Road	2000	132,010	93.2	2,714	2,066	0.50	22.06	16.79
Bridgewater								
721 Route 202/206	1989	192,741	87.8	3,923	3,792	0.72	23.18	22.41
Union County								
Clark								

100 Walnut Avenue	1985	182,555	99.5	4,551	3,996	0.84	25.05	22.00
Cranford								
6 Commerce Drive	1973	56,000	100.0	1,234	1,116	0.23	22.04	19.93
11 Commerce Drive (c)	1981	90,000	97.1	1,242	1,068	0.23	14.21	12.22
12 Commerce Drive	1967	72,260	95.1	873	700	0.16	12.70	10.19
14 Commerce Drive	1971	67,189	100.0	1,341	1,335	0.25	19.96	19.87
20 Commerce Drive	1990	176,600	98.4	3,522	3,191	0.65	20.27	18.36
25 Commerce Drive	1971	67,749	100.0	1,395	1,319	0.26	20.59	19.47
65 Jackson Drive	1984	82,778	100.0	1,948	1,729	0.36	23.53	20.89
New Providence								
890 Mountain Avenue	1977	80,000	89.6	1,830	1,721	0.34	25.53	24.01
Total New Jersey Office		**16,918,908**	**89.7**	**331,860**	**300,619**	**61.29**	**22.36**	**20.24**
NEW YORK								
Dutchess County								
Fishkill								
300 Westage Business Center Drive	1987	118,727	82.1	2,134	1,822	0.39	21.89	18.69
Rockland County								
Suffern								
400 Rella Boulevard	1988	180,000	100.0	4,209	3,656	0.78	23.38	20.31
Westchester County								
Elmsford								
100 Clearbrook Road (c)	1975	60,000	99.5	1,135	1,046	0.21	19.01	17.52
101 Executive Boulevard	1971	50,000	45.3	678	611	0.13	29.93	26.98
555 Taxter Road	1986	170,554	100.0	3,897	3,321	0.72	22.85	19.47
565 Taxter Road	1988	170,554	92.8	3,836	3,491	0.71	24.24	22.06
570 Taxter Road	1972	75,000	100.0	1,800	1,635	0.33	24.00	21.80
Hawthorne								
1 Skyline Drive	1980	20,400	99.0	392	369	0.07	19.41	18.27
2 Skyline Drive	1987	30,000	87.9	424	364	0.08	16.08	13.80
7 Skyline Drive	1987	109,000	100.0	2,421	2,239	0.45	22.21	20.54
17 Skyline Drive	1989	85,000	100.0	1,360	1,335	0.25	16.00	15.71
19 Skyline Drive	1982	248,400	100.0	4,471	4,174	0.83	18.00	16.80

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Tarrytown								
200 White Plains Road	1982	89,000	94.7	1,935	1,770	0.36	22.96	21.00
220 White Plains Road	1984	89,000	88.0	1,929	1,774	0.36	24.63	22.65
White Plains								
1 Barker Avenue	1975	68,000	97.3	1,773	1,650	0.33	26.80	24.94
3 Barker Avenue	1983	65,300	100.0	1,747	1,583	0.32	26.75	24.24
50 Main Street	1985	309,000	99.5	8,999	7,926	1.67	29.27	25.78
11 Martine Avenue	1987	180,000	95.9	4,822	4,260	0.89	27.93	24.68
1 Water Street	1979	45,700	86.0	1,025	911	0.19	26.08	23.18
Yonkers								
1 Executive Boulevard	1982	112,000	98.0	2,776	2,479	0.51	25.29	22.59
3 Executive Plaza	1987	58,000	100.0	1,460	1,269	0.27	25.17	21.88
Total New York Office		**2,333,635**	**95.7**	**53,223**	**47,685**	**9.85**	**23.83**	**21.35**
PENNSYLVANIA								
Chester County								
Berwyn								
1000 Westlakes Drive	1989	60,696	95.7	1,563	1,496	0.29	26.91	25.75
1055 Westlakes Drive	1990	118,487	96.8	2,741	2,264	0.51	23.90	19.74
1205 Westlakes Drive	1988	130,265	58.8	2,804	2,573	0.52	36.61	33.59
1235 Westlakes Drive	1986	134,902	91.3	2,648	2,341	0.49	21.50	19.01
Delaware County								
Lester								
100 Stevens Drive	1986	95,000	100.0	2,551	2,356	0.47	26.85	24.80
200 Stevens Drive	1987	208,000	100.0	5,598	5,251	1.03	26.91	25.25
300 Stevens Drive	1992	68,000	100.0	1,087	915	0.20	15.99	13.46
Media								
1400 Providence Road - Center I	1986	100,000	84.8	1,911	1,723	0.35	22.54	20.32
1400 Providence Road - Center II	1990	160,000	97.6	3,488	3,072	0.64	22.34	19.67
Montgomery County								
Bala Cynwyd								
150 Monument Road	1981	125,783	70.0	2,118	2,110	0.39	24.06	23.96
Blue Bell								
4 Sentry Parkway	1982	63,930	94.1	1,373	1,370	0.25	22.82	22.77
16 Sentry Parkway	1988	93,093	100.0	2,408	2,347	0.44	25.87	25.21
18 Sentry Parkway	1988	95,010	97.6	2,176	2,121	0.40	23.47	22.87
King of Prussia								
2200 Renaissance Boulevard	1985	174,124	91.1	3,501	3,252	0.65	22.07	20.50
Lower Providence								
1000 Madison Avenue	1990	100,700	36.0	698	580	0.13	19.25	16.00
Plymouth Meeting								
1150 Plymouth Meeting Mall	1970	167,748	100.0	2,960	2,514	0.55	17.65	14.99

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Five Sentry Parkway East	1984	91,600	100.0	1,952	1,896	0.36	21.31	20.70
Five Sentry Parkway West	1984	38,400	69.8	709	691	0.13	26.45	25.78
Total Pennsylvania Office		**2,025,738**	**88.8**	**42,286**	**38,872**	**7.80**	**23.50**	**21.60**
CONNECTICUT								
Fairfield County								
Greenwich								
500 West Putnam Avenue	1973	121,250	99.1	3,347	3,125	0.62	27.85	26.01
Norwalk								
40 Richards Avenue	1985	145,487	69.9	2,429	2,107	0.45	23.89	20.72
Shelton								
1000 Bridgeport Avenue	1986	133,000	88.1	2,069	1,681	0.38	17.66	14.35
Stamford								
1266 East Main Street	1984	179,260	70.3	3,752	3,622	0.69	29.77	28.74
Total Connecticut Office		**578,997**	**80.3**	**11,597**	**10,535**	**2.14**	**24.94**	**22.65**
DISTRICT OF COLUMBIA								
Washington								
1201 Connecticut Avenue, NW	1940	169,549	86.2	5,219	4,930	0.96	35.71	33.73
1400 L Street, NW	1987	159,000	87.3	3,347	3,182	0.62	24.11	22.92
Total District of Columbia Office		**328,549**	**86.7**	**8,566**	**8,112**	**1.58**	**30.06**	**28.47**
MARYLAND								
Prince George's County								
Lanham								
4200 Parliament Place	1989	122,000	93.7	2,767	2,562	0.51	24.21	22.41
Total Maryland Office		**122,000**	**93.7**	**2,767**	**2,562**	**0.51**	**24.21**	**22.41**
COLORADO								
Arapahoe County								
Denver								
400 South Colorado Boulevard	1983	125,415	87.9	1,710	1,379	0.32	15.51	12.51
Englewood								
9359 East Nichols Avenue	1997	72,610	100.0	779	642	0.14	10.73	8.84
5350 South Roslyn Street	1982	63,754	100.0	1,036	864	0.19	16.25	13.55

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Boulder County								
Broomfield								
105 South Technology Drive	1997	37,574	81.1	202	82	0.04	6.63	2.69
303 South Technology Drive-A	1997	34,454	100.0	270	193	0.05	7.84	5.60
303 South Technology Drive-B	1997	40,416	100.0	316	225	0.06	7.82	5.57
Louisville								
248 Centennial Parkway	1996	39,266	100.0	305	168	0.06	7.77	4.28
1172 Century Drive	1996	49,566	100.0	384	211	0.07	7.75	4.26
285 Century Place	1997	69,145	100.0	761	711	0.14	11.01	10.28
Denver County								
Denver								
8181 East Tufts Avenue	2001	185,254	98.6	4,256	3,592	0.79	23.30	19.66
Douglas County								
Centennial								
5975 South Quebec Street (c)	1996	102,877	94.7	1,271	855	0.23	13.05	8.78
Englewood								
67 Inverness Drive East	1996	54,280	100.0	338	200	0.06	6.23	3.68
384 Inverness Parkway	1985	51,523	97.5	694	597	0.13	13.82	11.88
400 Inverness Parkway	1997	111,608	98.3	1,631	1,299	0.30	14.87	11.84
9777 Pyramid Court	1995	120,281	95.1	1,489	1,149	0.27	13.02	10.04
El Paso County								

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Colorado Springs								
8415 Explorer	1998	47,368	97.1	547	511	0.10	11.89	11.11
1975 Research Parkway	1997	115,250	98.7	1,151	760	0.21	10.12	6.68
2375 Telstar Drive	1998	47,369	100.0	548	510	0.10	11.57	10.77
Jefferson County								
Lakewood								
141 Union Boulevard	1985	63,600	96.3	1,155	998	0.21	18.86	16.29
Total Colorado Office		**1,431,610**	**96.9**	**18,843**	**14,946**	**3.47**	**13.59**	**10.78**
CALIFORNIA								
San Francisco County								
San Francisco								
795 Folsom Street	1977	183,445	85.3	4,358	3,455	0.80	27.85	22.08
760 Market Street	1908	267,446	78.5	7,397	6,936	1.37	35.23	33.04
Total California Office		**450,891**	**81.3**	**11,755**	**10,391**	**2.17**	**32.08**	**28.36**
TOTAL OFFICE PROPERTIES		**24,190,328**	**90.2**	**480,897**	**433,722**	**88.81**	**22.38**	**20.17**

Office/Flex Properties

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NEW JERSEY								
Burlington County								
Burlington								
3 Terri Lane	1991	64,500	82.5	459	374	0.08	8.63	7.03
5 Terri Lane	1992	74,555	91.7	598	418	0.11	8.75	6.11
Moorestown								
2 Commerce Drive	1986	49,000	76.3	256	231	0.05	6.85	6.18
101 Commerce Drive	1988	64,700	100.0	275	249	0.05	4.25	3.85
102 Commerce Drive	1987	38,400	87.5	175	146	0.03	5.21	4.35
201 Commerce Drive	1986	38,400	75.0	157	107	0.03	5.45	3.72
202 Commerce Drive	1988	51,200	100.0	303	233	0.06	5.92	4.55
1 Executive Drive	1989	20,570	81.1	156	100	0.03	9.35	5.99
2 Executive Drive	1988	60,800	73.3	339	290	0.06	7.61	6.51
101 Executive Drive	1990	29,355	90.5	269	251	0.05	10.13	9.45
102 Executive Drive	1990	64,000	100.0	399	358	0.07	6.23	5.59
225 Executive Drive	1990	50,600	100.0	378	330	0.07	7.47	6.52
97 Foster Road	1982	43,200	75.5	199	182	0.04	6.10	5.58
1507 Lancer Drive	1995	32,700	100.0	55	52	0.01	1.68	1.59
1510 Lancer Drive	1998	88,000	100.0	413	413	0.08	4.69	4.69
1245 North Church Street	1998	52,810	100.0	397	383	0.07	7.52	7.25
1247 North Church Street	1998	52,790	100.0	350	337	0.06	6.63	6.38
1256 North Church Street	1984	63,495	100.0	415	357	0.08	6.54	5.62
840 North Lenola Road	1995	38,300	100.0	326	270	0.06	8.51	7.05
844 North Lenola Road	1995	28,670	100.0	143	95	0.03	4.99	3.31
915 North Lenola Road	1998	52,488	100.0	296	224	0.05	5.64	4.27
2 Twosome Drive	2000	48,600	100.0	391	391	0.07	8.05	8.05
30 Twosome Drive	1997	39,675	75.8	191	173	0.04	6.35	5.75
31 Twosome Drive	1998	84,200	100.0	452	452	0.08	5.37	5.37
40 Twosome Drive	1996	40,265	86.1	261	207	0.05	7.53	5.97
41 Twosome Drive	1998	43,050	91.6	218	214	0.04	5.53	5.43
50 Twosome Drive	1997	34,075	100.0	265	249	0.05	7.78	7.31
Gloucester County								
West Deptford								
1451 Metropolitan Drive	1996	21,600	100.0	148	148	0.03	6.85	6.85
Mercer County								
Hamilton Township								
100 Horizon Center Boulevard	1989	13,275	100.0	188	150	0.03	14.16	11.30
200 Horizon Drive	1991	45,770	100.0	591	537	0.11	12.91	11.73
300 Horizon Drive	1989	69,780	95.7	1,116	981	0.21	16.71	14.69
500 Horizon Drive	1990	41,205	100.0	610	577	0.11	14.80	14.00

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Monmouth County								
Wall Township								
1325 Campus Parkway	1988	35,000	100.0	495	256	0.09	14.14	7.31
1340 Campus Parkway	1992	72,502	100.0	613	484	0.11	8.45	6.68
1345 Campus Parkway	1995	76,300	100.0	825	633	0.15	10.81	8.30
1433 Highway 34	1985	69,020	59.3	578	499	0.11	14.12	12.19
1320 Wyckoff Avenue	1986	20,336	100.0	178	168	0.03	8.75	8.26
1324 Wyckoff Avenue	1987	21,168	100.0	221	191	0.04	10.44	9.02
Passaic County								
Totowa								
1 Center Court	1999	38,961	100.0	534	415	0.10	13.71	10.65
2 Center Court	1998	30,600	55.5	267	220	0.05	15.72	12.95
11 Commerce Way	1989	47,025	100.0	547	487	0.10	11.63	10.36
20 Commerce Way	1992	42,540	85.9	473	460	0.09	12.94	12.59
29 Commerce Way	1990	48,930	100.0	659	535	0.12	13.47	10.93
40 Commerce Way	1987	50,576	100.0	684	640	0.13	13.52	12.65
45 Commerce Way	1992	51,207	64.5	302	252	0.06	9.14	7.63
60 Commerce Way	1988	50,333	100.0	645	562	0.12	12.81	11.17
80 Commerce Way	1996	22,500	88.7	303	268	0.06	15.18	13.43
100 Commerce Way	1996	24,600	100.0	331	293	0.06	13.46	11.91
120 Commerce Way	1994	9,024	100.0	109	103	0.02	12.08	11.41
140 Commerce Way	1994	26,881	99.5	324	307	0.06	12.11	11.48
Total New Jersey Office/Flex		**2,277,531**	**92.7**	**18,877**	**16,252**	**3.49**	**8.95**	**7.70**
NEW YORK								
Westchester County								
Elmsford								
11 Clearbrook Road	1974	31,800	100.0	441	420	0.08	13.87	13.21
75 Clearbrook Road	1990	32,720	100.0	730	730	0.13	22.31	22.31
125 Clearbrook Road	2002	33,000	100.0	712	592	0.13	21.58	17.94
150 Clearbrook Road	1975	74,900	84.9	893	829	0.16	14.04	13.04
175 Clearbrook Road	1973	98,900	100.0	1,559	1,425	0.29	15.76	14.41
200 Clearbrook Road	1974	94,000	99.8	1,221	1,120	0.23	13.02	11.94
250 Clearbrook Road	1973	155,000	97.3	1,380	1,250	0.25	9.15	8.29
50 Executive Boulevard	1969	45,200	95.2	405	389	0.07	9.41	9.04
77 Executive Boulevard	1977	13,000	100.0	220	208	0.04	16.92	16.00
85 Executive Boulevard	1968	31,000	50.4	243	230	0.04	15.55	14.72
300 Executive Boulevard	1970	60,000	100.0	581	550	0.11	9.68	9.17
350 Executive Boulevard	1970	15,400	98.8	296	272	0.05	19.45	17.88
399 Executive Boulevard	1962	80,000	100.0	1,024	997	0.19	12.80	12.46
400 Executive Boulevard	1970	42,200	100.0	771	688	0.14	18.27	16.30
500 Executive Boulevard	1970	41,600	100.0	684	622	0.13	16.44	14.95

Property Location	Year Built	Net Rentable Area (Sq. Ft.)	Percentage Leased as of 12/31/05 (%) (a)	2005 Base Rent ($000's) (b) (c)	2005 Effective Rent ($000's) (c) (d)	Percentage of Total 2005 Base Rent (%)	2005 Average Base Rent Per Sq. Ft. ($) (c) (e)	2005 Average Effective Rent Per Sq. Ft. ($) (c) (f)
525 Executive Boulevard	1972	61,700	83.6	811	722	0.15	15.72	14.00
1 Westchester Plaza	1967	25,000	100.0	327	312	0.06	13.08	12.48
2 Westchester Plaza	1968	25,000	100.0	492	483	0.09	19.68	19.32
3 Westchester Plaza	1969	93,500	100.0	730	636	0.13	7.81	6.80
4 Westchester Plaza	1969	44,700	99.8	643	597	0.12	14.41	13.38
5 Westchester Plaza	1969	20,000	100.0	327	289	0.06	16.35	14.45
6 Westchester Plaza	1968	20,000	100.0	326	304	0.06	16.30	15.20
7 Westchester Plaza	1972	46,200	100.0	721	708	0.13	15.61	15.32
8 Westchester Plaza	1971	67,200	100.0	904	815	0.17	13.45	12.13
Hawthorne								
200 Saw Mill River Road	1965	51,100	88.8	607	553	0.11	13.38	12.19
4 Skyline Drive	1987	80,600	92.2	1,378	1,245	0.25	18.54	16.75
5 Skyline Drive	1980	124,022	100.0	1,580	1,531	0.30	12.74	12.34
6 Skyline Drive	1980	44,155	100.0	394	394	0.07	8.92	8.92
8 Skyline Drive	1985	50,000	98.7	897	349	0.17	18.18	7.07
10 Skyline Drive	1985	20,000	49.4	164	157	0.03	16.60	15.89
11 Skyline Drive	1989	45,000	100.0	803	760	0.15	17.84	16.89
12 Skyline Drive	1999	46,850	85.1	600	371	0.11	15.05	9.31
15 Skyline Drive	1989	55,000	54.7	862	806	0.16	28.65	26.79
Yonkers								
100 Corporate Boulevard	1987	78,000	98.2	1,493	1,405	0.28	19.49	18.34
200 Corporate Boulevard South	1990	84,000	99.8	1,370	1,340	0.25	16.34	15.98
4 Executive Plaza	1986	80,000	99.0	1,036	861	0.19	13.08	10.87
6 Executive Plaza	1987	80,000	98.0	1,174	1,118	0.22	14.97	14.26
1 Odell Plaza	1980	106,000	99.9	1,470	1,378	0.27	13.88	13.01
3 Odell Plaza	1984	71,065	100.0	1,597	1,481	0.29	22.47	20.84
5 Odell Plaza	1983	38,400	99.6	656	609	0.12	17.15	15.92
7 Odell Plaza	1984	42,600	99.6	714	686	0.13	16.83	16.17
Total New York Office/Flex		**2,348,812**	**95.6**	**33,236**	**30,232**	**6.11**	**14.80**	**13.46**
CONNECTICUT								
Fairfield County								
Stamford								
419 West Avenue	1986	88,000	100.0	1,161	992	0.21	13.19	11.27
500 West Avenue	1988	25,000	100.0	463	419	0.09	18.52	16.76
550 West Avenue	1990	54,000	100.0	884	879	0.16	16.37	16.28
600 West Avenue	1999	66,000	100.0	804	767	0.15	12.18	11.62
650 West Avenue	1998	40,000	100.0	555	424	0.10	13.88	10.60
Total Connecticut Office/Flex		**273,000**	**100.0**	**3,867**	**3,481**	**0.71**	**14.16**	**12.75**

TOTAL OFFICE/FLEX PROPERTIES		4,899,343	94.5	55,980	49,965	10.31	12.09	10.79

Industrial/Warehouse, Retail and Land Lease Properties

Property Location	Year Built	Net Rentable Area (Sq. Ft.)	Percentage Leased as of 12/31/05 (%) (a)	2005 Base Rent ($000's) (b) (c)	2005 Effective Rent ($000's) (c) (d)	Percentage of Total 2005 Base Rent (%)	2005 Average Base Rent Per Sq. Ft. ($) (c) (e)	2005 Average Effective Rent Per Sq. Ft. ($) (c) (f)
NEW YORK								
Westchester County								
Elmsford								
1 Warehouse Lane	1957	6,600	100.0	81	79	0.01	12.27	11.97
2 Warehouse Lane	1957	10,900	100.0	166	138	0.03	15.23	12.66
3 Warehouse Lane	1957	77,200	100.0	324	293	0.06	4.20	3.80
4 Warehouse Lane	1957	195,500	96.7	2,166	1,963	0.40	11.46	10.38
5 Warehouse Lane	1957	75,100	97.1	989	887	0.18	13.56	12.16
6 Warehouse Lane	1982	22,100	100.0	512	508	0.09	23.17	22.99
Total Industrial/Warehouse Properties		**387,400**	**97.8**	**4,238**	**3,868**	**0.77**	**11.19**	**10.21**
Westchester County								
Tarrytown								
230 White Plains Road	1984	9,300	100.0	195	183	0.04	20.97	19.68
Yonkers								
2 Executive Boulevard	1986	8,000	100.0	108	108	0.02	13.50	13.50
Total Retail Properties		**17,300**	**100.0**	**303**	**291**	**0.06**	**17.51**	**16.82**
Westchester County								
Elmsford								
700 Executive Boulevard	—	—	—	114	114	0.02	—	—
Yonkers								
1 Enterprise Boulevard	—	—	—	170	169	0.03	—	—
Total Land Leases		**—**	**284**	**283**	**0.05**	**—**	**—**	**—**
TOTAL PROPERTIES		**29,494,371**	**91.0**	**541,702**	**488,129**	**100.00**	**20.45**	**18.40**

(a) Percentage leased includes all leases in effect as of the period end date, some of which have commencement dates in the future (including leases with commencement dates substantially in the future consisting of 15,125 square feet scheduled to commence in 2009 and 10,205 square feet scheduled to commence in 2011), and leases expiring December 31, 2005 aggregating 311,623 square feet (representing 1.1 percent of the Company's total net rentable square footage) for which no new leases were signed.
(b) Total base rent for 2005, determined in accordance with generally accepted accounting principles ("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.
(c) Excludes space leased by the Company.
(d) Total base rent for 2005 minus total 2005 amortization of tenant improvements, leasing commissions and other concessions and costs, determined in accordance with GAAP.
(e) Base rent for 2005 divided by net rentable square feet leased at December 31, 2005. For those properties acquired during 2005, amounts are annualized, as per Note g.
(f) Effective rent for 2005 divided by net rentable square feet leased at December 31, 2005. For those properties acquired during 2005, amounts are annualized, as described in Note g.
(g) As this property was acquired by the Company during 2005, the amounts represented in 2005 base rent and 2005 effective rent reflect only that portion of the year during which the Company owned the property. Accordingly, these amounts may not be indicative of the property's full year results. For comparison purposes, the amounts represented in 2005 average base rent per sq. ft. and 2005 average effective rent per sq. ft. for this property have been calculated by taking 2005 base rent and 2005 effective rent for such property and annualizing these partial-year results, dividing such annualized amounts by the net rentable square feet leased at December 31, 2005. These annualized per square foot amounts may not be indicative of the property's results had the Company owned the property for the entirety of 2005.

PERCENTAGE LEASED

The following table sets forth the year-end percentages of square feet leased in the Company's stabilized operating Consolidated Properties for the last five years:

December 31,	Percentage of Square Feet Leased (%) (a)
2005	91.0
2004 (b)	91.2
2003	91.5
2002	92.3
2001	94.6

(a) Percentage of square-feet leased includes all leases in effect as of the period end date, some of which have commencement dates in the future (including, at December 31, 2005, leases with commencement dates substantially in the future consisting of 15,125 square feet scheduled to commence in 2009 and 10,205 square feet scheduled to commence in 2011), and leases that expire at the period end date.

(b) Excluded from percentage leased at December 31, 2004 is a non-strategic, non-core 318,224 square foot property acquired through a deed in lieu of foreclosure, which was 12.7 percent leased at December 31, 2004 and subsequently sold on February 4, 2005.

SIGNIFICANT TENANTS

The following table sets forth a schedule of the Company's 50 largest tenants for the Consolidated Properties as of December 31, 2005 based upon annualized base rental revenue:

	Number of Properties	Annualized Base Rental Revenue ($) (a)	Percentage of Company Annualized Base Rental Revenue (%)	Square Feet Leased	Percentage Total Company Leased Sq. Ft. (%)	Year of Lease Expiration
New Cingular Wireless PCS, LLC	3	11,274,462	1.9	456,190	1.8	2014(b)
Morgan Stanley D.W., Inc.	5	9,375,915	1.6	381,576	1.5	2013(c)
Credit Suisse First Boston	1	9,196,912	1.5	271,953	1.0	2012(d)
Merrill Lynch	1	8,327,484	1.5	489,564	1.9	2012(e)
Keystone Mercy Health Plan	2	7,790,929	1.4	303,149	1.1	2015
National Union Fire Insurance	1	7,711,023	1.4	317,799	1.2	2012
Prentice-Hall, Inc.	1	7,694,097	1.4	474,801	1.8	2014
Forest Laboratories Inc.	2	6,961,107	1.2	202,857	0.8	2017(f)
Cendant Operations Inc.	2	6,839,418	1.2	296,934	1.1	2011(g)
Allstate Insurance Company	10	6,076,187	1.1	264,550	1.0	2010(h)
Toys 'R' Us – NJ, Inc.	1	6,072,651	1.1	242,518	0.9	2012
American Institute of Certified Public Accountants	1	5,817,181	1.0	249,768	0.9	2012
TD Waterhouse Investor Services, Inc.	1	5,572,716	1.0	184,222	0.7	2015
IBM Corporation	3	5,529,841	1.0	310,263	1.2	2012(i)
Garban LLC	1	5,495,470	1.0	148,025	0.6	2017
United States of America-GSA	7	5,384,893	1.0	170,920	0.6	2015(j)
KPMG, LLP	3	4,784,243	0.9	181,025	0.7	2012(k)
AT&T Corp.	3	4,691,911	0.8	311,967	1.2	2014(l)
National Financial Services	1	4,346,765	0.8	112,964	0.4	2012
Bank of Tokyo-Mitsubishi Ltd.	1	4,228,795	0.8	137,076	0.5	2009
Vonage America, Inc.	1	3,830,750	0.7	350,000	1.3	2017
Citigroup Global Markets, Inc.	5	3,455,193	0.6	132,475	0.5	2016(m)
Lehman Brothers Holdings, Inc.	1	3,420,667	0.6	207,300	0.8	2010
SSB Realty, LLC	1	3,321,051	0.6	114,519	0.4	2009
URS Greiner Woodward-Clyde	1	3,252,691	0.6	120,550	0.5	2011
Dow Jones & Company Inc.	3	3,168,843	0.6	96,873	0.4	2012(n)
Montefiore Medical Center	5	3,155,950	0.6	147,457	0.6	2019(o)
Sankyo Pharma Inc.	2	2,843,876	0.5	90,366	0.3	2012(p)
SunAmerica Asset Management	1	2,680,409	0.5	69,621	0.3	2018
American Home Assurance Co.	2	2,679,704	0.5	131,174	0.5	2019(q)
Regus Business Centre Corp.	3	2,650,376	0.5	107,608	0.4	2011
Sumitomo Mitsui Banking Corp.	2	2,580,155	0.5	71,153	0.3	2016
United States Life Insurance Co.	1	2,520,000	0.5	180,000	0.7	2013
New Jersey Turnpike Authority	1	2,455,463	0.4	100,223	0.4	2016
Barr Laboratories Inc.	2	2,450,087	0.4	109,510	0.4	2015(r)
BT Harborside	1	2,354,850	0.4	90,000	0.3	2007
Moody's Investors Service	1	2,290,374	0.4	79,537	0.3	2010(s)
Merck & Company Inc.	3	2,289,288	0.4	100,146	0.4	2008(t)
Movado Group, Inc.	1	2,275,175	0.4	90,050	0.3	2013
Lonza, Inc.	1	2,236,200	0.4	89,448	0.3	2007
Computer Sciences Corporation	3	2,180,913	0.4	109,825	0.4	2007(u)
Deloitte & Touche USA LLP	1	2,171,275	0.4	86,851	0.3	2007
High Point Safety & Insurance	1	2,095,629	0.4	88,237	0.3	2015
Nextel of New York Inc.	2	2,093,440	0.4	97,436	0.4	2014(v)
Pfizer, Inc.	1	2,072,046	0.4	89,912	0.3	2007
Xerox Corporation	4	2,057,047	0.4	83,789	0.3	2010(w)
UBS Financial Services, Inc.	4	2,057,007	0.4	76,915	0.3	2016(x)
Mellon HR Solutions LLC	1	2,044,590	0.4	68,153	0.3	2006
GAB Robins North America, Inc.	2	2,028,512	0.4	84,649	0.3	2009(y)
PR Newswire Association, Inc.	1	1,912,908	0.3	56,262	0.2	2010
Totals		**209,796,469**	**37.6**	**8,828,160**	**33.4**	

See footnotes on subsequent page.

Significant Tenants Footnotes

(a) Annualized base rental revenue is based on actual December 2005 billings times 12. For leases whose rent commences after January 1, 2006, annualized base rental revenue is based on the first full month's billing times 12. As annualized base rental revenue is not derived from historical GAAP results, historical results may differ from those set forth above.
(b) 383,805 square feet expire in 2013; 72,385 square feet expire in 2014.
(c) 19,500 square feet expire in 2008; 7,000 square feet expire in 2009; 48,906 square feet expire in 2010; 306,170 square feet expire in 2013.
(d) 190,000 feet expire in 2011; 81,953 square feet expire in 2012.
(e) 311,053 square feet expire in 2007; 178,511 square feet expire in 2012.
(f) 22,785 square feet expire in 2010; 180,072 square feet expire in 2017.
(g) 150,951 square feet expire in 2008; 145,983 square feet expire in 2011.
(h) 22,444 square feet expire in 2006; 93,541 square feet expire in 2007; 59,562 square feet expire in 2008; 22,185 square feet expire in 2009; 66,818 square feet expire in 2010.

(i) 61,864 square feet expire in 2010; 248,399 square feet expire in 2012.
(j) 6,610 square feet expire in 2006; 4,950 square feet expire in 2007; 19,702 square feet expire in 2008; 4,879 square feet expire in 2014; 134,779 square feet expire in 2015.
(k) 57,204 square feet expire in 2007; 46,440 square feet expire in 2009; 77,381 square feet expire in 2012.
(l) 4,786 square feet expire in 2007; 32,181 square feet expire in 2009; 275,000 square feet expire in 2014.
(m) 19,668 square feet expire in 2007; 59,711 square feet expire in 2009; 26,834 square feet expire in 2014; 26,262 square feet expire in 2016.
(n) 4,561 square feet expire in 2006; 92,312 square feet expire in 2012.
(o) 19,000 square feet expire in 2007; 48,542 square feet expire in 2009; 5,850 square feet expire in 2014; 3,000 square feet expire in 2016; 71,065 square feet expire in 2019.
(p) 5,315 square feet expire in 2011; 85,051 square feet expire in 2012.
(q) 14,056 square feet expire in 2008; 117,118 square feet expire in 2019.
(r) 20,000 square feet expire in 2007; 89,510 square feet expire in 2015.
(s) 43,344 square feet expire in 2009; 36,193 square feet expire in 2010.
(t) 97,396 square feet expire in 2006; 2,750 square feet expire in 2008.
(u) 82,850 square feet expire in 2006; 26,975 square feet expire in 2007.
(v) 62,436 square feet expire in 2010; 35,000 square feet expire in 2014.
(w) 34,901 square feet expire in 2006; 2,875 square feet expire in 2007; 1,500 square feet expire in 2008; 44,513 square feet expire in 2010.
(x) 3,665 square feet expire in 2006; 21,554 square feet expire in 2010; 17,383 square feet expire in 2013; 34,313 square feet expire in 2016.
(y) 75,049 square feet expire in 2008; 9,600 square feet expire in 2009.

SCHEDULE OF LEASE EXPIRATIONS: ALL CONSOLIDATED PROPERTIES

The following table sets forth a schedule of lease expirations for the total of the Company’s office, office/flex, industrial/warehouse and stand-alone retail properties included in the Consolidated Properties beginning January 1, 2006, assuming that none of the tenants exercise renewal or termination options:

Year Of Expiration	Number Of Leases Expiring (a)	Net Rentable Area Subject To Expiring Leases (Sq. Ft.)	Percentage Of Total Leased Square Feet Represented By Expiring Leases (%)	Annualized Base Rental Revenue Under Expiring Leases ($) (b)	Average Annual Rent Per Net Rentable Square Foot Represented By Expiring Leases ($)	Percentage Of Annual Base Rent Under Expiring Leases (%)
2006 (c)	400	2,005,042	7.6	44,391,023	22.14	7.9
2007	391	2,603,375	9.9	52,885,133	20.31	9.5
2008	417	3,058,780	11.6	58,917,395	19.26	10.5
2009	347	2,385,673	9.0	51,050,483	21.40	9.2
2010	337	2,811,274	10.6	55,703,986	19.81	10.0
2011	256	3,063,930	11.6	66,227,673	21.62	11.9
2012	146	2,250,372	8.5	50,700,147	22.53	9.1
2013	105	2,245,910	8.5	49,011,976	21.82	8.8
2014	53	1,279,798	4.8	28,744,046	22.46	5.2
2015	56	2,338,945	8.9	48,649,113	20.80	8.7
2016	34	719,206	2.7	13,992,211	19.46	2.5
2017 and thereafter	44	1,659,844	6.3	37,142,228	22.38	6.7
Totals/Weighted Average	**2,586**	**26,422,149 (d)**	**100.0**	**557,415,414**	**21.10**	**100.0**

(a) Includes office, office/flex, industrial/warehouse and stand-alone retail property tenants only. Excludes leases for amenity, retail, parking and month-to-month tenants. Some tenants have multiple leases.
(b) Annualized base rental revenue is based on actual December 2005 billings times 12. For leases whose rent commences after January 1, 2006, annualized base rental revenue is based on the first full month’s billing times 12. As annualized base rental revenue is not derived from historical GAAP results, historical results may differ from those set forth above.
(c) Includes leases expiring December 31, 2005 aggregating 306,733 square feet and representing annualized rent of $4,688,871 for which no new leases were signed.
(d) Reconciliation to the Company’s total net rentable square footage is as follows:

	Square Feet
Square footage leased to commercial tenants	26,422,149
Square footage used for corporate offices, management offices, building use, retail tenants, food services, other ancillary service tenants and occupancy adjustments	427,109
Square footage unleased	2,645,113
Total net rentable square footage (does not include land leases)	29,494,371

SCHEDULE OF LEASE EXPIRATIONS: OFFICE PROPERTIES

The following table sets forth a schedule of lease expirations for the office properties beginning January 1, 2006, assuming that none of the tenants exercise renewal or termination options:

Year Of Expiration	Number Of Leases Expiring (a)	Net Rentable Area Subject To Expiring Leases (Sq. Ft.)	Percentage Of Total Leased Square Feet Represented By Expiring Leases (%)	Annualized Base Rental Revenue Under Expiring Leases ($) (b)	Average Annual Rent Per Net Rentable Square Foot Represented By Expiring Leases ($)	Percentage Of Annual Base Rent Under Expiring Leases (%)
2006 (c)	341	1,663,997	7.7	39,787,414	23.91	8.1
2007	316	1,936,407	9.0	44,519,145	22.99	9.0
2008	331	2,182,701	10.2	50,027,179	22.92	10.1
2009	285	1,854,119	8.7	44,043,432	23.75	8.9
2010	262	1,992,300	9.3	44,611,712	22.39	9.0
2011	210	2,547,985	11.9	60,496,453	23.74	12.2
2012	111	1,902,057	8.9	45,889,698	24.13	9.3
2013	82	1,971,356	9.2	44,958,470	22.81	9.1
2014	43	1,170,339	5.5	27,046,621	23.11	5.5
2015	43	2,176,794	10.2	46,681,350	21.45	9.4
2016	25	507,107	2.4	11,441,170	22.56	2.3
2017 and thereafter	37	1,503,779	7.0	35,035,878	23.30	7.1
Totals/Weighted Average	**2,086**	**21,408,941**	**100.0**	**494,538,522**	**23.10**	**100.0**

(a) Includes office tenants only. Excludes leases for amenity, retail, parking and month-to-month tenants. Some tenants have multiple leases.
(b) Annualized base rental revenue is based on actual December 2005 billings times 12. For leases whose rent commences after January 1, 2006, annualized base rental revenue is based on the first full month's billing times 12. As annualized base rental revenue is not derived from historical GAAP results, historical results may differ from those set forth above.
(c) Includes leases expiring December 31, 2005 aggregating 240,688 square feet and representing annualized rent of $3,791,513 for which no new leases were signed.

SCHEDULE OF LEASE EXPIRATIONS: OFFICE/FLEX PROPERTIES

The following table sets forth a schedule of lease expirations for the office/flex properties beginning January 1, 2006, assuming that none of the tenants exercise renewal or termination options:

Year Of Expiration	Number Of Leases Expiring (a)	Net Rentable Area Subject To Expiring Leases (Sq. Ft.)	Percentage Of Total Leased Square Feet Represented By Expiring Leases (%)	Annualized Base Rental Revenue Under Expiring Leases ($) (b)	Average Annual Rent Per Net Rentable Square Foot Represented By Expiring Leases ($)	Percentage Of Annual Base Rent Under Expiring Leases (%)
2006 (c)	59	341,045	7.3	4,603,609	13.50	7.9
2007	72	654,318	14.2	8,147,033	12.45	13.9
2008	83	784,710	17.0	8,417,367	10.73	14.4
2009	56	473,271	10.3	6,023,326	12.73	10.3
2010	74	790,974	17.1	10,798,274	13.65	18.5
2011	45	508,345	11.0	5,640,020	11.09	9.6
2012	35	348,315	7.5	4,810,449	13.81	8.2
2013	16	219,318	4.8	3,366,333	15.35	5.8
2014	10	109,459	2.4	1,697,425	15.51	2.9
2015	13	162,151	3.5	1,967,763	12.14	3.4
2016	7	77,017	1.7	1,132,680	14.71	1.9

2017 and thereafter	6	148,065	3.2	1,881,350	12.71	3.2
Totals/Weighted Average	**476**	**4,616,988**	**100.0**	**58,485,629**	**12.67**	**100.0**

(a) Includes office/flex tenants only. Excludes leases for amenity, retail, parking and month-to-month tenants. Some tenants have multiple leases.
(b) Annualized base rental revenue is based on actual December 2005 billings times 12. For leases whose rent commences after January 1, 2006, annualized base rental revenue is based on the first full month's billing times 12. As annualized base rental revenue is not derived from historical GAAP results, historical results may differ from those set forth above.
(c) Includes leases expiring December 31, 2005 aggregating 66,045 square feet and representing annualized rent of $897,358 for which no new leases were signed.

SCHEDULE OF LEASE EXPIRATIONS: INDUSTRIAL/WAREHOUSE PROPERTIES

The following table sets forth a schedule of lease expirations for the industrial/warehouse properties beginning January 1, 2006, assuming that none of the tenants exercise renewal or termination options:

Year Of Expiration	Number Of Leases Expiring (a)	Net Rentable Area Subject To Expiring Leases (Sq. Ft.)	Percentage Of Total Leased Square Feet Represented By Expiring Leases (%)	Annualized Base Rental Revenue Under Expiring Leases ($) (b)	Average Annual Rent Per Net Rentable Square Foot Represented By Expiring Leases ($)	Percentage Of Annual Base Rent Under Expiring Leases (%)
2007	3	12,650	3.3	218,955	17.31	5.5
2008	3	91,369	24.1	472,849	5.18	11.9
2009	5	48,983	12.9	788,725	16.10	19.9
2010	1	28,000	7.4	294,000	10.50	7.4
2011	1	7,600	2.0	91,200	12.00	2.3
2013	7	55,236	14.6	687,173	12.44	17.3
2016	2	135,082	35.7	1,418,361	10.50	35.7
Totals/Weighted Average	**22**	**378,920**	**100.0**	**3,971,263**	**10.48**	**100.0**

(a) Includes industrial/warehouse tenants only. Excludes leases for amenity, retail, parking and month-to-month industrial/warehouse tenants. Some tenants have multiple leases.
(b) Annualized base rental revenue is based on actual December 2005 billings times 12. For leases whose rent commences after January 1, 2006, annualized base rental revenue is based on the first full month's billing times 12. As annualized base rental revenue is not derived from historical GAAP results, the historical results may differ from those set forth above.

SCHEDULE OF LEASE EXPIRATIONS: STAND-ALONE RETAIL PROPERTIES

The following table sets forth a schedule of lease expirations for the stand-alone retail properties beginning January 1, 2006, assuming that none of the tenants exercise renewal or termination options:

Year Of Expiration	Number Of Leases Expiring (a)	Net Rentable Area Subject To Expiring Leases (Sq. Ft.)	Percentage Of Total Leased Square Feet Represented By Expiring Leases (%)	Annualized Base Rental Revenue Under Expiring Leases ($) (b)	Average Annual Rent Per Net Rentable Square Foot Represented By Expiring Leases ($)	Percentage Of Annual Base Rent Under Expiring Leases (%)
2009	1	9,300	53.8	195,000	20.97	46.4
2017 and thereafter	1	8,000	46.2	225,000	28.13	53.6
Totals/Weighted Average	**2**	**17,300**	**100.0**	**420,000**	**24.28**	**100.0**

(a) Includes stand-alone retail property tenants only.
(b) Annualized base rental revenue is based on actual December 2005 billings times 12. For leases whose rent commences after January 1, 2006 annualized base rental revenue is based on the first full month's billing times 12. As annualized base rental revenue is not derived from historical GAAP results, historical results may differ from those set forth above.

INDUSTRY DIVERSIFICATION

The following table lists the Company's 30 largest industry classifications based on annualized contractual base rent of the Consolidated Properties:

Industry Classification (a)	Annualized Base Rental Revenue ($) (b) (c) (d)	Percentage of Company Annualized Base Rental Revenue (%)	Square Feet Leased (d)	Percentage of Total Company Leased Sq. Ft. (%)
Securities, Commodity Contracts & Other Financial	98,372,782	17.6	3,772,027	14.3
Manufacturing	50,950,692	9.1	2,592,720	9.8
Insurance Carriers & Related Activities	44,139,749	7.9	2,026,110	7.7
Telecommunications	28,433,504	5.1	1,369,986	5.2
Computer System Design Svcs.	27,608,346	5.0	1,344,921	5.1
Health Care & Social Assistance	26,245,100	4.7	1,376,719	5.2
Legal Services	22,942,652	4.1	933,071	3.5
Credit Intermediation & Related Activities	22,930,882	4.1	971,011	3.7
Wholesale Trade	22,670,061	4.1	1,459,230	5.5
Scientific Research/Development	19,660,248	3.5	922,943	3.5
Accounting/Tax Prep.	18,788,958	3.4	799,421	3.0
Retail Trade	16,160,001	2.9	960,653	3.6
Advertising/Related Services	13,373,820	2.4	579,199	2.2
Other Professional	13,318,926	2.4	563,405	2.1
Public Administration	12,159,567	2.2	474,866	1.8
Information Services	11,979,116	2.1	579,968	2.2
Architectural/Engineering	11,259,351	2.0	489,609	1.9
Other Services (except Public Administration)	11,064,687	2.0	653,181	2.5
Arts, Entertainment & Recreation	10,647,111	1.9	666,991	2.5
Real Estate & Rental & Leasing	9,829,809	1.8	551,307	2.1
Broadcasting	6,829,985	1.2	457,600	1.7
Utilities	6,457,926	1.2	320,522	1.2
Publishing Industries	5,752,461	1.0	255,973	1.0
Data Processing Services	5,657,322	1.0	253,808	1.0
Transportation	5,652,997	1.0	321,717	1.2
Construction	5,605,538	1.0	285,170	1.1
Educational Services	4,624,838	0.8	245,133	0.9
Management of Companies & Finance	4,448,341	0.8	191,135	0.7
Admin & Support, Waste Mgt. & Remediation Svcs.	3,331,989	0.6	221,867	0.8
Specialized Design Services	3,223,136	0.6	153,661	0.6
Other	13,295,519	2.5	628,225	2.4
Totals	**557,415,414**	**100.0**	**26,422,149**	**100.0**

(a) The Company's tenants are classified according to the U.S. Government's North American Industrial Classification System (NAICS) which has replaced the Standard Industrial Code (SIC) system.

(b) Annualized base rental revenue is based on actual December, 2005 billings times 12. For leases whose rent commences after January 1, 2006, annualized base rental revenue is based on the first full month's billing times 12. As annualized base rental revenue is not derived from historical GAAP results, historical results may differ from those set forth above.

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

(d) Includes leases in effect as of the period end date, some of which have commencement dates in the future (including, at December 31, 2005, leases with commencement dates substantially in the future consisting of 15,125 square feet scheduled to commence in 2009 and 10,205 square feet scheduled to commence in 2011), and leases expiring December 31, 2005 aggregating 306,733 square feet and representing annualized rent of $4,688,871 for which no new leases were signed.

MARKET DIVERSIFICATION

The following table lists the Company's markets (MSAs), based on annualized contractual base rent of the Consolidated Properties:

Market (MSA)	Annualized Base Rental Revenue ($) (a) (b) (c)	Percentage Of Company Annualized Base Rental Revenue (%)	Total Property Size Rentable Area (b) (c)	Percentage Of Rentable Area (%)
Jersey City, NJ	103,376,501	18.6	4,317,978	14.7
Newark, NJ (Essex-Morris-Union Counties)	102,277,027	18.3	5,674,820	19.2
New York, NY (Westchester-Rockland Counties)	91,165,468	16.4	4,968,420	16.8
Bergen-Passaic, NJ	89,493,867	16.1	4,351,762	14.8
Philadelphia, PA-NJ	55,169,038	9.9	3,617,994	12.3
Monmouth-Ocean, NJ	25,164,573	4.5	1,620,863	5.5
Trenton, NJ (Mercer County)	17,227,825	3.1	767,365	2.6
Middlesex-Somerset-Hunterdon, NJ	15,170,097	2.7	791,051	2.7
Denver, CO	14,652,941	2.6	951,202	3.2
Stamford-Norwalk, CT	12,813,911	2.3	706,510	2.4
Washington, DC-MD-VA-WV	11,625,066	2.1	450,549	1.5
San Francisco, CA	8,268,000	1.5	450,891	1.5
Bridgeport, CT	2,412,796	0.4	145,487	0.5
Boulder-Longmont, CO	2,323,387	0.4	270,421	0.9
Colorado Springs, CO	2,288,040	0.4	209,987	0.7
Dutchess County, NY	2,062,226	0.4	118,727	0.4
Atlantic-Cape May, NJ	1,924,651	0.3	80,344	0.3

Totals	**557,415,414**	**100.0**	**29,494,371**	**100.0**

(a) Annualized base rental revenue is based on actual December 2005 billings times 12. For leases whose rent commences after January 1, 2006, annualized base rental revenue is based on the first full month's billing times 12. As annualized base rental revenue is not derived from historical GAAP results, historical results may differ from those set forth above.
(b) Includes leases in effect as of the period end date, some of which have commencement dates in the future (including, at December 31, 2005, leases with commencement dates substantially in the future consisting of 15,125 square feet scheduled to commence in 2009 and 10,205 square feet scheduled to commence in 2011), and leases expiring December 31, 2005 aggregating 306,733 square feet and representing annualized rent of $4,688,871 for which no new leases were signed.
(c) Includes office, office/flex, industrial/warehouse and stand-alone retail tenants only. Excludes leases for amenity, retail, parking and month-to-month tenants. Some tenants have multiple leases.

ITEM 3. LEGAL PROCEEDINGS

On February 12, 2003, the NJSEA selected The Mills Corporation and the Company to redevelop the Continental Airlines Arena site ("Arena Site") for mixed uses, including retail. In March 2003, Hartz Mountain Industries, Inc., ("Hartz"), filed a lawsuit in the Superior Court of New Jersey, Law Division, for Bergen County, seeking to enjoin NJSEA from entering into a contract with the Meadowlands venture for the redevelopment of the Continental Airlines Arena site. In May 2003, the court denied Hartz's request for an injunction and dismissed its suit for failure to exhaust administrative remedies. In June 2003, the NJSEA held hearings on Hartz's protest, and on a parallel protest filed by another rejected developer, Westfield, Inc. ("Westfield"). On September 10, 2003, the NJSEA ruled against Hartz's and Westfield's protests, Hartz and Westfield, as well as Elliot Braha and three other taxpayers (collectively "Braha"), thereafter filed appeals from the NJSEA's final decision. By decision dated May 14, 2004, the Appellate Division of the Superior Court of New Jersey rejected the appellants' contention that the NJSEA lacks statutory authority to allow retail development of its property. The Appellate Division also remanded Hart's claim under the Open Public Records Acts, seeking disclosure of additional documents from NJSEA, to the Law Division for further proceedings. The Supreme Court of New Jersey declined to review the Appellate Division's decision. On August 19, 2004, the Law Division issued a decision resolving Hartz's Open Public Records Act claim and ordered NJSEA to disclose some, but not all, of the documents Hartz was seeking. The Appellate Division, in a decision rendered on November 24, 2004, upheld the findings of the Law Division in the remand proceeding. The Supreme Court of New Jersey declined to review the Appellate Division's decision. At Hartz's request, the NJSEA thereafter held further hearings on December 15 and 16, 2004, to review certain additional facts in support of Hartz's and Westfield's bid protest. Braha, as a taxpayer, did not have standing to participate in the supplemental protest hearing. On March 4, 2005, the Hearing Officer rendered his Supplemental Report and Recommendation to the NJSEA, finding no merit in the protests presented by Hartz and Westfield. The NJSEA accepted the Hearing Officer's Supplemental Report and Recommendation on March 30, 2005 and Hartz and Braha have appealed that decision to the Appellate Division.

In January 2004, Hartz and Westfield also appealed to the Appellate Division of the Supreme Court of New Jersey from the NJSEA's December 2003 approval and execution of the Redevelopment Agreement with the Meadowlands Venture.

In November 2004, Hartz and Westfield filed additional appeals in the Appellate Division challenging NJSEA's resolution authorizing the execution of the First Amendment to the Redevelopment Agreement with Meadowlands Venture and the ground lease with the Meadowlands Venture.

All of the above appeals have been consolidated by the Appellate Division and are pending.

On September 30, 2004, the Borough of Carlstadt filed an action in the Superior Court of New Jersey Law Division, challenging Meadowlands Xanadu, which asserts claims that are substantially the same as claims asserted by Hartz and Braha in the above appeals. By Order dated November 19, 2004, the Law Division transferred that matter to the Superior Court of New Jersey, Appellate Division. The matter is pending.

Several appeals filed by Hartz, Westfield and others, including certain environmental groups, that challenge certain approvals received by the Meadowlands Venture from the NJSEA, the New Jersey Meadowlands Commission ("NJMC") and the New Jersey Department of Environmental Protection ("NJDEP") remain pending before the Appellate Division. Some of these appeals challenge NJDEP's issuance of a stream encroachment permit, waterfront development permit, and coastal zone consistency determination for Meadowlands Xanadu. Other of these appeals are from NJDEP's and NJMC's issuance of reports in connection with a consultation process the NJSEA was statutorily required to undertake in connection with any NJSEA-development project.

A Hartz affiliate and a trade association have filed an appeal from an advisory opinion favorable to the Meadowlands Venture issued by the Director of the Division of Alcoholic Beverage Control concerning the availability of special concessionaire permits. That appeal is also pending in the Appellate Division of the Superior Court of New Jersey.

Three separate lawsuits have been filed in the United States District Court for the District of New Jersey, challenging a permit issued by the U.S. Army Corps of Engineers ("USACE") in connection with the project. The first suit was filed on March 30, 2005, by the Sierra Club, the New Jersey Public Interest Group, Citizen Lobby, Inc. and the New Jersey Environmental Federation. Additional suits were filed on May 16 and May 31, 2005, respectively, by Hartz (together

with one of its officers as an individual named plaintiff) and the Borough of Carlstadt. The Sierra Club also filed a motion for a preliminary injunction to stop certain construction activities on the project, which the Court denied on July 6, 2005. The parties are currently briefing cross motions for summary judgment on the merits of the Sierra Club's claims. A decision is expected sometime in the latter part of 2006. On October 26, 2005, the court granted the motions of the Meadowlands Venture and the USACE to dismiss the Hartz complaint for lack of standing. The deadline for appealing that decision has passed, so the Hartz action is ended. On October 31, 2005, the USACE filed a motion to dismiss the complaint filed by the Borough of Carlstadt for lack of standing. On February 7, 2006, the Court granted the motion and dismissed the Borough of Carlstadt complaint in its entirety. Subject to any appeal that may be brought within 60 days after this order of dismissal, the Borough of Carlstadt action is ended.

On April 5, 2005, the New York Football Giants ("Giants") filed an emergent application with the Supreme Court of New Jersey, Chancery Division, seeking an injunction stopping all work on the Meadowlands Xanadu as being in violation of its existing lease with the NJSEA. The court heard an oral argument on the application on August 5, 2005, and denied the Giants' motion for preliminary injunctive relief. The Giants' claim for permanent injunction relief remains pending. However, the parties to this dispute have reached a tentative settlement. In September 2005, the Giants and Meadowlands Venture executed a settlement agreement. NJSEA subsequently proposed modifications to the settlement agreement, and the parties have not yet executed a final agreement. The proposed settlement agreement provides, among other things, for the Meadowlands Venture to pay the Giants approximately $15 million as compensation for claims of construction interference and for the Giants to otherwise withdraw the assertion of the right to object to the project.

The New Jersey Builders' Association ("NJBA") has commenced an action, which is pending in the Appellate Division, alleging that the NJSEA has failed to meet a purported obligation to provide affordable housing at the Meadowlands Complex and seeking, among other relief, an order enjoining the construction of Meadowlands

Xanadu. NJBA filed an application for preliminary injunctive relief seeking to enjoin further construction of Meadowlands Xanadu, which the Appellate Division denied on July 28, 2005. The Meadowlands Venture is not a party to that action.

On January 25, 2006, the Bergen Cliff Hawks Baseball Club, LLC (the "Cliff Hawks"), filed a complaint against the Company and Mills, alleging that the Company and Mills breached an agreement to provide the Cliff Hawks with a minor league baseball park as part of the Xanadu Project. This matter remains pending.

The Company believes that the Meadowlands Venture's proposal and the planned project comply with applicable laws, and the Meadowlands Venture intends to continue its vigorous defense of its rights under the Redevelopment Agreement and Ground Lease. Although there can be no assurance, the Company does not believe that the pending lawsuits will have any material affect on its ability to develop the Meadowlands Xanadu project.

There are no other 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 the Properties is subject.

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

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

MARKET INFORMATION

The shares of the Company's Common Stock are traded on the New York Stock Exchange ("NYSE") and the Pacific Exchange under the symbol "CLI."

The following table sets forth the quarterly high, low, and closing price per share of Common Stock reported on the NYSE for the years ended December 31, 2005 and 2004, respectively:

For the Year Ended December 31, 2005:

	High	Low	Close
First Quarter	$ 45.97	$ 41.53	$ 42.35
Second Quarter	$ 46.99	$ 41.00	$ 45.30
Third Quarter	$ 48.25	$ 43.22	$ 44.94
Fourth Quarter	$ 44.80	$ 40.21	$ 43.20

For the Year Ended December 31, 2004:

	High	Low	Close
First Quarter	$ 45.00	$ 39.07	$ 44.91
Second Quarter	$ 45.31	$ 34.16	$ 41.38
Third Quarter	$ 46.08	$ 39.70	$ 44.30
Fourth Quarter	$ 47.01	$ 42.44	$ 46.03

On February 17, 2006, the closing Common Stock price reported on the NYSE was $46.41 per share.

HOLDERS

On February 17, 2006, the Company had 639 common shareholders of record.

RECENT SALES OF UNREGISTERED SECURITIES; USES OF PROCEEDS FROM REGISTERED SECURITIES

During the three months ended December 31, 2005, the Company issued 77,000 shares of common stock to holders of common units in the Operating Partnership upon the redemption of such common units in private offerings pursuant to Section 4(2) of the Securities Act. The holders of the common units were limited partners of the Operating Partnership and accredited investors under Rule 501 of the Securities Act. The common units were converted into an equal number of shares of common stock. The Company has registered the resale of such shares under the Securities Act.

DIVIDENDS AND DISTRIBUTIONS

During the year ended December 31, 2005, the Company declared four quarterly common stock dividends and common unit distributions of $0.63 per share and per unit from the first to the fourth quarter. Additionally, in 2005, the Company declared quarterly preferred stock dividends of $50.00 per preferred share from the first to the fourth quarter. The Company also declared one quarterly preferred unit distribution of $18.1818 per preferred unit for the first quarter.

During the year ended December 31, 2004, the Company declared four quarterly common stock dividends and common unit distributions of $0.63 per share and per unit from the first to the fourth quarter. Additionally, in 2004, the Company declared quarterly preferred stock dividends of $50.00 per preferred share from the first to the fourth quarter. The Company also declared four quarterly preferred unit distributions of $18.1818 per preferred unit from the first to the fourth quarter.

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 REIT and legal restrictions and other factors.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

Information regarding securities authorized for issuance under our equity compensation plans is disclosed in Item 12: Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

None.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial data on a consolidated basis for the Company. The consolidated selected operating, balance sheet and other data of the Company as of December 31, 2005, 2004, 2003, 2002 and 2001, and for the years then ended have been derived from the Company's financial statements for the respective periods.

Operating Data (a) In thousands, except per share data	Year Ended December 31, 2005	2004	2003	2002	2001
Total revenues	$ 643,405	$ 577,749	$ 558,924	$ 534,071	$ 536,404
Property expenses (b)	$ 227,074	$ 186,446	$ 173,794	$ 158,191	$ 164,621
General and administrative	$ 33,090	$ 31,761	$ 31,284	$ 26,883	$ 28,328
Interest expense	$ 119,337	$ 109,649	$ 115,430	$ 105,861	$ 109,434
Income from continuing operations	$ 88,484	$ 92,928	$ 128,557	$ 125,368	$ 125,077
Net income available to common shareholders	$ 93,488	$ 100,453	$ 141,381	$ 139,722	$ 131,659
Income from continuing operations per share – basic	$ 1.41	$ 1.50	$ 2.20	$ 2.23	$ 2.03
Income from continuing operations per share – diluted	$ 1.40	$ 1.49	$ 2.18	$ 2.22	$ 2.02
Net income per share – basic	$ 1.52	$ 1.66	$ 2.45	$ 2.44	$ 2.33
Net income per share – diluted	$ 1.51	$ 1.65	$ 2.43	$ 2.43	$ 2.32
Dividends declared per common share	$ 2.52	$ 2.52	$ 2.52	$ 2.50	$ 2.46
Basic weighted average shares outstanding	61,477	60,351	57,724	57,227	56,538
Diluted weighted average shares outstanding	74,189	68,743	65,980	65,475	64,787

Balance Sheet Data In thousands	December 31, 2005	2004	2003	2002	2001
Rental property, before accumulated depreciation and amortization	$ 4,491,752	$ 4,160,959	$ 3,954,632	$ 3,857,657	$ 3,378,071
Rental property held for sale, net	—	$ 19,132	$ —	$ —	$ 384,626
Total assets	$ 4,247,502	$ 3,850,165	$ 3,749,570	$ 3,796,429	$ 3,746,770
Total debt (c)	$ 2,126,181	$ 1,702,300	$ 1,628,584	$ 1,752,372	$ 1,700,150
Total liabilities	$ 2,335,396	$ 1,877,096	$ 1,779,983	$ 1,912,199	$ 1,867,938
Minority interests	$ 400,819	$ 427,958	$ 428,099	$ 430,036	$ 446,244
Stockholders' equity	$ 1,511,287	$ 1,545,111	$ 1,541,488	$ 1,454,194	$ 1,432,588

(a) Certain reclassifications have been made to prior period amounts in order to conform with current period presentation.
(b) Property expenses is calculated by taking the sum of real estate taxes, utilities and operating services for each of the periods presented.
(c) Total debt is calculated by taking the sum of senior unsecured notes, revolving credit facilities, and mortgages, loans payable and other obligations.

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

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

Executive Overview

Mack-Cali Realty Corporation (the "Company") is one of the largest real estate investment trusts (REITs) in the United States, with a total market capitalization of approximately $5.4 billion at December 31, 2005. The Company has been involved in all aspects of commercial real estate development, management and ownership for over 50 years and has been a publicly-traded REIT since 1994. The Company owns or has interests in 270 properties (collectively, the "Properties"), primarily class A office and office/flex buildings, totaling approximately 30.0 million square feet, leased to approximately 2,200 tenants. The properties are located primarily in suburban markets of the Northeast, some with adjacent, Company-controlled developable land sites able to accommodate up to 10.6 million square feet of additional commercial space.

The Company's strategy is to be a significant real estate owner and operator in its core, high-barriers-to-entry markets, primarily in the Northeast.

As an owner of real estate, almost all of the Company's earnings and cash flow is derived from rental revenue received pursuant to leased office space at the Properties. Key factors that affect the Company's business and financial results include the following:

- the general economic climate;
- the occupancy rates of the Properties;
- rental rates on new or renewed leases;
- tenant improvement and leasing costs incurred to obtain and retain tenants;
- the extent of early lease terminations;
- operating expenses;
- cost of capital; and
- the extent of acquisitions, development and sales of real estate.

Any negative effects of the above key factors could potentially cause a deterioration in the Company's revenue and/or earnings. Such negative effects could include: (1) failure to renew or execute new leases as current leases expire; (2) failure to renew or execute new leases with rental terms at or above the terms of in-place leases; and (3) tenant defaults.

A failure to renew or execute new leases as current leases expire or to execute new leases with rental terms at or above the terms of in-place leases may be affected by several factors such as: (1) the local economic climate, which may be adversely impacted by business layoffs or downsizing, industry slowdowns, changing demographics and other factors; and (2) local real estate conditions, such as oversupply of office and office/flex space or competition within the market.

As a result of the economic climate since 2001, substantially all of the real estate markets the Company operates in materially softened. Demand for office space declined

significantly and vacancy rates increased in each of the Company's core markets over the period. Through February 22, 2006, the Company's core markets continued to be weak. The percentage leased in the Company's consolidated portfolio of stabilized operating properties decreased to 91.0 percent at December 31, 2005 as compared to 91.2 percent at December 31, 2004 and 91.5 percent at December 31, 2003. Percentage leased includes all leases in effect as of the period end date, some of which have commencement dates in the future (including, at December 31, 2005, leases with commencement dates substantially in the future consisting of 15,125 square feet scheduled to commence in 2009 and 10,205 square feet scheduled to commence in 2011), and leases that expire at the period end date. Excluded from percentage leased at December 31, 2004 was a non-strategic, non-core 318,224 square foot property acquired through a deed in lieu of foreclosure, which was 12.7 percent leased at December

31, 2004 and subsequently sold on February 4, 2005. Leases that expired as of December 31, 2005, 2004 and 2003 aggregate 311,623, 439,697 and 143,059 square feet, respectively, or 1.1, 1.5 and 0.5 percentage of the net rentable square footage, respectively. Market rental rates have declined in most markets from peak levels in late 2000 and early 2001. Rental rates on the Company's space that was re-leased (based on first rents payable) during the year ended December 31, 2005 decreased an average of 8.2 percent compared to rates that were in effect under expiring leases, as compared to a 8.7 percent decrease in 2004 and a 7.8 percent decrease in 2003. The Company believes that vacancy rates may continue to increase in most of its markets in 2006. As a result, the Company's future earnings and cash flow may continue to be negatively impacted by current market conditions.

The remaining portion of this Management's Discussion and Analysis of Financial Condition and Results of Operations should help the reader understand:

- property transactions during the period;
- critical accounting policies and estimates;
- results of operations for the year ended December 31, 2005, as compared to the same period last year;
- results of operations for the year ended December 31, 2004, as compared to the year ended December 31, 2003; and
- liquidity and capital resources.

Property Transactions

Property Acquisitions

The Company acquired the following office properties during the year ended December 31, 2005:

Acquisition Date	Property/Address	Location	# of Bldgs.	Rentable Square Feet	Acquisition Cost (in thousands)
03/02/05	101 Hudson Street (a)	Jersey City, Hudson County, NJ	1	1,246,283	$ 330,302
03/29/05	23 Main Street (a) (b)	Holmdel, Monmouth County, NJ	1	350,000	23,948
07/12/05	Monmouth Executive Center (c)	Freehold, Monmouth County, NJ	4	235,968	33,561
Total Office Property Acquisitions:			6	1,832,251	$ 387,811

(a) Transaction was funded primarily through borrowing on the Company's revolving credit facility.
(b) In addition to its initial investment, the Company intends to make additional investments related to the property of approximately $12.1 million, of which the Company spent $6.2 million through December 31, 2005.
(c) Transaction was funded primarily through available cash and assumption of mortgage debt.

In November 2005, the Company announced that it entered into a contract to acquire all the interests in Capital Office Park, a seven-building office complex totaling approximately 842,300 square feet in Greenbelt, Maryland for aggregate purchase consideration of approximately $161.7 million. The purchase consideration for the acquisition, which is expected to close in the first quarter of 2006, will consist of the issuance of approximately $97.9 million of common operating partnership units in Mack-Cali Realty, L.P. and the assumption of approximately $63.8 million of mortgage debt. At closing, the sellers may elect to receive approximately $27.9 million in cash in lieu of common operating partnership units.

On February 16, 2006, the Company announced it had reached agreements in principle with each of SL Green Realty Corp. ("SL Green") and The Gale Company, a privately-owned real estate services company based in New Jersey ("Gale"), pursuant to which the Company plans to acquire interests in certain assets and operations of SL Green and Gale.

Pursuant to the contemplated transactions, the Company is expected to:

- Purchase the Gale Real Estate Services Company for up to $40 million. The purchase price is expected to be based on an earn-out formula with an initial payment of $10 million in common operating partnership units in Mack-Cali Realty, L.P., and $12 million in cash, with a total consideration of up to $40 million.
- Acquire substantially all the ownership interests in 12 office properties valued at approximately $337 million and totaling 1.7 million square feet in Northern and Central New Jersey; and
- Acquire approximately one-half of the ownership interests in eight office properties valued at approximately $168 million and totaling 1.1 million square feet, also in Northern and Central New Jersey.

The Company plans to finance the transactions through a combination of approximately $240 million in drawings on its revolving credit facility, the assumption of existing and placement of new mortgage debt and the issuance of common operating partnership units.

These planned acquisitions are subject to the execution of definitive acquisition agreements with Gale and SL Green in one instance, and with Gale alone in the other instance, which agreements shall contain mutually acceptable terms and customary closing conditions to be negotiated in good faith with such parties and entered into as soon as practicable. While the Company is confident that these transactions will be completed in accordance with the terms outlined above, there can be no assurance that either or both will close or that the structure or terms of one or both acquisition agreements may not reflect changes from the current agreements in principle.

Property Sales
The Company sold the following office properties during the year ended December 31, 2005:

Sale Date	Property/Address	Location	# of Bldgs.	Rentable Square Feet	Net Sales Proceeds (in thousands)	Net Book Value (in thousands)	Realized Gain/ (Loss) (in thousands)
02/04/05	210 South 16th Street	Omaha, Douglas County, Nebraska	1	318,224	$ 8,464	$ 8,210	$ 254
02/11/05	1122 Alma Road	Richardson, Dallas County, Texas	1	82,576	2,075	2,344	(269)
02/15/05	3 Skyline Drive	Hawthorne, Westchester County, New York	1	75,668	9,587	8,856	731
05/11/05	201 Willowbrook Blvd.	Wayne, Passaic County, New Jersey (a)	1	178,329	17,696	17,705	(9)
06/03/05	600 Community Drive/ 111 East Shore Road	North Hempstead, Nassau County, New York	2	292,849	71,593	59,609	11,984
12/29/05	3600 South Yosemite	Denver, Denver County, Colorado	1	133,743	5,566	11,121	(5,555)
Total Office Property Sales:			7	1,081,389	$ 114,981	$ 107,845	$ 7,136

(a) In connection with the sale, the Company provided a mortgage loan to the buyer of $12 million which bears interest at 5.74 percent, matures in five years with a five-year renewal option, and requires monthly payments of principal and interest.

Critical Accounting Policies and Estimates

The Financial Statements have been prepared in conformity with generally accepted accounting principles. The preparation of the Financial Statements 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 reported period. These estimates and assumptions are based on management's historical experience that are believed to be reasonable at the time. However, because future events and their effects cannot be determined with certainty, the determination of estimates requires the exercise of judgment. The Company's critical accounting policies are those which require assumptions to be made about matters that are highly uncertain. Different estimates could have a material effect on the Company's financial results. Judgments and uncertainties affecting the application of these policies and estimates may result in materially different amounts being reported under different conditions and circumstances.

Rental Property:

Rental properties are stated at cost less accumulated depreciation and amortization. Costs directly related to the acquisition, development and construction of rental properties are capitalized. Capitalized development and construction costs include pre-construction costs essential to the development of the property, development and construction costs,

interest, property taxes, insurance, salaries and other project costs incurred during the period of development. Interest capitalized by the Company for the years ended December 31, 2005, 2004 and 2003 was $5.5 million, $3.9 million and $7.3 million, respectively. Ordinary repairs and maintenance are expensed as incurred; major replacements and betterments, which improve or extend the life of the asset, are capitalized and depreciated over their estimated useful lives. Fully-depreciated assets are removed from the accounts.

The Company considers a construction project as substantially completed and held available for occupancy upon the completion of tenant improvements, but no later than one year from cessation of major construction activity (as distinguished from activities such as routine maintenance and cleanup). If portions of a rental project are substantially completed and occupied by tenants, or held available for occupancy, and other portions have not yet reached that stage, the substantially completed portions are accounted for as a separate project. The Company allocates costs incurred between the portions under construction and the portions substantially completed and held available for occupancy and capitalizes only those costs associated with the portion under construction.

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

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

Upon acquisition of rental property, the Company estimates the fair value of acquired tangible assets, consisting of land, building and improvements, and identified intangible assets and liabilities generally consisting of the fair value of (i) above and below market leases, (ii) in-place leases and (iii) tenant relationships. The Company allocates the purchase price to the assets acquired and liabilities assumed based on their relative fair values. In estimating the fair value of the tangible and intangible assets acquired, the Company considers information obtained about each property as a result of its due diligence and marketing and leasing activities, and utilizes various valuation methods, such as estimated cash flow projections utilizing appropriate discount and capitalization rates, estimates of replacement costs net of depreciation, and available market information. The fair value of the tangible assets of an acquired property considers the value of the property as if it were vacant.

Above-market and below-market lease values for acquired properties are recorded based on the present value (using a discount rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to each in-place lease and (ii) management's estimate of fair market lease rates for each corresponding in-place lease, measured over a period equal to the remaining term of the lease for above-market leases and the initial term plus the term of any below-market fixed rate renewal options for below-market leases. The capitalized above-market lease values are amortized as a reduction of base rental revenue over the remaining term of the respective leases, and the capitalized below-market lease values are amortized as an increase to base rental revenue over the remaining initial terms plus the terms of any below-market fixed rate renewal options of the respective leases.

Other intangible assets acquired include amounts for in-place lease values and tenant relationship values which are based on management's evaluation of the specific characteristics of each tenant's lease and the Company's overall relationship with the respective tenant. Factors to be considered by management in its analysis of in-place lease values include an estimate of carrying costs during hypothetical expected lease-up periods considering current market conditions, and costs to execute similar leases. In estimating carrying costs, management includes real estate taxes, insurance and other operating expenses and estimates of lost rentals at market rates during the expected lease-up periods, depending on local market conditions. In estimating costs to execute similar leases, management considers leasing commissions, legal and other related expenses. Characteristics considered by management in valuing tenant relationships include the nature and extent of the Company's existing business relationships with the tenant, growth prospects for developing new business with the tenant, the tenant's credit quality and expectations of lease renewals. The value of in-place leases are amortized

to expense over the remaining initial terms of the respective leases. The value of tenant relationship intangibles will be amortized to expense over the anticipated life of the relationships.

On a periodic basis, management assesses whether there are any indicators that the value of the Company's rental 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 is less than the carrying value of the property. To the extent impairment has occurred, the loss shall be measured as the excess of the carrying amount of the property over the fair value of the property. The Company's estimates of aggregate future cash flows expected to be generated by each property are based on a number of assumptions that are subject to economic and market uncertainties including, among others, demand for space, competition for tenants, changes in market rental rates, and costs to operate each property. As these factors are difficult to predict and are subject to future events that may alter management's assumptions, the future cash flows estimated by management in its impairment analyses may not be achieved. Management does not believe that the value of any of the Company's rental properties is impaired.

Rental Property Held for Sale and Discontinued Operations:

When assets are identified by management as held for sale, the Company discontinues depreciating the assets and estimates the sales price, net of selling costs, of such assets. If, in management's opinion, the net sales price of the assets which have been identified as held for sale is less than the net book value of the assets, a valuation allowance is established. Properties identified as held for sale and/or sold are presented in discontinued operations for all periods presented.

If circumstances arise that previously were considered unlikely and, as a result, the Company decides not to sell a property previously classified as held for sale, the property is reclassified as held and used. A property that is reclassified is measured and recorded individually at the lower of (a) its carrying amount before the property was classified as held for sale, adjusted for any depreciation (amortization) expense that would have been recognized had the property been continuously classified as held and used, or (b) the fair value at the date of the subsequent decision not to sell.

Revenue Recognition:

Base rental revenue is recognized on a straight-line basis over the terms of the respective leases. Unbilled rents receivable represents the amount by which straight-line rental revenue exceeds rents currently billed in accordance with the lease agreements. Above-market and below-market lease values for acquired properties are recorded based on the present value (using a discount rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to each in-place lease and (ii) management's estimate of fair market lease rates for each corresponding in-place lease, measured over a period equal to the remaining term of the lease for above-market leases and the initial term plus the term of any below-market fixed rate renewal options for below-market leases. The capitalized above-market lease values are amortized as a reduction of base rental revenue over the remaining term of the respective leases, and the capitalized below-market lease values are amortized as an increase to base rental revenue over the remaining initial terms plus the terms of any below-market fixed rate renewal options of the respective leases. Parking and other revenue includes income from parking spaces leased to tenants, income from tenants for additional services provided by the Company, income from tenants for early lease terminations and income from managing and/or leasing properties for third parties. Escalations and recoveries are received from tenants for certain costs as provided in the lease agreements. These costs generally include real estate taxes, utilities, insurance, common area maintenance and other recoverable costs.

Allowance for Doubtful Accounts:

Management periodically performs a detailed review of amounts due from tenants to determine if accounts receivable balances are impaired based on factors affecting the collectibility of those balances. Management's estimate of the allowance for doubtful accounts requires management to exercise significant judgment about the timing, frequency and severity of collection losses, which affects the allowance and net income.

Results From Operations

The following comparisons for the year ended December 31, 2005 ("2005"), as compared to the year ended December 31, 2004 ("2004"), and for 2004, as compared to the year ended December 31, 2003 ("2003"), make reference to the following: (i) the effect of the "Same-Store Properties," which represents all in-service properties owned by the Company at December 31, 2003, (for the 2005 versus 2004 comparison) and which represents all in-service properties owned by the Company at December 31, 2002, (for the 2004 versus 2003 comparison), excluding properties sold or held for sale through December 31, 2005, and (ii) the effect of the "Acquired Properties," which represents all properties acquired by the Company or commencing initial operations from January 1, 2004 through December 31, 2005 (for the 2005 versus 2004 comparison) and which represent all properties acquired by the Company or commencing initial operation from January 1, 2003 through December 31, 2004 (for the 2004 versus 2003 comparison).

Year Ended December 31, 2005 Compared to Year Ended December 31, 2004

(dollars in thousands)	Year Ended December 31, 2005	Year Ended December 31, 2004	Dollar Change	Percent Change
Revenue from rental operations:				
Base rents	$ 541,702	$ 498,392	$ 43,310	8.7%
Escalations and recoveries from tenants	84,082	66,451	17,631	26.5
Parking and other	17,621	12,906	4,715	36.5
Total revenues	643,405	577,749	65,656	11.4
Property expenses:				
Real estate taxes	82,056	69,085	12,971	18.8
Utilities	55,843	41,649	14,194	34.1
Operating services	89,175	75,712	13,463	17.8
Sub-total	227,074	186,446	40,628	21.8
General and administrative	33,090	31,761	1,329	4.2
Depreciation and amortization	155,370	127,826	27,544	21.5
Interest expense	119,337	109,649	9,688	8.8
Interest income	(856)	(1,367)	511	37.4
Total expenses	534,015	454,315	79,700	17.5
Income from continuing operations before minority interest and equity in earnings of unconsolidated joint ventures	109,390	123,434	(14,044)	(11.4)
Minority interest in Operating Partnership	(21,042)	(27,691)	6,649	24.0

Minority interest in consolidated joint ventures	(74)	—	(74)	(100.0)
Equity in earnings of unconsolidated joint ventures (net of minority interest), net	179	(3,452)	3,631	105.2
Gain on sale of investment in unconsolidated joint ventures (net of minority interest)	31	637	(606)	(95.1)
Income from continuing operations	88,484	92,928	(4,444)	(4.8)
Discontinued operations (net of minority interest):				
Income (loss) from discontinued operations	2,578	10,144	(7,566)	(74.6)
Realized gains (losses) and unrealized losses on disposition of rental property, net	4,426	(619)	5,045	815.0
Total discontinued operations, net	7,004	9,525	(2,521)	(26.5)
Net income	95,488	102,453	(6,965)	(6.8)
Preferred stock dividends	(2,000)	(2,000)	—	—
Net income available to common shareholders	$ 93,488	$ 100,453	$ (6,965)	(6.9)%

The following is a summary of the changes in revenue from rental operations and property expenses in 2005 as compared to 2004 divided into Same-Store Properties and Acquired Properties *(dollars in thousands):*

	Total Company		Same-Store Properties		Acquired Properties	
	Dollar Change	Percent Change	Dollar Change	Percent Change	Dollar Change	Percent Change
Revenue from rental operations:						
Base rents	$ 43,310	8.7%	$ (805)	(0.2%)	$ 44,115	8.9%
Escalations and recoveries from tenants	17,631	26.5	7,039	10.6	10,592	15.9
Parking and other	4,715	36.5	2,872	22.3	1,843	14.2
Total	$ 65,656	11.4%	$ 9,106	1.6%	$ 56,550	9.8%
Property expenses:						
Real estate taxes	$ 12,971	18.8%	$ 3,923	5.7%	$ 9,048	13.1%
Utilities	14,194	34.1	9,003	21.6	5,191	12.5
Operating services	13,463	17.8	4,800	6.3	8,663	11.5
Total	$ 40,628	21.8%	$ 17,726	9.5%	$ 22,902	12.3%
OTHER DATA:						
Number of Consolidated Properties	267		247		20	
Square feet (in thousands)	29,494		25,252		4,242	

Base rents for the Same-Store Properties decreased $0.8 million, or 0.2 percent, due primarily to decreased rental rates for new leases in 2005 as compared to 2004. Escalations and recoveries from tenants for the Same-Store Properties increased $7.0 million, or 10.6 percent, for 2005 over 2004, due primarily to an increased amount of total property expenses in 2005. Parking and other income for the Same-Store Properties increased $2.9 million, or 22.3 percent, due primarily to an increase in lease termination fees in 2005 as compared to 2004.

Real estate taxes on the Same-Store Properties increased $3.9 million, or 5.7 percent, for 2005 as compared to 2004, due primarily to property tax rate increases in certain municipalities in 2005, partially offset by lower assessments on certain properties in 2005. Utilities for the Same-Store Properties increased $9.0 million, or 21.6 percent, for 2005 as compared to 2004, due primarily to increased electric rates and increased usage in 2005. Operating services for the Same-Store Properties increased $4.8 million, or 6.3 percent, due primarily to increases in 2005 as compared to 2004 in snow removal costs of $2.0 million, repairs and maintenance expenses of $1.1 million, property management compensation and related expenses of $0.8 million, and building engineer costs of $0.8 million.

General and administrative expense increased by $1.3 million, or 4.2 percent, for 2005 as compared to 2004. This was due primarily to increases in 2005 as compared to 2004 in compensation costs and related expenses of $0.9 million and state income tax expense of $0.5 million, as well as compensation costs and related expenses in 2005 of $0.6 million in connection with the resignation of a non-executive officer, and a write-down in 2005 of a technology investment of $0.5 million. These increases were partially offset by compensation costs and related expenses incurred in 2004 in connection with the resignation of the Company's president of $1.3 million.

Depreciation and amortization increased by $27.5 million, or 21.5 percent, for 2005 over 2004. Of this increase, $6.5 million, or 5.1 percent, was attributable to the Same-Store Properties primarily on account of the amortization of additional tenant installation costs in 2005 and $21.0 million, or 16.4 percent, was due to the Acquired Properties.

Interest expense increased $9.7 million, or 8.8 percent, for 2005 as compared to 2004. This increase was primarily as a result of higher average debt balances in 2005, as well as an overall increase in interest rates on the Company's debt.

Interest income decreased $0.5 million, or 37.4 percent, for 2005 as compared to 2004. This decrease was due primarily to lower interest income from mortgage notes receivable in 2005 and lower average cash balances in 2005.

Income from continuing operations before minority interest and equity in earnings of unconsolidated joint ventures decreased to $109.4 million in 2005 from $123.4 million in 2004. The decrease of approximately $14.0 million was due to the factors discussed above.

Equity in earnings of unconsolidated joint ventures (net of minority interest) increased $3.6 million, or 105.2 percent, for 2005 as compared to 2004. This increase was due primarily to the following: an increase of $5.2 million in 2005 on account of the Ashford Loop joint venture having a loss in 2004, with no activity in 2005 due to the Company's sale of its interest in the venture in early 2005; an increase of $0.8 million from increased earnings in 2005 at the Harborside South Pier Hyatt Hotel Venture; and an increase of $0.6 million in 2005 on account of equity in loss in 2004 at the Ramland Realty joint venture, with no equity in earnings in 2005. These increases were partially offset by a decrease in equity in earnings of $1.9 million at the G&G Martco joint venture on account of equity in loss in 2005; and a decrease of $0.7 million in 2005 on account of equity in earnings in the HPMC joint venture in 2004, with no activity in 2005 due to the joint venture's sale of the Pacific Plaza I & II complex in 2004.

Gain on sale of investment in unconsolidated joint ventures (net of minority interest) amounted to $31,000 in 2005 from the sale of the Company's interest in the Ashford Loop joint venture. Gain on sale of investment in unconsolidated joint venture (net of minority interest) amounted to $0.6 million in 2004 on account of the receipt of

additional contingent purchase consideration from the Harborside North Pier sale.

Net income available to common shareholders decreased by $7.0 million, or 6.9 percent, from $100.5 million in 2004 to $93.5 million in 2005. This decrease was primarily the result of a decrease in 2005 from 2004 in income from continuing operations before minority interest and equity in earnings of unconsolidated joint ventures of $14.0 million, a decrease in income from discontinued operations of approximately $7.6 million, a gain on sale of investment in unconsolidated joint ventures of $0.6 million in 2004, and minority interest in consolidated joint ventures of $0.1 million in 2005. These were partially offset by a decrease in minority interest in Operating Partnership of $6.7 million, realized gains on disposition of rental property of $4.4 million in 2005, an increase in equity in earnings of unconsolidated joint ventures of $3.6 million, and realized gains and unrealized losses on disposition of rental property of $0.6 million in 2004.

Year Ended December 31, 2004 Compared to Year Ended December 31, 2003

(dollars in thousands)	Year Ended December 31, 2004	Year Ended December 31, 2003	Dollar Change	Percent Change
Revenue from rental operations:				
Base rents	$ 498,392	$ 480,292	$ 18,100	3.8%
Escalations and recoveries from tenants	66,451	59,885	6,566	11.0
Parking and other	12,906	18,747	(5,841)	(31.2)
Total revenues	577,749	558,924	18,825	3.4
Property expenses:				
Real estate taxes	69,085	62,462	6,623	10.6
Utilities	41,649	40,037	1,612	4.0
Operating services	75,712	71,295	4,417	6.2
Sub-total	186,446	173,794	12,652	7.3
General and administrative	31,761	31,284	477	1.5
Depreciation and amortization	127,826	113,202	14,624	12.9
Interest expense	109,649	115,430	(5,781)	(5.0)
Interest income	(1,367)	(1,098)	(269)	(24.5)
Loss on early retirement of debt, net	—	2,372	(2,372)	(100.0)
Total expenses	454,315	434,984	19,331	4.4
Income from continuing operations before minority interest and equity in earnings of unconsolidated joint ventures	123,434	123,940	(506)	(0.4)
Minority interest in Operating Partnership	(27,691)	(28,364)	673	2.4
Equity in earnings of unconsolidated joint ventures (net of minority interest), net	(3,452)	11,873	(15,325)	(129.1)
Gain on sale of investment in unconsolidated joint ventures (net of minority interest)	637	21,108	(20,471)	(97.0)
Income from continuing operations	92,928	128,557	(35,629)	(27.7)
Discontinued operations (net of minority interest):				
Income (loss) from discontinued operations	10,144	11,376	(1,232)	(10.8)
Realized gains (losses) and unrealized losses on disposition of rental property, net	(619)	3,120	(3,739)	(119.8)
Total discontinued operations, net	9,525	14,496	(4,971)	(34.3)
Net income	102,453	143,053	(40,600)	(28.4)
Preferred stock dividends	(2,000)	(1,672)	(328)	(19.6)
Net income available to common shareholders	$ 100,453	$ 141,381	$ (40,928)	(28.9)%

The following is a summary of the changes in revenue from rental operations and property expenses in 2004 as compared to 2003 divided into Same-Store Properties and Acquired Properties (dollars in thousands):

	Total Company		Same-Store Properties		Acquired Properties	
	Dollar Change	Percent Change	Dollar Change	Percent Change	Dollar Change	Percent Change
Revenue from rental operations:						
Base rents	$ 18,100	3.8%	$ 2,356	0.5%	$ 15,744	3.3%
Escalations and recoveries from tenants	6,566	11.0	4,937	8.2	1,629	2.8
Parking and other	(5,841)	(31.2)	(5,834)	(31.2)	(7)	—
Total	$ 18,825	3.4%	$ 1,459	0.3%	$ 17,366	3.1%
Property expenses:						
Real estate taxes	$ 6,623	10.6%	$ 4,443	7.1%	$ 2,180	3.5%
Utilities	1,612	4.0	1,124	2.8	488	1.2
Operating services	4,417	6.2	3,240	4.5	1,177	1.7
Total	$ 12,652	7.3%	$ 8,807	5.1%	$ 3,845	2.2%
OTHER DATA:						
Number of Consolidated Properties	261		244		17	
Square feet (in thousands)	27,662		25,050		2,612	

Base rents for the Same-Store Properties increased $2.4 million, or 0.5 percent, for 2004 as compared to 2003, due primarily to increases in occupancies at the properties in 2004 from 2003. Escalations and recoveries from tenants for the Same-Store Properties increased $4.9 million, or 8.2 percent, for 2004 over 2003, due primarily to an

increased amount of total property expenses in 2004. Parking and other income for the Same-Store Properties decreased $5.8 million, or 31.2 percent, due primarily to a decrease in lease termination fees of $3.9 million in 2004 as compared to 2003 and a construction management fee of $1.2 million in 2003.

Real estate taxes on the Same-Store Properties increased $4.4 million, or 7.1 percent, for 2004 as compared to 2003, due primarily to property tax rate increases in certain municipalities in 2004, partially offset by lower assessments on certain properties in 2004. Utilities for the Same-Store Properties increased $1.1 million, or 2.8 percent, for 2004 as compared to 2003, due primarily to increased electric rates in 2004. Operating services for the Same-Store Properties increased $3.2 million, or 4.5 percent, due primarily to increased repairs and maintenance expenses of $2.6 million, increased insurance costs of $2.1 million, and property management salaries and related expenses of $0.6 million in 2004 as compared to 2003, partially offset by a decrease in snow removal costs in 2004 of $2.0 million.

General and administrative increased by $0.5 million, or 1.5 percent, for 2004 as compared to 2003. This increase was due primarily to compensation costs incurred in connection with the 2004 resignation of the Company’s president of $1.3 million and an increase in other salaries and related expenses of $0.9 million in 2004, partially offset by costs for transactions not consummated of $1.7 million in 2003.

Depreciation and amortization increased by $14.6 million, or 12.9 percent, for 2004 over 2003. Of this increase, $9.3 million, or 8.3 percent, was attributable to the Same-Store Properties primarily on account of the amortization of additional tenant installation costs and $5.3 million, or 4.6 percent, was due to the Acquired Properties.

Interest expense decreased $5.8 million, or 5.0 percent, for 2004 as compared to 2003. This decrease was primarily as a result of the Company’s ability to refinance maturing debt at lower rates, as well as lower average debt balances in 2004.

Interest income increased $0.3 million, or 24.5 percent, for 2004 as compared to 2003. This decrease was due primarily to higher average cash balances in 2004.

Loss on early retirement of debt, net, amounted to $2.4 million in 2003, which was due to costs incurred with the exchange in 2003 of $25.0 million face amount of 7.18 percent senior unsecured notes due December 31, 2003 for $26.1 million face amount of 5.82 percent senior unsecured notes due March 15, 2003, with interest payable semi-annually in arrears.

Income from continuing operations before minority interest and equity in earnings of unconsolidated joint ventures decreased to $123.4 million in 2004 from $123.9 million in 2003. The decrease of approximately $0.5 million was due to the factors discussed above.

Equity in earnings of unconsolidated joint ventures (net of minority interest) decreased $15.3 million, or 129.1 percent, for 2004 as compared to 2003. This decrease was due primarily to the sale of the Company’s investment in the American Financial Exchange in late 2003 resulting in a reduction of $11.3 million in 2004, the Company’s share of a valuation allowance taken by the Ashford Loop joint venture of $4.9 million in 2004, and a reduction in 2004 of $1.7 million as a result of the sale in 2003 of a property in Anaheim, California, partially offset by an increase from operations of the Hyatt Hotel at Harborside South Pier of $2.2 million for 2004 as compared to 2003.

Gain on sale of investment in unconsolidated joint venture (net of minority interest) amounted to $0.6 million in 2004 on account of the receipt of additional contingent purchase consideration from the Harborside North Pier sale. Gain on sale of investment in unconsolidated joint venture (net of minority interest) amounted to $21.1 million in 2003 on account of the sale of the Company’s investment in the American Financial Exchange joint venture in 2003.

Net income available to common shareholders decreased by $40.9 million, or 28.9 percent, from $141.4 million in 2003 to $100.5 million in 2004. This decrease was primarily the result of the Company having realized a $21.1 million gain on sale of investment in unconsolidated joint venture in 2003 for the sale of its investment in the American Financial Exchange venture, a decrease in equity in earnings of unconsolidated joint ventures of $15.3 million, realized gains on disposition of rental property of $3.1 million in 2003, a decrease in income from discontinued operations of $1.2 million for 2004 as compared to 2003, realized gains (losses) and unrealized losses on disposition of rental property of $0.6 million in 2004, a decrease in income from continuing operations before minority interest and equity in earnings of unconsolidated joint ventures of $0.5 million, and an increase in preferred stock dividends of $0.3 million. These were partially offset by a decrease in minority interest in Operating Partnership of approximately $0.6 million and a gain on sale of investment in unconsolidated joint venture of $0.6 million in 2004.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Overview:

Historically, rental revenue has been the principal source of funds to pay operating expenses, debt service, capital expenditures and dividends, excluding non-recurring capital expenditures. To the extent that the Company’s cash flow from operating activities is insufficient to finance its non-recurring capital expenditures such as property acquisitions, development and construction costs and other capital expenditures, the Company has and expects to continue to finance such activities through borrowings under its revolving credit facility and other debt and equity financings.

The Company believes that with the general downturn in the economy in recent years, and the softening of the Company’s markets specifically, it is reasonably likely that vacancy rates may continue to increase, effective rental rates on new and renewed leases may continue to decrease and tenant installation costs, including concessions, may continue to increase in most or all of its markets in 2006. As a result of the potential negative effects on the Company’s revenue from the overall reduced demand for office space, the Company’s cash flow could be insufficient to cover increased tenant installation costs over the short-term. If this situation were to occur, the Company expects that it would finance any shortfalls through borrowings under its revolving credit facility and other debt and equity financings.

The Company expects to meet its short-term liquidity requirements generally through its working capital, net cash provided by operating activities and from its revolving credit facility. The Company frequently examines potential

property acquisitions and development projects and, at any given time, one or more of such acquisitions or development projects may be under consideration. Accordingly, the ability to fund property acquisitions and development projects is a major part of the Company’s financing requirements. The Company expects to meet its financing requirements through funds generated from operating activities, proceeds from property sales, long-term and short-term borrowings (including draws on the Company’s revolving credit facility) and the issuance of additional debt and/or equity securities.

REIT Restrictions:

To maintain its qualification as a REIT, the Company must make annual distributions to its stockholders of at least 90 percent of its REIT taxable income, determined without regard to the dividends paid deduction and by excluding net capital gains. Moreover, the Company intends to continue to make regular quarterly distributions to its common stockholders which, based upon current policy, in the aggregate would equal approximately $156.6 million on an annualized basis. However, any such distribution, whether for federal income tax purposes or otherwise, would only be paid out of available cash, including borrowings and other sources, after meeting operating requirements,

preferred stock and unit dividends and distributions, and scheduled debt service on the Company's debt.

Property Lock-Ups:

The Company may not dispose of or distribute certain of its properties, currently comprising 56 properties with an aggregate net book value of approximately $1.3 billion, which were originally contributed by members of either the Mack Group (which includes William L. Mack, Chairman of the Company's Board of Directors; David S. Mack, director; Earle I. Mack, a former director; and Mitchell E. Hersh, president, chief executive officer and director), the Robert Martin Group (which includes Martin S. Berger, director; Robert F. Weinberg, a former director; and Timothy M. Jones, former president), the Cali Group (which includes John R. Cali, director, and John J. Cali, a former director) or certain other common unitholders, without the express written consent of a representative of the Mack Group, the Robert Martin Group, the Cali Group or the specific certain other common unitholders, as applicable, except in a manner which does not result in recognition of any built-in-gain (which may result in an income tax liability) or which reimburses the appropriate Mack Group, Robert Martin Group, Cali Group members or the specific certain other common unitholders for the tax consequences of the recognition of such built-in-gains (collectively, the "Property Lock-Ups"). The aforementioned restrictions do not apply in the event that the Company sells all of its properties or in connection with a sale transaction which the Company's Board of Directors determines is reasonably necessary to satisfy a material monetary default on any unsecured debt, judgment or liability of the Company or to cure any material monetary default on any mortgage secured by a property. The Property Lock-Ups expire periodically through 2010. Upon the expiration of the Property Lock-Ups, the Company generally is required to use commercially reasonable efforts to prevent any sale, transfer or other disposition of the subject properties from resulting in the recognition of built-in gain to the appropriate Mack Group, Robert Martin Group, Cali Group members or the specific certain other common unitholders. 74 of our properties, with an aggregate net book value of approximately $667.7 million, have lapsed restrictions and are subject to these conditions.

Unencumbered Properties:

As of December 31, 2005, the Company had 250 unencumbered properties, totaling 24.7 million square feet, representing 83.7 percent of the Company's total portfolio on a square footage basis.

Credit Ratings:

The Company has three investment grade credit ratings. Standard & Poor's Rating Services ("S&P") and Fitch, Inc. ("Fitch") have each assigned their BBB rating to existing and prospective senior unsecured debt of the Operating Partnership. S&P and Fitch have also assigned their BBB- rating to existing and prospective preferred stock offerings of the Company. Moody's Investors Service ("Moody's") has assigned its Baa2 rating to existing and prospective senior unsecured debt of the Operating Partnership and its Baa3 rating to its existing and prospective preferred stock offerings of the Company.

Cash Flows

Cash and cash equivalents increased by $48.1 million to $60.4 million at December 31, 2005, compared to $12.3 million at December 31, 2004. This increase is comprised of the following net cash flow items:

1) $242.9 million provided by operating activities.

2) $421.5 million used in investing activities, consisting primarily of the following:
   (a) $451.3 million used for additions to rental property;
   (b) $17.8 million used for investments in unconsolidated joint ventures;
   (c) $51.6 million used for the purchase of marketable securities; partially offset by:
   (d) $103.0 million received from proceeds from sale of rental properties.

(3) $226.7 million provided by financing activities, consisting primarily of the following:
   (a) $1.04 billion from borrowings under the unsecured credit facility;
   (b) $398.5 million from proceeds from the sale of senior unsecured notes;
   (c) $58.5 million from proceeds received from mortgages;
   (d) $16.6 million from proceeds received from stock options and warrants exercised; partially offset by:
   (e) $921.6 million used for repayments of borrowings under the Company's unsecured credit facility;
   (f) $191.9 million used for payments of dividends and distributions; and
   (g) $169.9 million used for repayments of mortgages, loans payable and other obligations.

Debt Financing

Summary of Debt:

The following is a breakdown of the Company's debt between fixed and variable-rate financing as of December 31, 2005:

	Balance ($000's)	% of Total	Weighted Average Interest Rate (a)	Weighted Average Maturity in Years
Fixed Rate Unsecured Debt	$ 1,430,509	67.28%	6.42%	6.13
Fixed Rate Secured Debt and Other Obligations	468,672	22.04%	5.96%	3.67
Variable Rate Unsecured Debt	227,000	10.68%	4.84%	3.90
Totals/Weighted Average:	$ 2,126,181	100.00	6.15%	5.35

Debt Maturities:

Scheduled principal payments and related weighted average annual interest rates for the Company's debt as of December 31, 2005 are as follows:

Period	Scheduled Amortization ($000's)	Principal Maturities ($000's)	Total ($000's)	Weighted Avg. Interest Rate of Future Repayments (a)
2006	$ 18,276	$ 160,189	$ 178,465	6.90%
2007	17,098	9,364	26,462	5.69%
2008	16,292	—	16,292	4.97%
2009	7,175	527,000	534,175	6.33%
2010	1,480	315,000	316,480	5.19%

Thereafter	9,781	1,050,033	1,059,814	5.98 %
Sub-total	70,102	2,061,586	2,131,688	6.15 %
Adjustment for unamortized debt discount/premium, net, as of December 31, 2005	(5,507)	—	(5,507)	—
Totals/Weighted Average	$ 64,595	$ 2,061,586	$ 2,126,181	6.15 %

(a) Actual weighted average LIBOR contract rates relating to the Company's outstanding debt as of December 31, 2005 of 4.36 percent was used in calculating revolving credit facility.

Senior Unsecured Notes:

On January 25, 2005, the Company issued $150 million face amount of 5.125 percent senior unsecured notes due January 15, 2015 with interest payable semi-annually in arrears. The proceeds from the issuance (net of selling commissions and discount) of approximately $148.1 million was used primarily to reduce outstanding borrowings under the unsecured facility.

On April 15, 2005, the Company issued $150 million face amount of 5.05 percent senior unsecured notes due April 15, 2010 with interest payable semi-annually in arrears. The proceeds from the issuance (net of selling commissions and discount) of approximately $148.8 million were used to reduce outstanding borrowings under the 2004 unsecured facility.

On November 15, 2005, the Company issued $100 million face amount of 5.80 percent senior unsecured notes due January 15, 2016 with interest payable semi-annually in arrears. The proceeds from the issuance (net of selling commissions and discount) of approximately $99 million were used to reduce outstanding borrowings under the 2004 unsecured facility.

On January 24, 2006, the Company issued $100 million face amount of 5.80 percent senior unsecured notes due January 15, 2016 with interest payable semi-annually in arrears, and $100 million face amount of 5.25 percent senior unsecured notes due January 15, 2012 with interest payable semi-annually in arrears. The Company's total proceeds from the issuances, including accrued interest on the 5.80 percent notes of approximately $200.8 million, were used to reduce outstanding borrowings under the total unsecured facility.

The terms of the Company's senior unsecured notes (which totaled approximately $1.4 billion as of December 31, 2005) include certain restrictions and covenants which require compliance with financial ratios relating to the maximum amount of debt leverage, the maximum amount of secured indebtedness, the minimum amount of debt service coverage and the maximum amount of unsecured debt as a percent of unsecured assets.

Unsecured Revolving Credit Facility:

In 2004, the Company obtained an unsecured revolving credit facility with a borrowing capacity of $600 million (expandable to $800 million), which replaced a credit facility of the same size. The interest rate on outstanding borrowings (not electing the Company's competitive bid feature) under the unsecured facility is currently LIBOR plus 65 basis points. The facility has a competitive bid feature, which allows the Company to solicit bids from lenders under the facility to borrow up to $300 million at interest rates less than the current LIBOR plus 65 basis point spread. As of December 31, 2005, the Company's outstanding borrowings carried a weighted average interest rate of LIBOR plus 49 points. The Company may also elect an interest rate representing the higher of the lender's prime rate or the Federal Funds rate plus 50 basis points. The unsecured facility, which also required a 20 basis point facility fee on the current borrowing capacity payable quarterly in arrears, was scheduled to mature in November 2007.

On September 16, 2005, the Company extended and modified its unsecured facility with a group of 23 lenders (reduced from 27). The facility was extended for an additional two years and now matures in November 2009, with an extension option of one year, which would require a payment of 25 basis points of the then borrowing capacity of the facility upon exercise. In addition, the facility fee was reduced by five basis points to 15 basis points at the BBB/Baa2 pricing level.

The interest rate and the facility fee are subject to adjustment, on a sliding scale, based upon the operating partnership's unsecured debt ratings. In the event of a change in the Operating Partnership's unsecured debt rating, the interest and facility fee rates will be adjusted in accordance with the following table:

Operating Partnership's Unsecured Debt Ratings: S&P Moody's/Fitch (a)	**Interest Rate – Applicable Basis Points Above LIBOR**	**Facility Fee Basis Points**
No ratings or less than BBB-/Baa3/BBB-	112.5	25.0
BBB-/Baa3/BBB-	80.0	20.0
BBB/Baa2/BBB (current)	65.0	15.0
BBB+/Baa1/BBB+	55.0	15.0
A-/A3/A- or higher	50.0	15.0

(a) If the Operating Partnership has debt ratings from two rating agencies, one of which is Standard & Poor's Rating Services ("S&P") or Moody's Investors Service ("Moody's"), the rates per the above table shall be based on the lower of such ratings. If the Operating Partnership has debt ratings from three rating agencies, one of which is S&P or Moody's, the rates per the above table shall be based on the lower of the two highest ratings. If the Operating Partnership has debt ratings from only one agency, it will be considered to have no rating or less than BBB-/Baa3/BBB- per the above table.

The terms of the unsecured facility include certain restrictions and covenants which limit, among other things, the payment of dividends (as discussed below), the incurrence of additional indebtedness, the incurrence of liens and the disposition of real estate properties (to the extent that: (i) such property dispositions cause the Company to default on any of the financial ratios of the facility described below, or (ii) the property dispositions are completed while the Company is under an event of default under the facility, unless, under certain circumstances, such disposition is being carried out to cure such default), and which require compliance with financial ratios relating to the maximum leverage ratio, the maximum amount of secured indebtedness, the minimum amount of tangible net worth, the minimum amount of fixed charge coverage, the maximum amount of unsecured indebtedness, the minimum amount of unencumbered property interest coverage and certain investment limitations. The dividend restriction referred to above provides that, except to enable the Company to continue to qualify as a REIT under the Code, the Company will not during any four consecutive fiscal quarters make distributions with respect to common stock or other common equity interests in an aggregate amount in excess of 90 percent of funds from operations (as defined in the facility agreement) for such period, subject to certain other adjustments.

The lending group for the unsecured facility consists of: JPMorgan Chase Bank, N.A., as administrative agent; Bank of America, N. A., as syndication agent; The Bank of Nova Scotia, New York Agency; Wachovia Bank, National Association; and Wells Fargo Bank, National Association, as documentation agents; SunTrust Bank, as senior managing agent; US Bank National Association; Citicorp North America, Inc.; and PNC Bank National Association, as managing agents; and Bank of China, New York Branch; The Bank of New York; Chevy Chase Bank, F.S.B.; The Royal Bank of Scotland, plc; Mizuho Corporate Bank, Ltd.; UFJ Bank Limited, New York Branch; The Governor and Company of the Bank of Ireland; Bank Hapoalim B.M.; Comerica Bank; Chang Hwa Commercial Bank, Ltd., New York Branch; First Commercial Bank, New York Agency; Chiao Tung Bank Co., Ltd., New York Agency; Deutsche Bank Trust Company Americas; and Hua Nan Commercial Bank, New York Agency.

Mortgages, Loans Payable and Other Obligations:

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

Debt Strategy:

The Company does not intend to reserve funds to retire the Company's senior unsecured notes or its mortgages, loans payable and other obligations upon maturity. Instead, the Company will seek to refinance such debt at maturity or retire such debt through the issuance of additional equity or debt securities on or before the applicable maturity dates. If it cannot raise sufficient proceeds to retire the maturing debt, the Company may draw on its revolving credit facility to retire the maturing indebtedness, which would reduce the future availability of funds under such facility. As of December 31, 2005, the Company had $227 million of outstanding borrowings under its $600 million unsecured revolving credit facility. The Company is reviewing various refinancing options, including the purchase of its senior unsecured notes in privately-negotiated transactions, the issuance of additional, or exchange of current, unsecured debt, preferred stock, and/or obtaining additional mortgage debt, some or all of which may be completed during 2006. 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.

Equity Financing and Registration Statements

Equity Activity:

The following table presents the changes in the Company's issued and outstanding shares of Common Stock and the Operating Partnership's common units and preferred units (as converted) since December 31, 2004:

	Common Stock	Common Units	Preferred Units, as Converted (a)	Total
Outstanding at December 31, 2004	61,038,875	7,616,447	6,205,426	74,860,748
Stock options exercised	574,506	—	—	574,506
Preferred units converted into common units	—	6,205,426	(6,205,426)	—
Common units redeemed for Common Stock	234,762	(234,762)	—	—
Common units issued	—	63,328	—	63,328
Shares issued under Dividend Reinvestment and Stock Purchase Plan	8,922	—	—	8,922
Shares issued under deferred compensation plan	4,921	—	—	4,921
Restricted shares issued, net of cancellations	157,660	—	—	157,660
Outstanding at December 31, 2005	62,019,646	13,650,439	—	75,670,085

(a) On June 13, 2005, 215,018 Series B preferred units were converted into 6,205,426 common units.

Share Repurchase Program:

On September 13, 2000, the Board of Directors authorized an increase to the Company's repurchase program under which the Company was permitted to purchase up to an additional $150.0 million of the Company's outstanding common stock ("Repurchase Program"). From that date through its last purchases on January 10, 2003, the Company purchased and retired, under the Repurchase Program, 3.7 million shares of its outstanding common stock for an aggregate cost of approximately $104.5 million. The Company has a remaining authorization to repurchase up to an additional $45.5 million of its outstanding common stock, which it may repurchase from time to time in open market transactions at prevailing prices or through privately negotiated transactions.

Shelf Registration Statements:

The Company has an effective shelf registration statement on Form S-3 filed with the Securities and Exchange Commission ("SEC") for an aggregate amount of $2.0 billion in common stock, preferred stock, depositary shares, and/or warrants of the Company, under which no securities have been sold.

The Company and the Operating Partnership also have an effective shelf registration statement on Form S-3 filed with the SEC for an aggregate amount of $2.5 billion in common stock, preferred stock, depositary shares and guarantees of the Company and debt securities of the Operating Partnership, under which $600 million of securities have been sold through February 17, 2006 and $1.9 billion remains available for future issuances.

Off-Balance Sheet Arrangements

Unconsolidated Joint Venture Debt:

The debt of the Company's unconsolidated joint ventures aggregating $118.8 million, at December 31, 2005, is non-recourse

to the Company except for customary exceptions pertaining to such matters as intentional misuse of funds, environmental conditions and material misrepresentations. The Company has severally guaranteed repayment of approximately $3.8 million on a mortgage at the Harborside South Pier joint venture. The Company has also posted a $7.6 million letter of credit in support of the Harborside South Pier joint venture, $3.8 million of which is indemnified by Hyatt.

The Company's off-balance sheet arrangements are further discussed in Note 4: Investments in Unconsolidated Joint Ventures to the Financial Statements.

Contractual Obligations

The following table outlines the timing of payment requirements related to the Company's debt (principal and interest), PILOT agreements, and ground lease agreements as of December 31, 2005 *(dollars in thousands)*:

		Payments Due by Period				
	Total	Less than 1 year	1 – 3 years	4 – 5 years	6 – 10 years	After 10 years
Senior unsecured notes	$ 1,790,776	$ 89,444	$ 178,889	$ 607,476	$ 812,067	$ 102,900
Revolving credit facility (1)	270,068	10,996	21,992	237,080	—	—
Mortgages, loans payable and other obligations	538,793	193,516	59,696	173,722	56,574	55,285
Payments in lieu of taxes (PILOT)	71,064	8,228	12,580	8,587	22,514	19,155
Ground lease payments	22,216	530	1,544	1,020	2,606	16,516
Total	$ 2,692,917	$ 302,714	$ 274,701	$ 1,027,885	$ 893,761	$ 193,856

(1) Interest payments assume current credit facility borrowings and interest rates remain at the December 31, 2005 level until maturity.

Other Commitments and Contingencies

Legal Proceedings:

On February 12, 2003, the NJSEA selected The Mills Corporation and the Company to redevelop the Continental Airlines Arena site ("Arena Site") for mixed uses, including retail. In March 2003, Hartz Mountain Industries, Inc., ("Hartz"), filed a lawsuit in the Superior Court of New Jersey, Law Division, for Bergen County, seeking to enjoin NJSEA from entering into a contract with the Meadowlands Venture for the redevelopment of the Continental Airlines Arena site. In May 2003, the court denied Hartz's request for an injunction and dismissed its suit for failure to exhaust administrative remedies. In June 2003, the NJSEA held hearings on Hartz's protest, and on a parallel protest filed by another rejected developer, Westfield, Inc. ("Westfield"). On September 10, 2003, the NJSEA ruled against Hartz's and Westfield's protests, Hartz and Westfield, as well as Elliot Braha and three other taxpayers (collectively "Braha"), thereafter filed appeals from the NJSEA's final decision. By decision dated May 14, 2004, the Appellate Division of the Superior Court of New Jersey rejected the appellants' contention that the NJSEA lacks statutory authority to allow retail development of its property. The Appellate Division also remanded Hart's claim under the Open Public Records Acts, seeking disclosure of additional documents from NJSEA, to the Law Division for further proceedings. The Supreme Court of New Jersey declined to review the Appellate Division's decision. On August 19, 2004, the Law Division issued a decision resolving Hartz's Open Public Records Act claim and ordered NJSEA to disclose some, but not all, of the documents Hartz was seeking. The Appellate Division, in a decision rendered on November 24, 2004, upheld the findings of the Law Division in the remand proceeding. The Supreme Court of New Jersey declined to review the Appellate Division's decision. At Hartz's request, the NJSEA thereafter held further hearings on December 15 and 16, 2004, to review certain additional facts in support of Hartz's and Westfield's bid protest. Braha, as a taxpayer, did not have standing to participate in the supplemental protest hearing. On March 4, 2005, the Hearing Officer rendered his Supplemental Report and Recommendation to the NJSEA, finding no merit in the protests presented by Hartz and

Westfield. The NJSEA accepted the Hearing Officer's Supplemental Report and Recommendation on March 30, 2005 and Hartz and Braha have appealed that decision to the Appellate Division.

In January 2004, Hartz and Westfield also appealed to the Appellate Division of the Supreme Court of New Jersey from the NJSEA's December 2003 approval and execution of the Redevelopment Agreement with the Meadowlands Venture.

In November 2004, Hartz and Westfield filed additional appeals in the Appellate Division challenging NJSEA's resolution authorizing the execution of the First Amendment to the Redevelopment Agreement with Meadowlands Venture and the ground lease with the Meadowlands Venture.

All of the above appeals have been consolidated by the Appellate Division and are pending.

On September 30, 2004, the Borough of Carlstadt filed an action in the Superior Court of New Jersey Law Division, challenging Meadowlands Xanadu, which asserts claims that are substantially the same as claims asserted by Hartz and Braha in the above appeals. By Order dated November 19, 2004, the Law Division transferred that matter to the Superior Court of New Jersey, Appellate Division. The matter is pending.

Several appeals filed by Hartz, Westfield and others, including certain environmental groups, that challenge certain approvals received by the Meadowlands Venture from the NJSEA, the New Jersey Meadowlands Commission ("NJMC") and the New Jersey Department of Environmental Protection ("NJDEP") remain pending before the Appellate Division. Some of these appeals challenge NJDEP's issuance of a stream encroachment permit, waterfront development permit, and coastal zone consistency determination for Meadowlands Xanadu. Other of these appeals are from NJDEP's and NJMC's issuance of reports in connection with a consultation process the NJSEA was statutorily required to undertake in connection with any NJSEA-development project.

A Hartz affiliate and a trade association have filed an appeal from an advisory opinion favorable to the Meadowlands Venture issued by the Director of the Division of Alcoholic Beverage Control concerning the availability of special concessionaire permits. That appeal is also pending in the Appellate Division of the Superior Court of New Jersey.

Three separate lawsuits have been filed in the United States District Court for the District of New Jersey, challenging a permit issued by the U.S. Army Corps of Engineers ("USACE") in connection with the project. The first suit was filed on March 30, 2005, by the Sierra Club, the New Jersey Public Interest Group, Citizen Lobby, Inc. and the New Jersey Environmental Federation. Additional suits were filed on May 16 and May 31, 2005, respectively, by Hartz (together with one of its officers as an individual named plaintiff) and the Borough of Carlstadt. The Sierra Club also filed a motion for a preliminary injunction to stop certain construction activities on the project, which the Court denied on July 6, 2005. The parties are currently briefing cross motions for summary judgment on the merits of the Sierra Club's claims. A decision is expected sometime in the latter part of 2006. On October 26, 2005, the court granted the motions of the Meadowlands Venture and the USACE to dismiss the Hartz complaint for lack of standing. The deadline for appealing that decision has passed, so the Hartz action is ended. On October 31, 2005, the USACE filed a motion to dismiss the complaint filed by the Borough of Carlstadt for lack of standing. On February 7, 2006, the Court granted the motion and dismissed the Borough of Carlstadt complaint in its entirety. Subject to any appeal that may be brought within 60 days after this order of dismissal, the Borough of Carlstadt action is ended.

On April 5, 2005, the New York Football Giants ("Giants") filed an emergent application with the Supreme Court of New Jersey, Chancery Division, seeking an injunction stopping all work on the Meadowlands Xanadu as being in violation of its existing lease with the NJSEA. The court heard an oral argument on the application on August 5, 2005, and denied the Giants' motion for preliminary injunctive relief. The Giants' claim for permanent injunction relief remains pending. However, the parties to this dispute have reached a tentative settlement. In September 2005, the Giants and Meadowlands Venture executed a settlement agreement. NJSEA subsequently proposed modifications to the settlement agreement, and the parties have not yet executed a final agreement. The proposed settlement agreement provides, among other things, for the Meadowlands

Venture to pay the Giants approximately $15 million as compensation for claims of construction interference and for the Giants to otherwise withdraw the assertion of the right to object to the project.

The New Jersey Builders' Association ("NJBA") has commenced an action, which is pending in the Appellate Division, alleging that the NJSEA has failed to meet a purported obligation to provide affordable housing at the Meadowlands Complex and seeking, among other relief, an order enjoining the construction of Meadowlands Xanadu. NJBA filed an application for preliminary injunctive relief seeking to enjoin further construction of Meadowlands Xanadu, which the Appellate Division denied on July 28, 2005. The Meadowlands Venture is not a party to that action.

On January 25, 2006, the Bergen Cliff Hawks Baseball Club, LLC (the "Cliff Hawks"), filed a complaint against the Company and Mills, alleging that the Company and Mills breached an agreement to provide the Cliff Hawks with a minor league baseball park as part of the Xanadu Project. This matter remains pending.

The Company believes that the Meadowlands Venture's proposal and the planned project comply with applicable laws, and the Meadowlands Venture intends to continue its vigorous defense of its rights under the Redevelopment Agreement and Ground Lease. Although there can be no assurance, the Company does not believe that the pending lawsuits will have any material affect on its ability to develop the Meadowlands Xanadu project.

There are no other 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 the Properties is subject.

Inflation

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

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

We consider portions of this information, including the documents incorporated by reference, to be forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 21E of such act. Such forward-looking statements relate to, without limitation, our future economic performance, plans and objectives for future operations and projections of revenue and other financial items. Forward-looking statements can be identified by the use of words such as "may," "will," "plan," "should," "expect," "anticipate," "estimate," "continue" or comparable terminology. Forward-looking statements are inherently subject to risks and uncertainties, many of which we cannot predict with accuracy and some of which we might not even anticipate. Although we believe that the expectations reflected in such forward-looking statements are based upon reasonable assumptions at the time made, we can give no assurance that such expectations will be achieved. Future events and actual results, financial and otherwise, may differ materially from the results discussed in the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements.

Among the factors about which we have made assumptions are:

- changes in the general economic climate and conditions, including those affecting industries in which our principal tenants compete;
- any failure of the general economy to recover from the current economic downturn;
- the extent of any tenant bankruptcies or of any early lease terminations;
- our ability to lease or re-lease space at current or anticipated rents;
- changes in the supply of and demand for office, office/flex and industrial/warehouse properties;
- changes in interest rate levels;

- changes in operating costs;
- our ability to obtain adequate insurance, including coverage for terrorist acts;
- the availability of financing;
- changes in governmental regulation, tax rates and similar matters; and
- other risks associated with the development and acquisition of properties, including risks that the development may not be completed on schedule, that the tenants will not take occupancy or pay rent, or that development or operating costs may be greater than anticipated.

For further information on factors which could impact us and the statements contained herein, see Item 1A: Risk Factors. We assume no obligation to update and supplement forward-looking statements that become untrue because of subsequent events.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Approximately $1.9 billion of the Company's long-term debt bears interest at fixed rates and therefore the fair value of these instruments is affected by changes in market interest rates. The following table presents principal cash flows (in thousands) based upon maturity dates of the debt obligations and the related weighted-average interest rates by expected maturity dates for the fixed rate debt. The interest rate on the variable rate debt as of December 31, 2005 was LIBOR plus 65 basis points.

December 31, 2005

Debt, including current portion ($'s in thousands)		2006		2007		2008		2009		2010		Thereafter		Total		Fair Value
Fixed Rate	$	177,487	$	25,485	$	15,314	$	306,383	$	315,775	$	1,058,737	$	1,899,181	$	1,938,567
Average Interest Rate		6.90%		5.69%		4.97%		7.43%		5.19%		6.13%		6.30%		
Variable Rate							$	227,000					$	227,000	$	227,000

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

The Company has also invested in the marketable securities of another REIT and is primarily exposed to equity price risk from adverse changes in market rates and conditions. All marketable securities are classified as available for sale and are carried at fair value.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by Item 8 is contained in the Consolidated Financial Statements, together with the notes to the Consolidated Financial Statements and the report of independent registered public accounting firm.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures. The Company's management, with the participation of the Company's chief executive officer and chief financial officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on such evaluation, the Company's chief executive officer and chief financial officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures were effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act.

Management's Report on Internal Control Over Financial Reporting. Internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, is a process designed by, or under the supervision of, the Company's chief executive officer and chief financial officer, or persons performing similar functions, and effected by the Company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company's management, with the participation of the Company's chief executive officer and chief financial officer, has established and maintained policies and procedures designed to maintain the adequacy of the Company's internal control over financial reporting, and includes those policies and procedures that:

(1) Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;

(2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

(3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

The Company's management has evaluated the effectiveness of the Company's internal control over financial reporting as of December 31, 2005 based on the criteria established in a report entitled *Internal Control—Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our assessment and those criteria, the Company's management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2005.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become

inadequate because of changes in conditions, or that the degree or compliance with the policies or procedures may deteriorate.

Management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2005 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

Changes In Internal Control Over Financial Reporting. There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fourth fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Not Applicable.

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 shareholders expected to be held on May 24, 2006.

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 shareholders expected to be held on May 24, 2006.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by Item 12 is incorporated by reference to the Company's definitive proxy statement for its annual meeting of shareholders expected to be held on May 24, 2006.

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 shareholders expected to be held on May 24, 2006.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by Item 14 is incorporated by reference to the Company's definitive proxy statement for its annual meeting of shareholders expected to be held on May 24, 2006.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) 1. Financial Statements and Report of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of December 31, 2005 and 2004

Consolidated Statements of Operations for the Years Ended December 31, 2005, 2004 and 2003

Consolidated Statements of Changes in Stockholders' Equity for the Years Ended December 31, 2005, 2004 and 2003

Consolidated Statements of Cash Flows for the Years Ended December 31, 2005, 2004 and 2003

Notes to Consolidated Financial Statements

(a) 2. Financial Statement Schedules

Schedule III - Real Estate Investments and Accumulated Depreciation as of December 31, 2005

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 exhibits required by this item are set forth on the Exhibit Index attached hereto.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To Board of Directors and Shareholders
of Mack-Cali Realty Corporation:

We have completed integrated audits of Mack-Cali Realty Corporation's 2005 and 2004 consolidated financial statements and of its internal control over financial reporting as of December 31, 2005, and an audit of its 2003 consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

Consolidated financial statements and financial statement schedule

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of Mack-Cali Realty Corporation and its subsidiaries (collectively, the "Company") at December 31, 2005 and 2004, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2005 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements 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 our opinion.

Internal control over financial reporting

Also, in our opinion, management's assessment, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A, that the Company maintained effective internal control over financial reporting as of December 31, 2005 based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion,

the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on criteria established in *Internal Control - Integrated Framework* issued by the COSO. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
New York, New York
February 22, 2006

MACK-CALI REALTY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS *(in thousands, except per share amounts)*

	December 31, 2005	December 31, 2004
ASSETS		
Rental property		
Land and leasehold interests	$ 637,653	$ 593,606
Buildings and improvements	3,539,003	3,296,789
Tenant improvements	307,664	262,626
Furniture, fixtures and equipment	7,432	7,938
	4,491,752	4,160,959
Less – accumulated depreciation and amortization	(722,980)	(641,626)
	3,768,772	3,519,333
Rental property held for sale, net	—	19,132
Net investment in rental property	3,768,772	3,538,465
Cash and cash equivalents	60,397	12,270
Marketable securities available for sale at fair value	50,847	—
Investments in unconsolidated joint ventures	62,138	46,743
Unbilled rents receivable, net	92,692	82,586
Deferred charges and other assets, net	197,634	155,060
Restricted cash	9,221	10,477
Accounts receivable, net of allowance for doubtful accounts of $1,088 and $1,235	5,801	4,564
Total assets	$ 4,247,502	$ 3,850,165
LIABILITIES AND STOCKHOLDERS' EQUITY		
Senior unsecured notes	$ 1,430,509	$ 1,031,102
Revolving credit facilities	227,000	107,000
Mortgages, loans payable and other obligations	468,672	564,198
Dividends and distributions payable	48,178	47,712
Accounts payable, accrued expenses and other liabilities	85,481	57,002
Rents received in advance and security deposits	47,685	47,938
Accrued interest payable	27,871	22,144
Total liabilities	2,335,396	1,877,096
Minority interests:		
Operating Partnership	400,819	416,855
Consolidated joint ventures	—	11,103
Total minority interests	400,819	427,958
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.01 par value, 5,000,000 shares authorized, 10,000 and 10,000 shares outstanding, at liquidation preference	25,000	25,000
Common stock, $0.01 par value, 190,000,000 shares authorized, 62,019,646 and 61,038,875 shares outstanding	620	610
Additional paid-in capital	1,682,141	1,650,834

Unamortized stock compensation	(6,105)	(3,968)
Dividends in excess of net earnings	(189,579)	(127,365)
Accumulated other comprehensive loss	(790)	—
Total stockholders' equity	1,511,287	1,545,111
Total liabilities and stockholders' equity	$ 4,247,502	$ 3,850,165

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

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

	Year Ended December 31,		
	2005	2004	2003
REVENUES			
Base rents	$ 541,702	$ 498,392	$ 480,292
Escalations and recoveries from tenants	84,082	66,451	59,885
Parking and other	17,621	12,906	18,747
Total revenues	643,405	577,749	558,924
EXPENSES			
Real estate taxes	82,056	69,085	62,462
Utilities	55,843	41,649	40,037
Operating services	89,175	75,712	71,295
General and administrative	33,090	31,761	31,284
Depreciation and amortization	155,370	127,826	113,202
Interest expense	119,337	109,649	115,430
Interest income	(856)	(1,367)	(1,098)
Loss on early retirement of debt, net	—	—	2,372
Total expenses	534,015	454,315	434,984
Income from continuing operations before minority interest and equity in earnings of unconsolidated joint ventures	109,390	123,434	123,940
Minority interest in Operating Partnership	(21,042)	(27,691)	(28,364)
Minority interest in consolidated joint ventures	(74)	—	—
Equity in earnings of unconsolidated joint ventures (net of minority interest), net	179	(3,452)	11,873
Gain on sale of investment in unconsolidated joint ventures (net of minority interest)	31	637	21,108
Income from continuing operations	88,484	92,928	128,557
Discontinued operations (net of minority interest):			
Income from discontinued operations	2,578	10,144	11,376
Realized gains (losses) and unrealized losses on disposition of rental property, net	4,426	(619)	3,120
Total discontinued operations, net	7,004	9,525	14,496
Net income	95,488	102,453	143,053
Preferred stock dividends	(2,000)	(2,000)	(1,672)
Net income available to common shareholders	$ 93,488	$ 100,453	$ 141,381
Basic earnings per common share:			
Income from continuing operations	$ 1.41	$ 1.50	$ 2.20
Discontinued operations	0.11	0.16	0.25
Net income available to common shareholders	$ 1.52	$ 1.66	$ 2.45
Diluted earnings per common share:			
Income from continuing operations	$ 1.40	$ 1.49	$ 2.18
Discontinued operations	0.11	0.16	0.25
Net income available to common shareholders	$ 1.51	$ 1.65	$ 2.43
Dividends declared per common share	$ 2.52	$ 2.52	$ 2.52
Basic weighted average shares outstanding	61,477	60,351	57,724
Diluted weighted average shares outstanding	74,189	68,743	65,980

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

MACK-CALI REALTY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY *(in thousands)*

	Preferred Stock		Common Stock		Additional Paid-In	Unamortized Stock	Dividends in Excess of	Accumulated Other Comprehensive	Total Stockholders'	Comprehensive
	Shares	Amount	Shares	Par Value	Capital	Compensation	Net Earnings	Income (Loss)	Equity	Income
Balance at January 1, 2003	—	—	57,318	$ 573	$ 1,525,479	$ (2,892)	$ (68,966)	—	$ 1,454,194	—
Net income	—	—	—	—	—	—	143,053	—	143,053	$ 143,053
Preferred stock dividends	—	—	—	—	—	—	(1,672)	—	(1,672)	—
Common stock dividends	—	—	—	—	—	—	(147,136)	—	(147,136)	—
Issuance of preferred stock	10	$ 25,000	—	—	(164)	—	—	—	24,836	—
Redemption of common units for common stock	—	—	44	1	1,384	—	—	—	1,385	—

Shares issued under Dividend Reinvestment and Stock Purchase Plan	—	—	4	—	148	—	—	—	148	—
Stock options exercised	—	—	1,421	14	47,182	—	—	—	47,196	—
Stock warrants exercised	—	—	443	4	16,577	—	—	—	16,581	—
Stock options expense	—	—	—	—	189	—	—	—	189	—
Directors Deferred comp. plan	—	—	—	—	227	—	—	—	227	—
Issuance of Restricted Stock	—	—	225	2	7,233	(5,649)	—	—	1,586	—
Amortization of stock comp.	—	—	—	—	—	1,931	—	—	1,931	—
Adj. to fair value of restricted stock	—	—	—	—	575	(575)	—	—	—	—
Cancellation of restricted stock	—	—	—	—	(15)	15	—	—	—	—
Repurchase of common stock	—	—	(35)	—	(1,030)	—	—	—	(1,030)	—
Balance at December 31, 2003	10	$ 25,000	59,420	$ 594	$ 1,597,785	$ (7,170)	$ (74,721)	—	$ 1,541,488	$ 143,053
Net income	—	—	—	—	—	—	102,453	—	102,453	102,453
Preferred stock dividends	—	—	—	—	—	—	(2,000)	—	(2,000)	—
Common stock dividends	—	—	—	—	—	—	(153,097)	—	(153,097)	—
Redemption of common units for common stock	—	—	179	2	4,642	—	—	—	4,644	—
Shares issued under Dividend Reinvestment and Stock Purchase Plan	—	—	12	—	481	—	—	—	481	—
Stock options exercised	—	—	1,251	13	40,507	—	—	—	40,520	—
Stock warrants exercised	—	—	149	1	4,924	—	—	—	4,925	—
Stock options expense	—	—	—	—	415	—	—	—	415	—
Directors Deferred comp. plan	—	—	—	—	265	—	—	—	265	—
Issuance of restricted stock	—	—	47	—	2,106	(578)	—	—	1,528	—
Amortization of stock comp.	—	—	—	—	—	3,489	—	—	3,489	—
Adj. to fair value of restricted stock	—	—	—	—	284	(284)	—	—	—	—
Cancellation of restricted stock	—	—	(19)	—	(575)	575	—	—	—	—
Balance at December 31, 2004	10	$ 25,000	61,039	$ 610	$ 1,650,834	$ (3,968)	$ (127,365)	—	$ 1,545,111	$ 102,453
Net income	—	—	—	—	—	—	95,488	—	95,488	95,488
Preferred stock dividends	—	—	—	—	—	—	(2,000)	—	(2,000)	—
Common stock dividends	—	—	—	—	—	—	(155,702)	—	(155,702)	—
Redemption of common units for common stock	—	—	235	2	6,788	—	—	—	6,790	—
Shares issued under Dividend Reinvestment and Stock Purchase Plan	—	—	9	—	390	—	—	—	390	—
Stock options exercised	—	—	574	6	16,597	—	—	—	16,603	—
Stock options expense	—	—	—	—	448	—	—	—	448	—
Comprehensive Loss:										
Unrealized holding loss on marketable securities available for sale	—	—	—	—	—	—	—	(790)	(790)	(790)
Directors Deferred comp. plan	—	—	5	—	288	—	—	—	288	—
Issuance of restricted stock	—	—	166	2	7,189	(7,191)	—	—	—	—
Amortization of stock comp.	—	—	—	—	—	4,661	—	—	4,661	—
Adj. to fair value of restricted stock	—	—	—	—	(37)	37	—	—	—	—
Cancellation of restricted stock	—	—	(8)	—	(356)	356	—	—	—	—
Balance at December 31, 2005	10	$ 25,000	62,020	$ 620	$ 1,682,141	$ (6,105)	$ (189,579)	$ (790)	$ 1,511,287	$ 94,698

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

MACK-CALI REALTY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS *(in thousands)*

	Year Ended December 31, 2005	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 95,488	$ 102,453	$ 143,053
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	155,370	127,826	113,202
Depreciation and amortization on discontinued operations	729	4,748	6,558
Stock options expense	448	415	189
Amortization of stock compensation	4,661	3,489	1,931
Amortization of deferred financing costs and debt discount	3,271	4,163	4,713
Write-off of unamortized interest rate contract	—	—	1,540
Discount on early retirement of debt	—	—	(2,008)
Equity in earnings of unconsolidated joint venture (net of minority interest), net	(179)	3,452	(11,873)
Gain on sale of investment in unconsolidated joint ventures (net of minority interest)	(31)	(637)	(21,108)
(Realized gains) unrealized losses on disposition of rental property (net of minority interest)	(4,426)	619	(3,120)
Minority interest in Operating Partnership	21,042	27,691	28,364
Minority interest in consolidated joint ventures	74	—	—
Minority interest in income from discontinued operations	420	1,305	1,539
Changes in operating assets and liabilities:			
Increase in unbilled rents receivable, net	(13,283)	(11,230)	(10,120)
Increase in deferred charges and other assets, net	(40,566)	(48,306)	(23,681)
(Increase) decrease in accounts receivable, net	(1,237)	(106)	1,832
Increase (decrease) in accounts payable, accrued expenses and other liabilities	15,674	15,579	(9,351)
Increase (decrease) in rents received in advance and security deposits	(253)	7,839	1,061
Increase (decrease) in accrued interest payable	5,727	(860)	(1,944)
Net cash provided by operating activities	$ 242,929	$ 238,440	$ 220,777
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to rental property	$ (451,335)	$ (200,033)	$ (113,926)
Repayment of mortgage note receivable	81	850	3,542
Investment in unconsolidated joint ventures	(17,788)	(27,945)	(13,472)
Distributions from unconsolidated joint ventures	—	25,942	14,624
Proceeds from sale of investment in unconsolidated joint venture	2,676	720	164,867
Acquisition of minority interest in consolidated joint venture	(7,713)	—	—
Proceeds from sales of rental property	102,980	110,141	18,690
Purchase of marketable securities available for sale	(51,637)	—	—
Funding of note receivable	—	(13,042)	—
Decrease (increase) in restricted cash	1,256	(2,388)	(312)

Net cash (used in) provided by investing activities	$ (421,480)	$ (105,755)	$ 74,013
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from senior unsecured notes	$ 398,480	$ 202,363	$ 124,714
Borrowings from revolving credit facility	1,041,560	612,475	297,852
Repayment of senior unsecured notes	—	(300,000)	(95,284)
Repayment of revolving credit facility	(921,560)	(505,475)	(370,852)
Repayment of mortgages, loans payable and other obligations	(169,935)	(58,553)	(78,687)
Net proceeds from preferred stock issuance	—	—	24,836
Repurchase of common stock	—	—	(1,030)
Payment of financing costs	(5,071)	(5,648)	(577)
Proceeds from mortgages	58,500	—	—
Proceeds from stock options exercised	16,603	40,520	47,196
Proceeds from stock warrants exercised	—	4,925	16,581
Payment of dividends and distributions	(191,899)	(189,397)	(182,331)
Net cash provided by (used in) financing activities	$ 226,678	$ (198,790)	$ (217,582)
Net increase (decrease) in cash and cash equivalents	$ 48,127	$ (66,105)	$ 77,208
Cash and cash equivalents, beginning of period	12,270	78,375	$ 1,167
Cash and cash equivalents, end of period	$ 60,397	$ 12,270	$ 78,375

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

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

1. ORGANIZATION AND BASIS OF PRESENTATION

ORGANIZATION

Mack-Cali Realty Corporation, a Maryland corporation, together with its subsidiaries (collectively, the “Company”), is a fully-integrated, self-administered, self-managed real estate investment trust (“REIT”) providing leasing, management, acquisition, development, construction and tenant-related services for its properties. As of December 31, 2005, the Company owned or had interests in 270 properties plus developable land (collectively, the “Properties”). The Properties aggregate approximately 30.0 million square feet, which are comprised of 162 office buildings and 97 office/flex buildings, totaling approximately 29.6 million square feet (which include one office building and one office/flex building aggregating 538,000 square feet owned by unconsolidated joint ventures in which the Company has investment interests), six industrial/warehouse buildings totaling approximately 387,400 square feet, two retail properties totaling approximately 17,300 square feet, one hotel (which is owned by an unconsolidated joint venture in which the Company has an investment interest) and two parcels of land leased to others. The Properties are located in seven states, primarily in the Northeast, plus the District of Columbia.

BASIS OF PRESENTATION

The accompanying consolidated financial statements include all accounts of the Company, its majority-owned and/or controlled subsidiaries, which consist principally of Mack-Cali Realty, L.P. (the “Operating Partnership”) and variable interest entities for which the Company has determined itself to be the primary beneficiary, if any. See Note 2: Significant Accounting Policies — Investments in Unconsolidated Joint Ventures, Net for the Company’s treatment of unconsolidated joint venture interests. Intercompany accounts and transactions have been eliminated.

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

Certain reclassifications have been made to prior period amounts in order to conform with current period presentation.

2. SIGNIFICANT ACCOUNTING POLICIES

Rental Property Rental properties are stated at cost less accumulated depreciation and amortization. Costs directly related to the acquisition, development and construction of rental properties are capitalized. Capitalized development and construction costs include pre-construction costs essential to the development of the property, development and construction costs, interest, property taxes, insurance, salaries and other project costs incurred during the period of development. Included in total rental property is construction and development in-progress of $118,816 and $86,916 (including land of $58,883 and $53,705) as of December 31, 2005 and 2004, respectively. Ordinary repairs and maintenance are expensed as incurred; major replacements and betterments, which improve or extend the life of the asset, are capitalized and depreciated over their estimated useful lives. Fully-depreciated assets are removed from the accounts.

The Company considers a construction project as substantially completed and held available for occupancy upon the completion of tenant improvements, but no later than one year from cessation of major construction activity (as distinguished from activities such as routine maintenance and cleanup). If portions of a rental project are substantially completed and occupied by tenants, or held available for occupancy, and other portions have not yet reached that stage, the substantially completed portions are accounted for as a separate project. The Company allocates costs incurred between the portions under construction and the portions substantially completed and held

available for occupancy, and capitalizes only those costs associated with the portion under construction.

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

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

Upon acquisition of rental property, the Company estimates the fair value of acquired tangible assets, consisting of land, building and improvements, and identified intangible assets and liabilities, generally consisting of the fair value of (i) above and below market leases, (ii) in-place leases and (iii) tenant relationships. The Company allocates the purchase price to the assets acquired and liabilities assumed based on their relative fair values. In estimating the fair value of the tangible and intangible assets acquired, the Company considers information obtained about each property as a result of its due diligence and marketing and leasing activities, and utilizes various valuation methods, such as estimated cash flow projections utilizing appropriate discount and capitalization rates, estimates of replacement costs net of depreciation, and available market information. The fair value of the tangible assets of an acquired property considers the value of the property as if it were vacant.

Above-market and below-market lease values for acquired properties are recorded based on the present value, (using a discount rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to each in-place lease and (ii) management's estimate of fair market lease rates for each corresponding in-place lease, measured over a period equal to the remaining term of the lease for above-market leases and the initial term plus the term of any below-market fixed rate renewal options for below-market leases. The capitalized above-market lease values are amortized as a reduction of base rental revenue over the remaining term of the respective leases, and the capitalized below-market lease values are amortized as an increase to base rental revenue over the remaining initial terms plus the terms of any below-market fixed rate renewal options of the respective leases.

Other intangible assets acquired include amounts for in-place lease values and tenant relationship values, which are based on management's evaluation of the specific characteristics of each tenant's lease and the Company's overall relationship with the respective tenant. Factors to be considered by management in its analysis of in-place lease values include an estimate of carrying costs during hypothetical expected lease-up periods considering current market conditions, and costs to execute similar leases. In estimating carrying costs, management includes real estate taxes, insurance and other operating expenses and estimates of lost rentals at market rates during the expected lease-up periods, depending on local market conditions. In estimating costs to execute similar leases, management considers leasing commissions, legal and other related expenses. Characteristics considered by management in valuing tenant relationships include the nature and extent of the Company's existing business relationships with the tenant, growth prospects for developing new business with the tenant, the tenant's credit quality and expectations of lease renewals. The value of in-place leases are amortized to expense over the remaining initial terms of the respective leases. The value of tenant relationship intangibles are amortized to expense over the anticipated life of the relationships.

On a periodic basis, management assesses whether there are any indicators that the value of the Company's real estate properties held for use 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 is less than the carrying value of the property. To the extent impairment has occurred, the loss shall be measured as the excess of the carrying amount of the property over the fair value of the property. The Company's estimates of aggregate future cash flows expected to be generated by each property are based on a number of assumptions that are subject to economic and market uncertainties including, among others, demand for space, competition for tenants, changes in market rental rates, and costs to operate each property. As these factors are difficult to predict and are subject to future events that may alter management's assumptions, the future cash flows estimated by management in its impairment analyses may not be achieved. Management does not believe that the value of any of the Company's rental properties is impaired.

Rental Property Held for Sale and Discontinued Operations

When assets are identified by management as held for sale, the Company discontinues depreciating the assets and estimates the sales price, net of selling costs, of such assets. If, in management's opinion, the net sales price of the assets which have been identified as held for sale is less than the net book value of the assets, a valuation allowance is established. Properties identified as held for sale and/or sold are presented in discontinued operations for all periods presented. See Note 7: Discontinued Operations.

If circumstances arise that previously were considered unlikely and, as a result, the Company decides not to sell a property previously classified as held for sale, the property is reclassified as held and used. A property that is reclassified is measured and recorded individually at the lower of (a) its carrying amount before the property was classified as held for sale, adjusted for any depreciation (amortization) expense that would have been recognized had the property been continuously classified as held and used, or (b) the fair value at the date of the subsequent decision not to sell.

Investments in Unconsolidated Joint Ventures, Net

The Company accounts for its investments in unconsolidated joint ventures for which Financial Accounting Standards Board ("FASB") Interpretation No. 46 (revised December 2003), Consolidation of Variable Interest Entities ("FIN 46") does not apply under the equity method of accounting as the Company exercises significant influence, but does not control these entities. These investments are recorded initially at cost, as Investments in Unconsolidated Joint Ventures, and subsequently adjusted for equity in earnings and cash contributions and distributions.

FIN 46 provides guidance on the identification of entities for which control is achieved through means other than voting rights ("variable interest entities" or "VIEs") and the determination of which business enterprise, if any, should consolidate the VIE (the "primary beneficiary"). Generally, FIN 46 applies when either (1) the equity investors (if any) lack one or more of the essential characteristics of a controlling financial interest, (2) the equity investment at risk is insufficient to finance that entity's activities without additional subordinated financial support or (3) the equity investors have voting rights that are not proportionate to their economic interests and the activities of the entity involve or are conducted on behalf of an investor with a disproportionately small voting interest.

The Company has evaluated its joint ventures with regards to FIN 46. As of December 31, 2005, the Company has identified its Meadowlands Xanadu joint venture with the Mills Corporation as a VIE, but is not consolidating such venture as the Company is not the primary beneficiary. Disclosure about this VIE is included in Note 4: Investments in Unconsolidated Joint Ventures.

On a periodic basis, management assesses whether there are any indicators that the value of the Company's investments in unconsolidated joint ventures may be impaired. An investment is

impaired only if management's estimate of the value of the investment is less than the carrying value of the investment, and such decline in value is deemed to be other than temporary. To the extent impairment has occurred, the loss shall be measured as the excess of the carrying amount of the investment over the value of the investment. Management does not believe that the value of any of the Company's investments in unconsolidated joint ventures is impaired. See Note 4: Investments in Unconsolidated Joint Ventures.

Cash and Cash Equivalents

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

Marketable Securities

The Company classifies its marketable securities among three categories: Held-to-maturity, trading and available-for-sale. Unrealized holding gains and losses are excluded from earnings and reported as other comprehensive income (loss) in stockholders' equity until realized.

A decline in the market value of any marketable security below cost that is deemed to be other than temporary results in a reduction in the carrying amount to fair value. Any impairment would be charged to earnings and a new cost basis for the security established.

The Company's marketable securities at December 31, 2005 carried a value of $50,847 and consisted of 1,468,300 shares of common stock in CarrAmerica Realty Corporation, which were all acquired in 2005. From January 1, 2006 through January 25, 2006, the Company purchased an additional 336,500 shares of common stock in CarrAmerica for a total purchase price of $11,912.

The Company's marketable securities at December 31, 2005 are all classified as available-for-sale and are carried at fair value based on quoted market prices. The Company recorded an unrealized holding loss of $790 as other comprehensive loss in 2005.

Deferred Financing Costs

Costs incurred in obtaining financing are capitalized and amortized on a straight-line basis, which approximates the effective interest method, over the term of the related indebtedness. Amortization of such costs is included in interest expense and was $3,271, $4,163 and $4,713 for the years ended December 31, 2005, 2004 and 2003, respectively.

Deferred Leasing Costs

Costs incurred in connection with leases are capitalized and amortized on a straight-line basis over the terms of the related leases and included in depreciation and amortization. Unamortized deferred leasing costs are charged to amortization expense upon early termination of the lease. Certain employees of the Company are compensated for providing leasing services to the Properties. The portion of such compensation, which is capitalized and amortized, approximated $3,855, $3,907 and $3,783 for the years ended December 31, 2005, 2004 and 2003, respectively.

Derivative Instruments

The Company measures derivative instruments, including certain derivative instruments embedded in other contracts, at fair value and records them as an asset or liability, depending on the Company's rights or obligations under the applicable derivative contract. For derivatives designated and qualifying as fair value hedges, the changes in the fair value of both the derivative instrument and the hedged item are recorded in earnings. For derivatives designated as cash flow hedges, the effective portions of the derivative are reported in other comprehensive income ("OCI") and are subsequently reclassified into earnings when the hedged item affects earnings. Changes in fair value of derivative instruments not designated as hedging and ineffective portions of hedges are recognized in earnings in the affected period.

Revenue Recognition

Base rental revenue is recognized on a straight-line basis over the terms of the respective leases. Unbilled rents receivable represents the amount by which straight-line rental revenue exceeds rents currently billed in accordance with the lease agreements. Above-market and below-market lease values for acquired properties are recorded based on the present value (using a discount rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to each in-place lease and (ii) management's estimate of fair market lease rates for each corresponding in-place lease, measured over a period equal to the remaining term of the lease for above-market leases and the initial term plus the term of any below-market fixed-rate renewal options for below-market leases. The capitalized above-market lease values for acquired properties are amortized as a reduction of base rental revenue over the remaining term of the respective leases, and the capitalized below-market lease values are amortized as an increase to base rental revenue over the remaining initial terms plus the terms of any below-market fixed-rate renewal options of the respective leases. Escalations and recoveries from tenants are received from tenants for certain costs as provided in the lease agreements. These costs generally include real estate taxes, utilities, insurance, common area maintenance and other recoverable costs. See Note 15: Tenant Leases. Parking and other revenue includes income from parking spaces leased to tenants, income from tenants for additional services arranged for the Company, income from tenants for early lease terminations and income from managing and/or leasing properties for third parties

Allowance for Doubtful Accounts

Management periodically performs a detailed review of amounts due from tenants to determine if accounts receivable balances are impaired based on factors affecting the collectibility of those balances. Management's estimate of the allowance for doubtful accounts requires management to exercise significant judgment about the timing, frequency and severity of collection losses, which affects the allowance and net income.

Income and Other Taxes

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

Earnings Per Share

The Company presents both basic and diluted earnings per share ("EPS"). Basic EPS excludes dilution and is computed by dividing net income available to common shareholders by the weighted average number of shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock, where such exercise or conversion would result in a lower EPS amount.

Dividends and Distributions Payable

The dividends and distributions payable at December 31, 2005 represents dividends payable to preferred shareholders (10,000 shares) and common shareholders (62,028,306 shares), and distributions payable to minority interest common unitholders of the Operating Partnership (13,650,439 common units) for all such holders of record as of January 5, 2006 with respect to the fourth quarter 2005. The fourth quarter 2005 preferred stock dividends of $50.00 per share, common stock dividends and common unit distributions of $0.63 per common share and unit were approved by the Board of Directors on December 6, 2005. The common stock dividends and common unit distributions payable were paid on January 13, 2006. The preferred stock dividends payable were paid on January 17, 2006.

The dividends and distributions payable at December 31, 2004 represents dividends payable to preferred shareholders (10,000 shares) and common shareholders (61,118,025 shares), distributions payable to minority interest common unitholders (7,616,447 common units) and preferred distributions payable to preferred unitholders (215,018 preferred units) for all such holders of record as of January 5, 2005 with respect to the fourth quarter 2004. The fourth quarter 2004 preferred stock dividends of $50.00 per share, common stock dividends and common unit distributions of $0.63 per common share and unit, as well as the fourth quarter 2004 preferred unit distributions of $18.1818 per preferred unit, were approved by the Board of Directors on December 7, 2004. The preferred stock dividends, common stock dividends, and common and preferred unit distributions payable were paid on January 18, 2005.

Costs Incurred For Preferred Stock Issuances

Costs incurred in connection with the Company's preferred stock issuances are reflected as a reduction of additional paid-in capital.

Stock Compensation

The Company accounts for stock options and restricted stock awards granted prior to 2002 using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations ("APB No. 25"). Under APB No. 25, compensation cost for stock options 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 is recognized ratably over the vesting period. The Company's policy is to grant options with an exercise price equal to the quoted closing market price of the Company's stock on the business day preceding the grant date. Accordingly, no compensation cost has been recognized under the Company's stock option plans for the granting of stock options made prior to 2002. Restricted stock awards granted prior to 2002 are valued at the vesting dates of such awards with compensation cost for such awards recognized ratably over the vesting period.

In 2002, the Company adopted the provisions of FASB No. 123, which requires, on a prospective basis, that the estimated fair value of restricted stock ("Restricted Stock Awards") and stock options at the grant date be amortized ratably into expense over the appropriate vesting period. For the years ended December 31, 2005, 2004 and 2003, the Company recorded restricted stock and stock options expense of $5,109, $5,432 and $4,353, respectively. FASB No. 148, Accounting for Stock-Based Compensation – Transition and Disclosure, was issued in December 2002 and amends FASB No. 123, Accounting for Stock Based Compensation. FASB No. 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock based compensation. In addition, this Statement amends the disclosure requirements of FASB No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. FASB No. 148 disclosure requirements are presented below:

The following table illustrates the effect on net income and earnings per share if the fair value based method had been applied to all outstanding and unvested stock awards in each period:

	2005 Basic EPS	2004 Basic EPS	2003 Basic EPS
Net income, as reported	$ 95,488	$ 102,453	$ 143,053
Add: Stock-based compensation expense included in reported net income (net of minority interest)	4,260	4,813	3,835
Deduct: Total stock-based compensation expense determined under fair value based method for all awards	(5,391)	(6,308)	(5,094)
Add: Minority interest on stock-based compensation expense under fair value based method	896	719	607
Pro forma net income	95,253	101,677	142,401
Deduct: Preferred stock dividends	(2,000)	(2,000)	(1,672)
Pro forma net income available to common shareholders – basic	$ 93,253	$ 99,677	$ 140,729
Earnings Per Share:			
Basic – as reported	$ 1.52	$ 1.66	$ 2.45
Basic – pro forma	$ 1.52	$ 1.65	$ 2.44
Diluted – as reported	$ 1.51	$ 1.65	$ 2.43
Diluted – pro forma	$ 1.51	$ 1.64	$ 2.42

Other Comprehensive Income

Other comprehensive income (loss) includes items that are recorded in equity, such as unrealized holding gains or losses on marketable securities available for sale.

3. REAL ESTATE PROPERTY TRANSACTIONS

2005 TRANSACTIONS

Property Acquisitions

The Company acquired the following office properties during the year ended December 31, 2005:

Acquisition Date	Property/Address	Location	# of Bldgs.	Rentable Square Feet	Acquisition Cost (in thousands)
03/02/05	101 Hudson Street (a)	Jersey City, Hudson County, NJ	1	1,246,283	$ 330,302
03/29/05	23 Main Street (a) (b)	Holmdel, Monmouth County, NJ	1	350,000	23,948
07/12/05	Monmouth Executive Center (c)	Freehold, Monmouth County, NJ	4	235,968	33,561
Total Office Property Acquisitions:			6	1,832,251	$ 387,811

(a) Transaction was funded primarily through borrowing on the Company's revolving credit facility.
(b) In addition to its initial investment, the Company intends to make additional investments related to the property of approximately $12.1 million, of which the Company spent $6.2 million through December 31, 2005.
(c) Transaction was funded primarily through available cash and assumption of mortgage debt.

In November 2005, the Company announced that it entered into a contract to acquire all the interests in Capital Office Park, a seven-building office complex totaling approximately 842,300 square feet in Greenbelt, Maryland for aggregate purchase consideration of approximately $161,700. The purchase consideration for the acquisition, which is expected to close in the first quarter of 2006, will consist of the issuance of approximately $97,900 of common operating partnership

units in Mack-Cali Realty, L.P. and the assumption of approximately $63,800 of mortgage debt. At closing, the sellers may elect to receive approximately $27,900 in cash in lieu of common operating partnership units.

Property Sales

The Company sold the following operating properties during the year ended December 31, 2005:

Sale Date	Property/Address	Location	# of Bldgs.	Rentable Square Feet	Net Sales Proceeds (in thousands)	Net Book Value (in thousands)	Realized Gain/ (Loss) (in thousands)
02/04/05	210 South 16th Street	Omaha, Douglas County, Nebraska	1	318,224	$ 8,464	$ 8,210	$ 254
02/11/05	1122 Alma Road	Richardson, Dallas County, Texas	1	82,576	2,075	2,344	(269)
02/15/05	3 Skyline Drive	Hawthorne, Westchester County, New York	1	75,668	9,587	8,856	731
05/11/05	201 Willowbrook Blvd.	Wayne, Passaic County, New Jersey (a)	1	178,329	17,696	17,705	(9)
06/03/05	600 Community Drive/ 111 East Shore Road	North Hempstead, Nassau County, New York	2	292,849	71,593	59,609	11,984
12/29/05	3600 South Yosemite	Denver, Denver County, Colorado	1	133,743	5,566	11,121	(5,555)
Total Office Property Sales:			7	1,081,389	$ 114,981	$ 107,845	$ 7,136

(a) In connection with the sale, the Company provided a mortgage loan to the buyer of $12,000 which bears interest at 5.74 percent, matures in five years with a five year renewal option, and requires monthly payments of principal and interest.

2004 TRANSACTIONS

Property Acquisitions

The Company acquired the following office properties during the year ended December 31, 2004:

Acquisition Date	Property/Address	Location	# of Bldgs.	Rentable Square Feet	Investment by Company (in thousands)
04/14/04	5 Wood Hollow Road (a)	Parsippany, Morris County, NJ	1	317,040	$ 34,187
05/12/04	210 South 16th Street (b)	Omaha, Douglas County, NE	1	318,224	8,507
06/01/04	30 Knightsbridge Road (c)	Piscataway, Middlesex County, NJ	4	680,350	49,205
06/01/04	412 Mt. Kemble Avenue (c)	Morris Township, Morris County, NJ	1	475,100	39,743
10/21/04	232 Strawbridge Road (a)	Moorestown, Burlington County, NJ	1	74,258	8,761
11/23/04	One River Centre (d)	Middletown, Monmouth County, NJ	3	457,472	69,015
12/20/04	4, 5 & 6 Century Drive (a)	Parsippany, Morris County, NJ	3	279,811	30,860
12/30/04	150 Monument Road (a)	Bala Cynwyd, Montgomery County, PA	1	125,783	18,904
Total Office Property Acquisitions:			15	2,728,038	$ 259,182

(a) Transaction was funded primarily through borrowing on the Company's revolving credit facility.
(b) Property was acquired through Company's receipt of a deed in lieu of foreclosure in satisfaction of the Company's mortgage note receivable, which was collateralized by the acquired property. The property was subsequently sold on February 4, 2005.

(c) Properties were acquired from AT&T Corporation ("AT&T"), a tenant of the Company, for cash and assumed obligations, as follows:
   (1) Acquired 30 Knightsbridge Road, a four-building office complex, aggregating 680,350 square feet and located in Piscataway, New Jersey. AT&T, which occupied the entire complex, has leased back from the Company two of the buildings in the complex, totaling 275,000 square feet, for 10 years and seven months, and leased back the remaining 405,350 square feet of the complex through October 2004;
   (2) Acquired Kemble Plaza II, a 475,100 square foot office building located in Morris Township, New Jersey, which the Company had previously sold to AT&T in June of 2000. AT&T, which occupied the entire building, leased back the entire property from the Company for one year from the date of acquisition;
   (3) Signed a lease extension at the Company's Kemble Plaza I property in Morris Township, New Jersey, extending AT&T's lease for the entire 387,000 square foot building for an additional five years to August 2014. Under the lease extension, the Company agreed, among other things, to fund up to $2.1 million of tenant improvements to be performed by AT&T at the property; which was subsequently sold on October 5, 2004;
   (4) Paid cash consideration of approximately $12.9 million to AT&T; and
   (5) Assumed AT&T's lease obligations with third-party landlords at seven office buildings, aggregating 922,674 square feet, which carry a weighted average remaining term of 4.5 years as of the date of acquisition. At acquisition, the Company estimated that the obligations, net of estimated sub-lease income, total approximately $84.8 million, with a net present value of approximately $76.2 million utilizing a weighted average discount rate of 4.85 percent. The net present value of the assumed obligations as of December 31, 2005 is included in mortgages, loans payable and other obligations (see Note 10: Mortgages, Loans Payable and Other Obligations).

(d) The Company acquired a 62.5 percent interest in the property through the Company's conversion of its note receivable with a balance of $13.0 million into a controlling equity interest. The property was subject to a $45.5 million mortgage, which was subsequently paid off on April 1, 2005. The Company acquired the remaining 37.5 percent interest in March 2005 for $10.5 million (not included in Investment by Company amount presented).

Land Acquisitions

On May 14, 2004, the Company acquired approximately five acres of land in Plymouth Meeting, Pennsylvania. Previously, the Company leased this land parcel, upon which the Company owns a 167,748 square foot office building. The land was acquired for approximately $6,094.

On June 25, 2004, the Company acquired approximately 59.9 acres of developable land located in West Windsor, New Jersey for approximately $20,572.

Property Sales

The Company sold the following operating properties during the year ended December 31, 2004:

Sale Date	Property/Address	Location	# of Bldgs.	Rentable Square Feet	Net Sales Proceeds (in thousands)	Net Book Value (in thousands)	Realized Gain/(Loss) (in thousands)
Office:							
10/05/04	340 Mt. Kemble Avenue	Morris Township, Morris County, NJ	1	387,000	$ 75,017	$ 62,787	$ 12,230
11/23/04	Texas Portfolio (a)	Dallas and San Antonio, TX	2	554,330	35,124	36,224	(1,100)
Total Office Property Sales:			3	941,330	$ 110,141	$ 99,011	$ 11,130

(a) On November 23, 2004, the Company sold 3030 LBJ Freeway, Dallas, Dallas County and 84 N.E. Loop 410, San Antonio, Bexar County in a single transaction with one buyer.

4. INVESTMENTS IN UNCONSOLIDATED JOINT VENTURES

The debt of the Company's unconsolidated joint ventures aggregating $118,758 as of December 31, 2005 is non-recourse to the Company, except for customary exceptions pertaining to such matters as intentional misuse of funds, environmental conditions and material misrepresentations, and except as otherwise indicated below.

MEADOWLANDS XANADU

On November 25, 2003, the Company and affiliates of The Mills Corporation ("Mills") entered into a joint venture agreement ("Meadowlands Xanadu Venture Agreement") to form Meadowlands Mills/Mack-Cali Limited Partnership ("Meadowlands Venture") for the purpose of developing a $1.3 billion family entertainment, recreation and retail

complex with an office and hotel component to be built at the Meadowlands sports complex in East Rutherford, New Jersey ("Meadowlands Xanadu"). The First Amendment to the Meadowlands Xanadu Venture Agreement was entered into as of June 30, 2005. Meadowlands Xanadu's approximately 4.76 million-square-foot complex is expected to feature a family entertainment, recreation and retail destination comprising five themed zones: sports; entertainment; children's education; fashion; and food and home, in addition to four office buildings, aggregating approximately 1.8 million square feet, and a 520-room hotel.

On December 3, 2003, the Meadowlands Venture entered into a redevelopment agreement (the "Redevelopment Agreement") with the New Jersey Sports and Exposition Authority ("NJSEA") for the redevelopment of the area surrounding the Continental Airlines Arena in East Rutherford, New Jersey and the construction of the Meadowlands Xanadu project. The Redevelopment Agreement provides for a 75-year ground lease and requires the Meadowlands Venture to pay the NJSEA a $160,000 development rights fee and fixed rent over the term. Fixed rent will be in the amount of $1 per year for the first 15 years, increasing to $7,500 from the 16th to the 18th years, increasing to $8,447 in the 19th year, increasing to $8,700 in the 20th year, increasing to $8,961 in the 21st year, then to $9,200 in the 23rd to 26th years, with additional increases over the remainder of the term, as set forth in the ground lease. The ground lease also allows for the potential for participation rent payments by the Meadowlands Venture, as described in the ground lease agreement. The First Amendment to the Redevelopment Agreement and the ground lease, itself, were signed on October 5, 2004. The Meadowlands Venture received all necessary permits and approvals from the NJSEA and U.S. Army Corps of Engineers in March 2005 and commenced construction in the same month. As a condition to the commencement of work to fill wetlands pursuant to the permit issued by the U.S. Army Corps of Engineers and pursuant to the Redevelopment Agreement, as amended, the Meadowlands Venture conveyed certain vacant land, known as the Empire Tract, to a conservancy trust. On June 30, 2005, the $160,000 development rights fee was deposited into an escrow account by the Meadowlands Venture in accordance with the terms of the First Amendment to the Redevelopment Agreement. On such date, the following amounts were paid from escrow: (i) approximately $37,197 to defease certain debt obligations of the NJSEA; and (ii) $26,800 to the NJSEA, which, in turn, paid such amount to the Meadowlands Venture for the Empire Tract. Subsequently, additional monies were released from the escrow account to the NJSEA, such that a total of $130,000 has been released to the NJSEA. The escrow balance of $30,000 is to be released and paid in accordance with the terms of the First Amendment to the Redevelopment Agreement.

The Company and Mills own a 20 percent and 80 percent interest, respectively, in the Meadowlands Venture. These interests were subject to certain participation rights by The New York Giants, which were subsequently terminated in April 2004. The Meadowlands Xanadu Venture Agreement required the Company to make an equity contribution up to a maximum of $32,500, which it fulfilled in April 2005. Pursuant to the Meadowlands Xanadu Venture Agreement, Mills has received subordinated capital credit in the venture of approximately $118,000, which represents certain costs incurred by Mills in connection with the Empire Tract prior to the creation of the Meadowlands Venture. However, under the First Amendment to the Meadowlands Xanadu Venture Agreement, the Company and Mills agreed that due to the expected

receipt by the Meadowlands Venture of certain other sums and certain development costs savings in connection with Meadowlands Xanadu, Mills' subordinated capital credit in the venture for the Empire Tract should be reduced to $60,000 as of the date of the First Amendment to the Meadowlands Xanadu Venture Agreement. The Meadowlands Xanadu Venture Agreement requires Mills to contribute the balance of the capital required to complete the entertainment phase, subject to certain limitations. The Company will receive a 9 percent preferred return on its equity investment, only after Mills receives a 9 percent preferred return on its equity investment. Residual returns, subject to participation by other parties, will be in proportion to each partner's respective percentage interest.

Mills will develop, lease and operate the entertainment phase of the Meadowlands Xanadu project. The Meadowlands Venture has formed and owns, directly and indirectly, all of the partnership interests in and to the component ventures which were formed for the future development of the office and hotel phases, which the Company will develop, lease and operate. Upon the Company's exercise of its rights under the Meadowlands Xanadu Venture Agreement to develop the office and hotel phases, the Meadowlands Venture will convey ownership of the component ventures to the Company and Mills or its affiliate, and the Company or its affiliate will own an 80 percent interest and Mills or its affiliate will own a 20 percent interest in such component ventures. However, under the First Amendment to the Meadowlands Xanadu Venture Agreement, if the Meadowlands Venture develops a hotel that has video lottery terminals (or "slots"), or any other legalized form of gaming on or in its premises, then the Company or its affiliate will own a 50 percent interest in such component venture and Mills or its affiliate will own a 50 percent interest. The Meadowlands Xanadu Venture Agreement requires that the Company must exercise its rights with respect to the first office and hotel phase no later than

four years after the grand opening of the entertainment phase, and requires that the Company exercise all of its rights with respect to the office and hotel phases no later than 10 years from such date, but does not require that any or all components be developed. However, under the Meadowlands Xanadu Venture Agreement, Mills has the right to accelerate such exercise schedule, subject to certain conditions. Should the Company fail to meet the time schedule described above for the exercise of its rights with respect to the office and hotel phases, the Company will forfeit its rights to control future development. If this occurs, Mills will have the right to develop the additional phases, subject to the Company's right to participate, or to cause the Meadowlands Venture to sell such components to a third party, subject to a sales price limitation of 95 percent of the value that would have been required to form such component ventures.

Commencing three years after the grand opening of the entertainment phase of the Meadowlands Xanadu project, either Mills or the Company may sell its partnership interest to a third party subject to the following provisions:

- Mills has certain "drag-along" rights and the Company has certain "tag-along" rights in connection with such sale of interest to a third party; and

- Mills has a right of first refusal with respect of a sale by the Company of its partnership interests.

In addition, commencing on the sixth anniversary of the opening, the Company may cause Mills to purchase, and Mills may cause the Company to sell to Mills, all of the Company's partnership interests at a price based on the then fair market value of the project. Notwithstanding the exercise by Mills or the Company of any of the foregoing rights with respect to the sale of the Company's partnership interest to Mills or a third party, the Company will retain its right to component ventures for the future development of the office and hotel phases.

On February 12, 2003, the NJSEA selected The Mills Corporation and the Company to redevelop the Continental Airlines Arena site ("Arena Site") for mixed uses, including retail. In March 2003, Hartz Mountain Industries, Inc., ("Hartz"), filed a lawsuit in the Superior Court of New Jersey, Law Division, for Bergen County, seeking to enjoin NJSEA from entering into a contract with the Meadowlands Venture for the redevelopment of the Continental Airlines Arena site. In May 2003, the court denied Hartz's request for an injunction and dismissed its suit for failure to exhaust administrative remedies. In June 2003, the NJSEA held hearings on Hartz's protest, and on a parallel protest filed by another rejected developer, Westfield, Inc. ("Westfield"). On September 10, 2003, the NJSEA ruled against Hartz's and Westfield's protests, Hartz and Westfield, as well as Elliot Braha and three other taxpayers (collectively "Braha"), thereafter filed appeals from the NJSEA's final decision. By decision dated May 14, 2004, the Appellate Division of the Superior Court of New Jersey rejected the appellants' contention that the NJSEA lacks statutory authority to allow retail development of its property. The Appellate Division also remanded Hart's claim under the Open Public Records Acts, seeking disclosure of additional documents from NJSEA, to the Law Division for further proceedings. The Supreme Court of New Jersey declined to review the Appellate Division's decision. On August 19, 2004, the Law Division issued a decision resolving Hartz's Open Public Records Act claim and ordered NJSEA to disclose some, but not all, of the documents Hartz was seeking. The Appellate Division, in a decision rendered on November 24, 2004, upheld the findings of the Law Division in the remand proceeding. The Supreme Court of New Jersey declined to review the Appellate Division's decision. At Hartz's request, the NJSEA thereafter held further hearings on December 15 and 16, 2004, to review certain additional facts in support of Hartz's and Westfield's bid protest. Braha, as a taxpayer, did not have standing to participate in the supplemental protest hearing. On March 4, 2005, the Hearing Officer rendered his Supplemental Report and Recommendation to the NJSEA, finding no merit in the protests presented by Hartz and Westfield. The NJSEA accepted the Hearing Officer's Supplemental Report and Recommendation on March 30, 2005 and Hartz and Braha have appealed that decision to the Appellate Division.

In January 2004, Hartz and Westfield also appealed to the Appellate Division of the Supreme Court of New Jersey from the NJSEA's December 2003 approval and execution of the Redevelopment Agreement with the Meadowlands Venture.

In November 2004, Hartz and Westfield filed additional appeals in the Appellate Division challenging NJSEA's resolution authorizing the execution of the First Amendment to the Redevelopment Agreement with Meadowlands Venture and the ground lease with the Meadowlands Venture.

All of the above appeals have been consolidated by the Appellate Division and are pending.

On September 30, 2004, the Borough of Carlstadt filed an action in the Superior Court of New Jersey Law Division, challenging Meadowlands Xanadu, which asserts claims that are substantially the same as claims asserted by Hartz and Braha in the above appeals. By Order dated November 19, 2004, the Law Division transferred that matter to the Superior Court of New Jersey, Appellate Division. The matter is pending.

Several appeals filed by Hartz, Westfield and others, including certain environmental groups, that challenge certain approvals received by the Meadowlands Venture from the NJSEA, the New Jersey Meadowlands Commission ("NJMC") and the New Jersey Department of Environmental Protection ("NJDEP") remain pending before the Appellate Division. Some of these appeals challenge NJDEP's issuance of a stream encroachment permit, waterfront development permit, and coastal zone consistency determination for Meadowlands Xanadu. Other of these appeals are from NJDEP's and NJMC's issuance of reports in connection with a consultation process the NJSEA was statutorily required to undertake in connection with any NJSEA-development project.

A Hartz affiliate and a trade association have filed an appeal from an advisory opinion favorable to the Meadowlands Venture issued by the Director of the Division of Alcoholic Beverage Control concerning the availability of special concessionaire permits. That appeal is also pending in the Appellate Division of the Superior Court of New Jersey.

Three separate lawsuits have been filed in the United States District Court for the District of New Jersey, challenging a permit issued by the U.S. Army Corps of Engineers ("USACE") in connection with the project. The first suit was filed on March 30, 2005, by the Sierra Club, the New Jersey Public Interest Group, Citizen Lobby, Inc. and the New Jersey Environmental Federation. Additional suits were filed on May 16 and May 31, 2005, respectively, by Hartz (together with one of its officers as an individual

named plaintiff) and the Borough of Carlstadt. The Sierra Club also filed a motion for a preliminary injunction to stop certain construction activities on the project, which the Court denied on July 6, 2005. The parties are currently briefing cross motions for summary judgment on the merits of the Sierra Club's claims. A decision is expected sometime in the latter part of 2006. On October 26, 2005, the court granted the motions of the Meadowlands Venture and the USACE to dismiss the Hartz complaint for lack of standing. The deadline for appealing that decision has passed, so the Hartz action is ended. On October 31, 2005, the USACE filed a motion to dismiss the complaint filed by the Borough of Carlstadt for lack of standing. On February 7, 2006, the Court granted the motion and dismissed the Borough of Carlstadt complaint in its entirety. Subject to any appeal that may be brought within 60 days after this order of dismissal, the Borough of Carlstadt action is ended.

On April 5, 2005, the New York Football Giants ("Giants") filed an emergent application with the Supreme Court of New Jersey, Chancery Division, seeking an injunction stopping all work on the Meadowlands Xanadu as being in violation of its existing lease with the NJSEA. The court heard an oral argument on the application on August 5, 2005, and denied the Giants' motion for preliminary injunctive relief. The Giants' claim for permanent injunction relief remains pending. However, the parties to this dispute have reached a tentative settlement. In September 2005, the Giants and Meadowlands Venture executed a settlement agreement. NJSEA subsequently proposed modifications to the settlement agreement, and the parties have not yet executed a final agreement. The proposed settlement agreement provides, among other things, for the Meadowlands Venture to pay the Giants approximately $15 million as compensation for claims of construction interference and for the Giants to otherwise withdraw the assertion of the right to object to the project.

The New Jersey Builders' Association ("NJBA") has commenced an action, which is pending in the Appellate Division, alleging that the NJSEA has failed to meet a purported obligation to provide affordable housing at the Meadowlands Complex and seeking, among other relief, an order enjoining the construction of Meadowlands Xanadu. NJBA filed an application for preliminary injunctive relief seeking to enjoin further construction of Meadowlands Xanadu, which the Appellate Division denied on July 28, 2005. The Meadowlands Venture is not a party to that action.

On January 25, 2006, the Bergen Cliff Hawks Baseball Club, LLC (the "Cliff Hawks"), filed a complaint against the Company and Mills, alleging that the Company and Mills breached an agreement to provide the Cliff Hawks with a minor league baseball park as part of the Xanadu Project. This matter remains pending.

The Company believes that the Meadowlands Venture's proposal and the planned project comply with applicable laws, and the Meadowlands Venture intends to continue its vigorous defense of its rights under the Redevelopment Agreement

and Ground Lease. Although there can be no assurance, the Company does not believe that the pending lawsuits will have any material affect on its ability to develop the Meadowlands Xanadu project.

HPMC

On July 21, 1998, the Company entered into a joint venture with HCG Development, L.L.C. and Summit Partners I, L.L.C. to form HPMC Development Partners II, L.P. (formerly known as HPMC Lava Ridge Partners, L.P.). HPMC Development Partners II, L.P.'s efforts focused on three development projects, commonly referred to as Lava Ridge, Pacific Plaza I & II and Stadium Gateway. Lava Ridge was sold in 2002.

Stadium Gateway was a development joint venture project, located in Anaheim, California between HPMC Development Partners II, L.P. and a third-party entity. The venture constructed a six-story, 273,194 square foot office building, which commenced initial operations in January 2002. On April 1, 2003, the venture sold the office property for approximately $52,500.

Pacific Plaza I & II was a two-phase development joint venture project, located in Daly City, California between, HPMC Development Partners II, L.P. and a third-party entity. Phase I of the project, which commenced initial operations in August 2001, consisted of a nine-story office building, aggregating 364,384 square feet. Phase II, which comprised a three-story retail and theater complex, commenced initial operations in June 2002. On August 27, 2004, the venture sold the Pacific Plaza I & II complex for approximately $143,000. The Company performed management services for the property while it was owned by the venture and recognized $0, $203 and $318 in fees for such services in the years ended December 31, 2005, 2004 and 2003, respectively.

The Company has a 50 percent ownership interest and HCG Development, L.L.C. and Summit Partners I, L.L.C. (both of which are not affiliated with the Company) collectively have a 50 percent ownership interest in HPMC Development Partners II, L.P. Significant terms of the applicable partnership agreements, among other things, call for the Company to provide 80 percent and HCG Development, L.L.C. and Summit Partners I, L.L.C. to collectively provide 20 percent of the development equity capital. As the Company agreed to fund development equity capital disproportionate to its ownership interest, it was granted a preferred return of 10 percent on its invested capital as a priority. Profits and losses are allocated to the partners based upon the priority of distributions specified in the respective agreements and entitle the Company to a preferred return, as well as 50 percent of residual profits above the preferred returns. Equity in earnings recognized by the Company consists of preferred returns and the Company's equity in earnings (loss) after giving effect to the payment of such preferred returns.

G&G MARTCO (Convention Plaza)

The Company holds a 50 percent interest in G&G Martco, which owns Convention Plaza, a 305,618 square foot office building, located in San Francisco, California. The venture has a mortgage loan with a $46,588 balance at December 31, 2005 collateralized by its office property. The loan also provides the venture the ability to increase the balance of the loan up to an additional $1,050 for the funding of qualified leasing costs. The loan bears interest at a rate of the London Inter-Bank Offered Rate ("LIBOR") (4.39 percent at December 31, 2005) plus 162.5 basis points and matures in August 2006. The Company performs management and leasing services for the property owned by the joint venture and recognized $161, $143 and $225 in fees for such services in the years ended December 31, 2005, 2004 and 2003, respectively.

PLAZA VIII AND IX ASSOCIATES, L.L.C./AMERICAN FINANCIAL EXCHANGE L.L.C.

On May 20, 1998, the Company entered into a joint venture with Columbia Development Company, L.L.C. ("Columbia") to form American Financial Exchange L.L.C. ("AFE"). The venture was formed to acquire land for future development, located on the Hudson River waterfront in Jersey City, New Jersey, adjacent to the Company's Harborside Financial Center office complex. Among other things, the partnership agreement provides for a preferred return on the Company's invested capital in the venture, in addition to the Company's proportionate share of the venture's profit, as defined in the agreement. The joint venture acquired land on which it initially constructed a parking facility. In the fourth quarter 2000, the joint venture started construction of Plaza 10, a 577,575 square foot office building, which was 100 percent pre-leased to Charles Schwab & Co. Inc. ("Schwab") for a 15-year term, on certain of the land owned by the venture. The lease agreement with Schwab obligated the venture, among other things, to deliver space to the tenant by required timelines and offers expansion options, at the tenant's election.

On September 29, 2003, the Company sold its interest in AFE, in which it held a 50 percent interest, and received approximately $162,145 in net sales proceeds from the transaction, which the Company used primarily to repay outstanding borrowings under its revolving credit facility. The Company recognized a gain on the sale of approximately $23,952, which is recorded in gain on sale of investment in unconsolidated joint venture for the year ended December 31, 2003. Following completion of the sale of its interest, the Company no longer has any remaining obligations to Schwab.

In advance of the transaction, AFE distributed its interests in Plaza VIII and IX Associates, L.L.C., which owned the undeveloped land currently used as a parking facility, to its then partners, the Company and Columbia. The Company and Columbia subsequently entered into a new joint venture to own and manage the undeveloped land and related parking operations through Plaza VIII and IX Associates, L.L.C. The Company and Columbia each hold a 50 percent interest in the new venture.

The Company performed management, leasing and development services for the Plaza 10 property when it was owned by the venture and recognized $0, $0 and $2,692 in fees from the venture for such services in the years ended December 31, 2005, 2004 and 2003, respectively.

RAMLAND REALTY ASSOCIATES L.L.C. (One Ramland Road)

On August 20, 1998, the Company entered into a joint venture with S.B. New York Realty Corp. to form Ramland Realty Associates L.L.C. The venture was formed to own, manage and operate One Ramland Road, a 232,000 square foot office/flex building and adjacent developable land, located in Orangeburg, New York. In August 1999, the joint venture completed redevelopment of the property and placed the office/flex building in service. The Company holds a 50 percent interest in the joint venture. The venture has a mortgage loan with a $14,936 balance at December 31, 2005 secured by its office/flex property. The mortgage bears interest at a rate of LIBOR plus 175 basis points and matures in January 2007, with two one-year extension options, subject to certain conditions.

In 2001, the property's then principal tenant, Superior Bank, was closed by the Office of Thrift Supervision, and the Federal Deposit Insurance Corporation ("FDIC") was named receiver. The tenant continued to meet its rental payment obligations through June 2002. In July 2002, the tenant vacated the premises and the FDIC notified the joint venture that it was rejecting the lease as of July 16, 2002. As a result of the uncertainty regarding the tenant's ability to meet its obligations through the remainder of the term of its lease, the joint venture wrote off unbilled rents receivable of $1,573 and deferred lease costs of $705, which was included in the Company's equity in earnings for the year ended December 31, 2002. Subsequently, the venture's management determined it was unlikely a prospective tenant would retain tenant improvements previously made to Superior Bank's space and, accordingly, the venture accelerated amortization of those tenant improvements and recorded a charge of $3,586, which is included in the Company's equity in earnings for the year ended December 31, 2003.

The Company performs management, leasing and other services for the property owned by the joint venture and recognized $93, $165 and $12 in fees for such services in the years ended December 31, 2005, 2004 and 2003 respectively.

ASHFORD LOOP ASSOCIATES L.P. (1001 South Dairy Ashford/2100 West Loop South)

On September 18, 1998, the Company entered into a joint venture with Prudential to form Ashford Loop Associates L.P. The venture was formed to own, manage and operate 1001 South Dairy Ashford, a 130,000 square foot office building acquired on September 18, 1998, and 2100 West Loop South, a 168,000 square foot office building acquired on November 25, 1998, both located in Houston, Texas. The Company held a 20 percent interest in the joint venture. Included in depreciation and amortization in the results of operations for the year ended December 31, 2004 presented herein for the joint venture is a valuation allowance of $24,575 on account of the carrying value of the venture's assets exceeding the net realizable value as of December 31, 2004. Included in the Company's equity in earnings (loss) of unconsolidated joint venture for the year ended December 31, 2004 was a $4,915 loss representing the Company's share of the valuation allowance. On February 25, 2005, the Company sold its interest in the venture to Prudential for $2,664 and recognized a gain on the sale of $31 (net of minority interest of $4).

SOUTH PIER AT HARBORSIDE — HOTEL DEVELOPMENT

On November 17, 1999, the Company entered into a joint venture with Hyatt Corporation ("Hyatt") to develop a 350-room hotel on the South Pier at Harborside Financial Center, Jersey City, New Jersey, which was completed and commenced initial operations in July 2002. The Company owns a 50 percent interest in the venture.

The venture had a mortgage loan with a commercial bank with a $62,902 balance at December 31, 2003 collateralized by its hotel property. The debt bore interest at a rate of LIBOR plus 275 basis points, which was scheduled to mature in December 2003, and was extended through January 29, 2004. On that date, the venture repaid the mortgage loan using the proceeds from a new $40,000 mortgage loan, (with a balance as of December 31, 2005 of $39,590) collateralized by the hotel property, as well as capital contributions from the Company and Hyatt of $10,750 each. The new loan carries an interest rate of LIBOR plus 200 basis points and matures in February 2007. The loan provides for three one-year extension options subject to certain conditions. The final two one-year extension options require payment of a fee. On May 25, 2004, the venture obtained a second mortgage loan with a commercial bank for $20,000 (with a balance as of December 31, 2005 of $7,500) collateralized by the hotel property, in which each partner, including the Company, has severally guaranteed repayment of approximately $3,785. The loan carries an interest rate of LIBOR plus 175 basis points and matures in February 2006. The loan provides for three one-year extension options subject to certain conditions. The final two one-year extension options require payment of a fee. The proceeds from this loan were used to make distributions to the Company and Hyatt in the amount of $10,000 each. Additionally, the venture has a loan with a balance as of December 31, 2005 of $7,570 with the City of Jersey City, provided by the U.S. Department of Housing and Urban Development. The loan currently bears interest at fixed rates ranging from 6.09 percent to 6.62 percent and matures in August 2020. The Company has posted a $7,570 letter of credit in support of this loan, $3,785 of which is indemnified by Hyatt.

NORTH PIER AT HARBORSIDE — RESIDENTIAL DEVELOPMENT

On April 3, 2001, the Company sold its North Pier at Harborside Financial Center, Jersey City, New Jersey to an entity which planned on developing residential housing on the site. At the time, the Company received net sales proceeds of approximately $3,357 (which included a note receivable of $2,027 subsequently repaid in 2002), and recognized a gain of $439 (before minority interest) from the transaction. On March 31, 2004, the Company received additional purchase consideration of $720, for which the Company recorded a gain of $637 (net of minority interest of $83) in gain on sale of investment in unconsolidated joint ventures for the year ended December 31, 2004.

SUMMARIES OF UNCONSOLIDATED JOINT VENTURES

The following is a summary of the financial position of the unconsolidated joint ventures in which the Company had investment interests as of December 31, 2005 and 2004:

	December 31, 2005								
	Meadowlands Xanadu	HPMC	G&G Martco	American Financial Exchange	Plaza VIII & IX Associates	Ramland Realty	Ashford Loop	Harborside South Pier	Combined Total
Assets:									
Rental Property, net	$ 407,322	—	$ 10,632	—	$ 12,024	$ 12,511	—	$ 74,306	$ 516,795
Other assets	171,029	—	6,427	—	1,662	1,188	—	11,772	192,078
Total assets	$ 578,351	—	$ 17,059	—	$ 13,686	$ 13,699	—	$ 86,078	$ 708,873
Liabilities and partners/members' capital (deficit):									
Mortgages and loans payable	$ —	—	$ 46,588	—	$ —	$ 14,936	—	$ 57,234	$ 118,758
Other liabilities	76,875	—	875	—	1,361	220	—	4,170	83,501
Partners'/members' capital	501,476	—	(30,404)	—	12,325	(1,457)	—	24,674	506,614
Total liabilities and partners/ members' capital	$ 578,351	—	$ 17,059	—	$ 13,686	$ 13,699	—	$ 86,078	$ 708,873

Company's net investment in unconsolidated joint ventures	$ 34,640	—	$ 6,438	—	$ 6,084	—	—	$ 14,976	$ 62,138

	December 31, 2004								
	Meadowlands Xanadu	HPMC	G&G Martco	American Financial Exchange	Plaza VIII & IX Associates	Ramland Realty	Ashford Loop	Harborside South Pier	Combined Total
Assets:									
Rental Property, net	$ 235,254	—	$ 8,571	—	$ 12,629	$ 13,030	$ 11,256	$ 79,721	$ 360,461
Other assets	1,420	—	4,589	—	1,463	1,559	539	12,034	21,604
Total assets	$ 236,674	—	$ 13,160	—	$ 14,092	$ 14,589	$ 11,795	$ 91,755	$ 382,065
Liabilities and partners/members' capital (deficit):									
Mortgages and loans payable	$ —	—	$ 43,236	—	$ —	$ 14,936	$ —	$ 66,191	$ 124,363
Other liabilities	8,205	—	963	—	1,376	334	670	4,009	15,557
Partners'/members' capital	228,469	—	(31,039)	—	12,716	(681)	11,125	21,555	242,145
Total liabilities and partners/ members' capital	$ 236,674	—	$ 13,160	—	$ 14,092	$ 14,589	$ 11,795	$ 91,755	$ 382,065
Company's net investment in unconsolidated joint ventures	$ 17,359	—	$ 7,157	—	$ 6,279	$ —	$ 2,664	$ 13,284	$ 46,743

The following is a summary of the results of operations of the unconsolidated joint ventures in which the Company had investment interests for the years ended December 31, 2005, 2004 and 2003:

	Year Ended December 31, 2005									
	Meadowlands Xanadu	HPMC	G&G Martco	American Financial Exchange	Plaza VIII & IX Associates	Ramland Realty	Ashford Loop	Harborside South Pier	Minority Interest in Operating Partnership	Combined Total
Total revenues	—	—	$ 6,767	—	$ 396	$ 2,028	—	$ 35,101	—	$ 44,292
Operating and Other expenses	—	—	(3,662)	—	(172)	(1,407)	—	(22,147)	—	(27,388)
Depreciation and amortization	—	—	(1,200)	—	(616)	(638)	—	(5,484)	—	(7,938)
Interest expense	—	—	(2,270)	—	—	(759)	—	(4,198)	—	(7,227)
Net income (loss)	—	—	$ (365)	—	$ (392)	$ (776)	—	$ 3,272	—	$ 1,739
Company's equity in earnings (loss) of unconsolidated joint ventures	—	—	$ (1,219)	—	$ (196)	—	$ (30)	$ 1,693	$ (69)	$ 179

	Year Ended December 31, 2004									
	Meadowlands Xanadu	HPMC	G&G Martco	American Financial Exchange	Plaza VIII & IX Associates	Ramland Realty	Ashford Loop	Harborside South Pier	Minority Interest in Operating Partnership	Combined Total
Total revenues	—	$ 10,755	$ 7,113	—	$ 91	$ 1,981	$ 2,937	$ 30,345	—	$ 53,222
Operating and Other expenses	—	(259)	(3,676)	—	(166)	(1,539)	(3,403)	(19,613)	—	(28,656)
Depreciation and amortization	—	—	(1,002)	—	(616)	(630)	(25,550)	(6,501)	—	(34,299)
Interest expense	—	—	(1,342)	—	—	(479)	—	(2,412)	—	(4,233)
Net income (loss)	—	$ 10,496	$ 1,093	—	$ (691)	$ (667)	$ (26,016)	$ 1,819	—	$ (13,966)
Company's equity in earnings (loss) of unconsolidated joint ventures	—	$ 661	$ 730	—	$ (346)	$ (600)	$ (5,203)	$ 872	$ 434	$ (3,452)

	Year Ended December 31, 2003									
	Meadowlands Xanadu	HPMC	G&G Martco	American Financial Exchange (a)	Plaza VIII & IX Associates	Ramland Realty	Ashford Loop	Harborside South Pier	Minority Interest in Operating Partnership	Combined Total
Total revenues	—	$ 3,995	$ 12,411	$ 17,398	$ 1,730	$ 249	$ 3,801	$ 23,933	$ —	$ 63,517
Operating and Other expenses	—	(71)	(4,017)	(3,040)	(44)	(981)	(3,062)	(16,326)	—	(27,541)
Depreciation and amortization	—	—	(1,533)	(2,912)	(228)	(555)	(974)	(6,262)	—	(12,464)
Interest expense	—	—	(1,497)	—	—	(451)	—	(3,174)	—	(5,122)
Net income (loss)	—	$ 3,924	$ 5,364	$ 11,446	$ 1,458	$ (1,738)	$ (235)	$ (1,829)	$ —	$ 18,390
Company's equity in earnings (loss) of unconsolidated joint ventures	—	$ 2,325	$ 2,559	$ 11,342	$ (83)	$ (1,332)	$ (47)	$ (1,284)	$ (1,607)	$ 11,873

(a) Represents results of operations for period in which Company had ownership interest of January 1, 2003 through September 28, 2003.

5. DEFERRED CHARGES AND OTHER ASSETS

	December 31, 2005	December 31, 2004
Deferred leasing costs	$ 182,975	$ 152,525
Deferred financing costs	21,764	17,137
	204,739	169,662
Accumulated amortization	(73,410)	(58,170)
Deferred charges, net	131,329	111,492
Notes receivable	11,919	—
In-place lease values and related intangible assets, net	37,028	17,560
Prepaid expenses and other assets, net	17,358	26,008
Total deferred charges and other assets, net	$ 197,634	$ 155,060

6. RESTRICTED CASH

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

	December 31,	
	2005	2004
Security deposits	$ 8,398	$ 8,976
Escrow and other reserve funds	823	1,501
Total restricted cash	$ 9,221	$ 10,477

7. DISCONTINUED OPERATIONS

There were no properties identified as held for sale as of December 31, 2005.

When the Company identified its 178,329 square foot office building located at 201 Willowbrook Boulevard in Wayne, New Jersey as held for sale on March 31, 2005, it determined that the carrying amount of this property was not expected to be recovered from estimated net sales proceeds and recognized a valuation allowance of $1,434 (net of minority interest of $179) during the three months ended March 31, 2005. On May 11, 2005, the Company subsequently sold the building for net sales proceeds of approximately $17,696.

As the Company sold 111 East Shore Road and 600 Community Drive in North Hempstead, New York; 210 South 16th Street in Omaha, Nebraska; 3600 South Yosemite in Denver, Colorado; 201 Willowbrook Boulevard in Wayne, New Jersey; 1122 Alma Road in Richardson, Texas; and 3 Skyline Drive in Hawthorne, New York during the year ended December 31, 2005; 3030 L.B.J. Freeway in Dallas, Texas; 84 N.E. Loop 410 in San Antonio, Texas; and 340 Mt. Kemble Avenue in Morris Township, New Jersey during the year ended December 31, 2004; 1770 St. James Place in Houston, Texas; 111 Soledad in San Antonio, Texas; and land in Hamilton Township, New Jersey during the year ended December 31, 2003, the Company has presented these assets as discontinued operations in the statement of operations for all periods presented.

The following tables summarize income from discontinued operations (net of minority interest) and the related realized gains (losses) and unrealized losses on disposition of rental property (net of minority interest), net for the years ended December 31, 2005, 2004 and 2003:

	Year Ended December 31,		
	2005	2004	2003
Total revenues	$ 5,253	$ 25,404	$ 29,865
Operating and other expenses	(1,568)	(8,799)	(9,517)
Depreciation and amortization	(729)	(4,748)	(6,558)
Interest expense (net of interest income)	42	(408)	(875)
Minority interest	(420)	(1,305)	(1,539)
Income from discontinued operations (net of minority interest)	$ 2,578	$ 10,144	$ 11,376

	Year Ended December 31,		
	2005	2004	2003
Realized gains (losses) on disposition of rental property, net	$ 7,136	$ 11,130	$ 3,541
Unrealized losses on disposition of rental property	(1,613)	(11,856)	—
Minority interest	(1,097)	107	(421)
Realized gains (losses) and unrealized losses on disposition of rental property (net of minority interest), net	$ 4,426	$ (619)	$ 3,120

8. SENIOR UNSECURED NOTES

A summary of the Company's senior unsecured notes as of December 31, 2005 and 2004 is as follows:

	December 31,		Effective
	2005	2004	Rate (1)
7.250% Senior Unsecured Notes, due March 15, 2009	$ 299,246	$ 299,012	7.49 %
5.050% Senior Unsecured Notes, due April 15, 2010	149,765	—	5.27 %
7.835% Senior Unsecured Notes, due December 15, 2010	15,000	15,000	7.95 %
7.750% Senior Unsecured Notes, due February 15, 2011	299,122	298,948	7.93 %
6.150% Senior Unsecured Notes, due December 15, 2012	91,488	90,998	6.89 %
5.820% Senior Unsecured Notes, due March 15, 2013	25,309	25,199	6.45 %
4.600% Senior Unsecured Notes, due June 15, 2013	99,787	99,758	4.74 %
5.125% Senior Unsecured Notes, due February 15, 2014	201,948	202,187	5.11 %
5.125% Senior Unsecured Notes, due January 15, 2015	149,164	—	5.30 %
5.800% Senior Unsecured Notes, due January 15, 2016	99,680	—	5.87 %
Total Senior Unsecured Notes	$ 1,430,509	$ 1,031,102	6.42 %

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

On January 24, 2006, the Company issued $100,000 face amount of 5.80 percent senior unsecured notes due January 15, 2016 with interest payable semi-annually in arrears, and $100,000 face amount of 5.25 percent senior unsecured notes due January 15, 2012 with interest payable semi-annually in arrears. The total proceeds from the issuances, including accrued interest on the 5.80 percent notes, of approximately $200,784 were used to reduce outstanding borrowings under the Company's unsecured facility.

On November 15, 2005, the Company issued $100,000 face amount of 5.80 percent senior unsecured notes due January 15, 2016 with interest payable semi-annually in arrears. The proceeds from the issuance (net of selling commissions and discount) of approximately $99,027 were used to reduce outstanding borrowings under the Company's unsecured facility.

On April 15, 2005, the Company issued $150,000 face amount of 5.05 percent senior unsecured notes due April 15, 2010 with interest payable semi-annually in arrears. The proceeds from the issuance (net of selling commissions and discount) of approximately $148,826 were used to reduce outstanding borrowings under the Company's unsecured facility.

On January 25, 2005, the Company issued $150,000 face amount of 5.125 percent senior unsecured notes due January 15, 2015 with interest payable semi-annually in arrears. The proceeds from the issuance (including premium and net of selling commissions) of approximately $148,103 were used primarily to reduce outstanding borrowings under the Company's unsecured facility.

On March 22, 2004, the Company issued $100,000 face amount of 5.125 percent senior unsecured notes due February 15, 2014 with interest payable semi-annually in arrears. The total proceeds from the issuance (including premium and net of selling commissions) of approximately $103,137 were used primarily to reduce outstanding borrowings under the Company's unsecured facility.

On March 15, 2004, the Company retired $300,000 face amount of 7.00 percent senior unsecured notes due on that date. Funds used for the retirement were obtained from proceeds from the February 2004 $100,000 senior unsecured notes offering, borrowings under the Company's unsecured facility and available cash.

On February 9, 2004, the Company issued $100,000 face amount of 5.125 percent senior unsecured notes due February 15, 2014 with interest payable semi-annually in arrears. The total proceeds from the issuance (net of selling commissions and discount) of approximately $98,538 were held until March 15, 2004, when the Company used the net proceeds from the sale, together with borrowings under the unsecured facility and available cash, to repay the $300,000 7.00 percent notes due March 15, 2004.

9. UNSECURED REVOLVING CREDIT FACILITY

On November 23, 2004, the Company obtained an unsecured revolving credit facility with a borrowing capacity of $600,000 (expandable to $800,000), which replaced a credit facility of the same size. The interest rate on outstanding borrowings (not electing the Company's competitive bid feature) under the unsecured facility is currently LIBOR plus 65 basis points. The facility has a competitive bid feature, which allows the Company to solicit bids from lenders under the facility to borrow up to $300,000 at interest rates less than the current LIBOR plus 65 basis point spread. As of December 31, 2005, the Company's outstanding borrowings carried a weighted average interest rate of LIBOR plus 49 points. The Company may also elect an interest rate representing the higher of the lender's prime rate or the Federal Funds rate plus 50 basis points. The unsecured facility, which also required a 20 basis point facility fee on the current borrowing capacity payable quarterly in arrears, was scheduled to mature in November 2007.

On September 16, 2005, the Company extended and modified the unsecured facility with a group of 23 lenders (reduced from 27). The facility was extended for an additional two years and now matures in November 2009, with an extension option of one year, which would require a payment of 25 basis points of the then borrowing capacity of the facility upon exercise. In addition, the facility fee was reduced by five basis points to 15 basis points at the BBB/Baa2 pricing level.

The interest rate and the facility fee are subject to adjustment, on a sliding scale, based upon the operating partnership's unsecured debt ratings. In the event of a change in the Operating Partnership's unsecured debt rating, the interest and facility fee rates will be adjusted in accordance with the following table:

Operating Partnership's Unsecured Debt Ratings: S&P Moody's/Fitch (a)	Interest Rate – Applicable Basis Points Above LIBOR	Facility Fee Basis Points
No ratings or less than BBB-/Baa3/BBB-	112.5	25.0
BBB-/Baa3/BBB-	80.0	20.0
BBB/Baa2/BBB (current)	65.0	15.0
BBB+/Baa1/BBB+	55.0	15.0
A-/A3/A- or higher	50.0	15.0

(a) If the Operating Partnership has debt ratings from two rating agencies, one of which is Standard & Poor's Rating Services ("S&P") or Moody's Investors Service ("Moody's"), the rates per the above table shall be based on the lower of such ratings. If the Operating Partnership has debt ratings from three rating agencies, one of which is S&P or Moody's, the rates per the above table shall be based on the lower of the two highest ratings. If the Operating Partnership has debt ratings from only one agency, it will be considered to have no rating or less than BBB-/Baa3/BBB- per the above table.

The terms of the unsecured facility include certain restrictions and covenants which limit, among other things, the payment of dividends (as discussed below), the incurrence of additional indebtedness, the incurrence of liens and the disposition of real estate properties (to the extent that: (i) such property dispositions cause the Company to default on any of the financial ratios of the facility described below, or (ii) the property dispositions are completed while the Company is under an event of default under the facility, unless, under certain circumstances, such disposition is being carried out to cure such default), and which require compliance with financial ratios relating to the maximum leverage ratio, the maximum amount of secured indebtedness, the minimum amount of tangible net worth, the minimum amount of fixed charge coverage, the maximum amount of unsecured indebtedness, the minimum amount of unencumbered property interest coverage and certain investment limitations. The dividend restriction referred to above provides that, except to enable the Company to continue to qualify as a REIT under the Code, the Company will not during any four consecutive fiscal quarters make distributions with respect to common stock or other common equity interests in an aggregate amount in excess of 90 percent of funds from operations (as defined in the facility agreement) for such period, subject to certain other adjustments.

The lending group for the credit facility consists of: JPMorgan Chase Bank, N.A., as administrative agent; Bank of America, N.A., as syndication agent; The Bank of Nova Scotia, New York Agency; Wachovia Bank, National Association; and Wells Fargo Bank, National Association, as documentation agents; SunTrust Bank, as senior managing agent; US Bank National Association; Citicorp North America, Inc.; and PNC Bank National Association, as managing agents; and Bank of China, New York Branch; The Bank of New York; Chevy Chase Bank, F.S.B.; The Royal Bank of Scotland, plc; Mizuho Corporate Bank, Ltd.; UFJ Bank Limited, New York Branch; The Governor and Company of the Bank of Ireland; Bank Hapoalim B.M.; Comerica Bank; Chang Hwa Commercial Bank, Ltd., New York Branch; First Commercial Bank, New York Agency; Chiao Tung Bank Co., Ltd., New York Agency; Deutsche Bank Trust Company Americas; and Hua Nan Commercial Bank, New York Agency.

SUMMARY

As of December 31, 2005 and 2004, the Company had outstanding borrowings of $227,000 and $107,000, respectively, under its unsecured revolving credit facility.

10. MORTGAGES, LOANS PAYABLE AND OTHER OBLIGATIONS

The Company has mortgages, loans payable and other obligations which primarily consist of various loans collateralized by certain of the Company's rental properties. As of December 31, 2005, 17 of the Company's properties, with a total book value of approximately $652,925, are encumbered by the Company's mortgages and loans payable. Payments on mortgages, loans payable and other obligations are generally due in monthly installments of principal and interest, or interest only.

A summary of the Company's mortgages, loans payable and other obligations as of December 31, 2005 and 2004 is as follows:

Property Name	Lender	Effective Interest Rate (a)	Principal Balance at December 31, 2005	Principal Balance at December 31, 2004	Maturity
Harborside - Plaza 2 and 3	Northwestern/Principal	7.37%	$ 144,642	$ 149,473	01/01/06(b)
Monmouth Executive Center	Lehman Brothers CMBS	4.98%	16,044	—	09/01/06
Mack-Cali Airport	Allstate Life Insurance Co.	7.05%	9,644	9,852	04/01/07
Various (c)	Prudential Insurance Co.	4.84%	150,000	150,000	01/15/10
2200 Renaissance Boulevard	TIAA	5.89%	18,174	18,509	12/01/12
Soundview Plaza	TIAA	6.02%	18,427	18,816	01/01/13
Assumed obligations(d)	various	4.86%	53,241	67,269	05/01/09
500 West Putnam Avenue	New York Life Ins. Co.	5.52%	25,000	—	01/10/16
23 Main Street	JP Morgan CMBS	5.59%	33,500	—	09/01/18
Mack-Cali Centre VI	Principal Life Insurance Co.	6.87%	—	35,000	—
One River Center	New York Life Ins. Co.	5.50%	—	45,490	—
Mack-Cali Bridgewater I	New York Life Ins. Co.	7.00%	—	23,000	—
Mack-Cali Woodbridge II	New York Life Ins. Co.	7.50%	—	17,500	—
Mack-Cali Short Hills	Prudential Insurance Co.	7.74%	—	22,789	—
500 West Putnam Avenue	New York Life Ins. Co.	6.52%	—	6,500	—
Total mortgages, loans payable and other obligations			$ 468,672	$ 564,198	

(a) Effective interest rate for mortgages, loans payable and other obligations reflects effective rate of debt, including deferred financing costs, comprised of the cost of terminated treasury lock agreements (if any), debt initiation costs and other transaction costs, as applicable.
(b) On January 3, 2006, the Company paid off this mortgage loan through borrowing on the Company's revolving credit facility.
(c) Mortgage is collateralized by seven properties.
(d) The obligations mature at various times between May 2006 and May 2009.

SCHEDULED PRINCIPAL PAYMENTS

Scheduled principal payments and related weighted average annual interest rates for the Company's senior unsecured notes (see Note 8), unsecured revolving credit facility and mortgages, loans payable and other obligations as of December 31, 2005 are as follows:

Period	Scheduled Amortization	Principal Maturities	Total	Weighted Avg. Interest Rate of Future Repayments (a)
2006	$ 18,276	$ 160,189	$ 178,465	6.90 %
2007	17,098	9,364	26,462	5.69 %
2008	16,292	—	16,292	4.97 %
2009	7,175	527,000	534,175	6.33 %
2010	1,480	315,000	316,480	5.19 %
Thereafter	9,781	1,050,033	1,059,814	5.98 %
Sub-total	70,102	2,061,586	2,131,688	6.15 %
Adjustment for unamortized debt discount/premium, net, as of December 31, 2005	(5,507)	—	(5,507)	—
Totals/Weighted Average	$ 64,595	$ 2,061,586	$ 2,126,181	6.15 %

(a) Actual weighted average LIBOR contract rates relating to the Company's outstanding debt as of December 31, 2005 of 4.36 percent was used in calculating revolving credit facility and other variable rate debt interest rates.

CASH PAID FOR INTEREST AND INTEREST CAPITALIZED

Cash paid for interest for the years ended December 31, 2005, 2004 and 2003 was $115,359, $110,092 and $120,095, respectively. Interest capitalized by the Company for the years ended December 31, 2005, 2004 and 2003 was $5,518, $3,920 and $7,285, respectively.

SUMMARY OF INDEBTEDNESS

As of December 31, 2005, the Company's total indebtedness of $2,126,181 (weighted average interest rate of 6.15 percent) was comprised of $227,000 of revolving credit facility borrowings (weighted average rate of 4.84 percent) and fixed rate debt and other obligations of $1,899,181 (weighted average rate of 6.30 percent).

As of December 31, 2004, the Company's total indebtedness of $1,702,300 (weighted average interest rate of 6.32 percent) was comprised of $107,000 of revolving credit facility borrowings (weighted average rate of 2.77 percent) and fixed rate debt and other obligations of $1,595,300 (weighted average rate of 6.55 percent).

11. MINORITY INTERESTS

OPERATING PARTNERSHIP

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

Preferred Units

The Operating Partnership has one class of outstanding Preferred Units, the Series C Preferred Units, and one class of Preferred Units, the Series B Preferred Units, which were converted to common units on June 13, 2005, each of which are described as follows:

Series C

In connection with the Company's issuance of $25,000 of Series C cumulative redeemable perpetual preferred stock, the Company acquired from the Operating Partnership $25,000 of Series C Preferred Units (the "Series C Preferred Units"), which have terms essentially identical to the Series C preferred stock. See Note 14: Stockholders' Equity – Preferred Stock.

Series B

The Series B Preferred Units had a stated value of $1,000 per unit and were preferred as to assets over any class of common units or other class of preferred units of the Company, based on circumstances per the applicable unit certificates. The quarterly distribution on each Series B Preferred Unit was an amount equal to the greater of (i) $16.875 (representing 6.75 percent of the Series B Preferred Unit stated value of an annualized basis) or (ii) the quarterly distribution attributable to a Series B Preferred Unit determined as if such unit had been converted into common units, subject to adjustment for customary anti-dilution rights.

On June 13, 2005, the Operating Partnership caused the mandatory conversion (the "Conversion") of all 215,018 outstanding Series B Preferred Units into 6,205,425.72 Common Units. Each Series B Preferred Unit was converted into whole and fractional Common Units equal to (x) the $1,000 stated value, divided by (y) the conversion price of $34.65. A description of the rights, preferences and privileges of the Common Units is set forth below.

Common Units

Certain individuals and entities own common units in the Operating Partnership. A common 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. Common units are redeemable by the common unitholders at their option, subject to certain restrictions, on the basis of one common 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. The common unitholders may not put the units for cash to the Company or the Operating Partnership. When a unitholder redeems a common unit, minority interest in the Operating Partnership is reduced and the Company's investment in the Operating Partnership is increased.

Unit Transactions

The following table sets forth the changes in minority interest which relate to the Series B Preferred Units and common units in the Operating Partnership for the years ended December 31, 2005, 2004 and 2003:

	Series B Preferred Units	Common Units	Series B Preferred Unitholders	Common Unitholders	Total
Balance at January 1, 2003	215,894	7,813,806	$ 221,445	$ 208,591	$ 430,036
Net income	—	—	15,668	19,105	34,773
Distributions	—	—	(15,668)	(19,657)	(35,325)
Redemption of preferred units for common units	(876)	25,282	(898)	898	—
Redemption of common units for shares of common stock	—	(43,590)	—	(1,385)	(1,385)
Balance at December 31, 2003	215,018	7,795,498	$ 220,547	$ 207,552	$ 428,099
Net income	—	—	15,636	12,901	28,537
Distributions	—	—	(15,636)	(19,501)	(35,137)
Redemption of common units for shares of common stock	—	(179,051)	—	(4,644)	(4,644)
Balance at December 31, 2004	215,018	7,616,447	$ 220,547	$ 196,308	$ 416,855
Net income	—	—	3,909	18,722	22,631
Distributions	—	—	(3,909)	(30,754)	(34,663)
Conversion of Preferred Units into common units	(215,018)	6,205,426	(220,547)	220,547	—
Redemption of common units for shares of common stock	—	(234,762)	—	(6,790)	(6,790)
Issuance of common units	—	63,328	—	2,786	2,786
Balance at December 31, 2005	—	13,650,439	—	$ 400,819	$ 400,819

Minority Interest Ownership

As of December 31, 2005 and December 31, 2004, the minority interest common unitholders owned 18.0 percent and 11.1 percent (18.5 percent including the effect of the conversion of Series B Preferred Units into common units at December 31, 2004) of the Operating Partnership, respectively.

CONSOLIDATED JOINT VENTURES

On November 23, 2004, the Company acquired a 62.5 percent interest in One River Centre, a three-building 457,472 square-foot office complex located in Middletown, New Jersey, through the Company's conversion of its note receivable into a controlling equity interest. Minority interests: Consolidated joint ventures as of December 31, 2004 consisted of the 37.5 percent non-controlling interest owned by the third party. In March 2005, the Company acquired the remaining 37.5 percent non-controlling interest in One River Centre for $10,499, comprised of $7,713 in cash and the issuance of 63,328 common units in the Operating Partnership.

12. EMPLOYEE BENEFIT 401(k) PLAN

All employees of the Company who meet certain minimum age and period of service requirements are eligible to participate in a 401(k) defined contribution plan (the "401(k) Plan"). The 401(k) Plan allows eligible employees to defer up to 15 percent of their annual compensation, subject to certain limitations imposed by federal law. The amounts contributed by employees are immediately vested and non-forfeitable. The Company, at management's discretion, may match employee contributions and/or make discretionary contributions. Total expense recognized by the Company for the years ended December 31, 2005, 2004 and 2003 was $400, $400 and $336, respectively.

13. 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, 2005 and 2004. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

Cash equivalents, marketable securities, receivables, accounts payable, and accrued expenses and other liabilities are carried at amounts which reasonably approximate their fair values as of December 31, 2005 and 2004.

The fair value of the fixed-rate mortgage debt and unsecured notes as of December 31, 2005 was approximately $39.4 million higher than the book value of approximately $1.9 billion primarily due to the general decrease in market interest rates on secured and unsecured debt. As of December 31, 2004, the fair value of fixed-rate mortgage debt and unsecured notes was approximately $104.2 million higher than the book value of approximately $1.6 billion. The fair value of the mortgage debt and the unsecured notes was determined by discounting the future contractual interest and principal payments by a market rate.

Disclosure about fair value of financial instruments is based on pertinent information available to management as of December 31, 2005 and 2004. 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, 2005 and current estimates of fair value may differ significantly from the amounts presented herein.

14. COMMITMENTS AND CONTINGENCIES

TAX ABATEMENT AGREEMENTS

Harborside Financial Center

Pursuant to agreements with the City of Jersey City, New Jersey, the Company is required to make payments in lieu of property taxes ("PILOT") on certain of its properties located in Jersey City, as follows:

The Harborside Plaza 5 agreement, as amended, which commenced in 2002 upon substantial completion of the property, as defined, is for a term of 20 years. The PILOT is equal to two percent of Total Project Costs. Total Project Costs, as defined, are $159,625. The PILOT totaled $3,193, $3,193 and $3,329 for the years ended December 31, 2005, 2004 and 2003.

The Harborside Plaza 4-A agreement, which commenced in 2000, is for a term of 20 years. The PILOT is equal to two percent of Total Project costs, as defined, and increases by 10 percent in years 7, 10 and 13 and by 50 percent in year 16. Total Project costs, as defined, are $45,497. The PILOT totaled $910 for each of the years ended December 31, 2005, 2004 and 2003.

The 101 Hudson Street agreement commenced in 1991 for a term of 15 years and expires in 2006. The PILOT currently provides for the payment of a minimum annual service charge of approximately $4,193, subject to certain adjustments as provided in the PILOT agreement. The PILOT totaled $3,518 for the period of time during the year ended December 31, 2005 for which the Company owned the property.

The Harborside Plaza 2 and 3 agreement commenced in 1990 and expired on August 31, 2005. Such PILOT was equal to two percent of Total Project Costs, as defined, in year one and increased by $75 per annum through year 15. Total Project Costs, as defined, are $145,644. The PILOT totaled $2,642, $3,913 and $3,838 for the years ended December 31, 2005, 2004 and 2003, respectively.

At the conclusion of the above-referenced PILOT agreements, it is expected that the properties will be assessed by the municipality and be subject to real estate taxes at the then prevailing rates.

LITIGATION

The Company is a defendant in litigation arising in the normal course of its business activities. Management does not believe that the ultimate resolution of these matters will have a materially adverse effect upon the Company's financial condition taken as whole.

GROUND LEASE AGREEMENTS

Future minimum rental payments under the terms of all non-cancelable ground leases under which the Company is the lessee, as of December 31, 2005, are as follows:

Year	Amount
2006	$ 530
2007	528
2008	506
2009	510
2010	510
2011 through 2080	19,632
Total	$ 22,216

Ground lease expense incurred by the Company during the years ended December 31, 2005, 2004 and 2003 amounted to $606, $583 and $1,017, respectively.

OTHER

The Company may not dispose of or distribute certain of its properties, currently comprising 56 properties with an aggregate net book value of approximately $1.3 billion, which were originally contributed by members of either the Mack Group (which includes William L. Mack, Chairman of the Company's Board of Directors; David S. Mack, director; Earle I. Mack, a former director; and Mitchell E. Hersh, president, chief executive officer and director), the Robert Martin Group (which includes Martin S. Berger, director; Robert F. Weinberg, a former director; and Timothy M. Jones, former president), the Cali Group (which includes John R. Cali, director, and John J. Cali, a former director) or certain other common unitholders without the express written consent of a representative of the Mack Group, the Robert Martin Group, the Cali Group or the specific certain other common unitholders, as applicable, except in a manner which does not result in recognition of any built-in-gain (which may result in an income tax liability) or which reimburses the appropriate Mack Group, Robert Martin Group, Cali Group members or the specific certain other common unitholders for the tax consequences of the recognition of such built-in-gains (collectively, the "Property Lock-Ups"). The aforementioned restrictions do not apply in the event that the Company sells all of its properties or in connection with a sale transaction which the Company's Board of Directors determines is reasonably necessary to satisfy a material monetary default on any unsecured debt, judgment or liability of the Company or to cure any material monetary default on any mortgage secured by a property. The Property Lock-Ups expire periodically through 2010. Upon the expiration of the Property Lock-Ups, the Company is generally required to use commercially reasonable efforts to prevent any

sale, transfer or other disposition of the subject properties from resulting in the recognition of built-in gain to the appropriate Mack Group, Robert Martin Group, Cali Group members or the specific certain other common unitholders. 74 of our properties, with an aggregate net book value of approximately $667.7 million, have lapsed restrictions and are subject to these conditions.

15. TENANT LEASES

The Properties are leased to tenants under operating leases with various expiration dates through 2021. 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.

Future minimum rentals to be received under non-cancelable operating leases at December 31, 2005 are as follows:

Year		Amount
2006	$	527,783
2007		500,305
2008		448,527
2009		398,318
2010		346,888
2011 and thereafter		1,044,254
Total	$	3,266,075

16. STOCKHOLDERS' EQUITY

To maintain its qualification as a REIT, not more than 50 percent in value of the outstanding shares of the Company may be owned, directly or indirectly, by five or fewer individuals at any time during the last half of any taxable year of the Company, other than its initial taxable year (defined to include certain entities), applying certain constructive ownership rules. To help ensure that the Company will not fail this test, the Company's Articles of Incorporation provide for, among other things, certain restrictions on the transfer of 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 demands 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.

PREFERRED STOCK

On March 14, 2003, in a publicly registered transaction with a single institutional buyer, the Company completed the sale and issuance of 10,000 shares of eight-percent Series C cumulative redeemable perpetual preferred stock ("Series C Preferred Stock") in the form of 1,000,000 depositary shares ($25 stated value per depositary share). Each depositary share represents 1/100th of a share of Series C Preferred Stock. The Company received net proceeds of approximately $24,836 from the sale. See Note 11: Minority Interests – Operating Partnership Preferred Units.

The Series C Preferred Stock has preference rights with respect to liquidation and distributions over the common stock. Holders of the Series C Preferred Stock, except under certain limited conditions, will not be entitled to vote on any matters. In the event of a cumulative arrearage equal to six quarterly dividends, holders of the Series C Preferred Stock will have the right to elect two additional members to serve on the Company's Board of Directors until dividends have been paid in full. At December 31, 2005, there were no dividends in arrears. The Company may issue unlimited additional preferred stock ranking on a parity with the Series C Preferred Stock but may not issue any preferred stock senior to the Series C Preferred Stock without the consent of two-thirds of its holders. The Series C Preferred Stock is essentially on an equivalent basis in priority with the Preferred Units.

Except under certain conditions relating to the Company's qualification as a REIT, the Series C Preferred Stock is not redeemable prior to March 14, 2008. On and after such date, the Series C Preferred Stock will be redeemable at the option of the Company, in whole or in part, at $25 per depositary share, plus accrued and unpaid dividends.

SHARE REPURCHASE PROGRAM

On September 13, 2000, the Board of Directors authorized an increase to the Company's repurchase program under which the Company was permitted to purchase up to an additional $150,000 of the Company's outstanding common stock ("Repurchase Program"). From that date through its last purchases on January 10, 2003, the Company purchased and retired, under the Repurchase Program, 3,746,400 shares of its outstanding common stock for an aggregate cost of approximately $104,512. The Company has a remaining authorization to repurchase up to an additional $45,488 of its outstanding common stock, which it may repurchase from time to time in open market transactions at prevailing prices or through privately negotiated transactions.

DIVIDEND REINVESTMENT AND STOCK PURCHASE PLAN

The Company has a dividend reinvestment and stock purchase plan, which commenced in March 1999.

SHAREHOLDER RIGHTS PLAN

On June 10, 1999, the Board of Directors of the Company authorized a dividend distribution of one preferred share purchase right ("Right") for each outstanding share of common stock which were distributed to all holders of record of the common stock on July 6, 1999. Each Right entitles the registered holder to purchase from the Company one one-thousandth of a share of Series A junior participating preferred stock, par value $0.01 per share ("Preferred Shares"), at a price of $100.00 per one one-thousandth of a Preferred Share ("Purchase Price"), subject to adjustment as provided in the rights agreement. The Rights expire on July 6, 2009, unless the expiration date is extended or the Right is redeemed or exchanged earlier by the Company.

The Rights are attached to each share of common stock. The Rights are generally exercisable only if a person or group becomes the beneficial owner of 15 percent or more of the outstanding common stock or announces a tender offer for 15 percent or more of the outstanding common stock ("Acquiring Person"). In the event that a person or group becomes an Acquiring Person, each holder of a Right will have the right to receive, upon exercise, common stock having a market value equal to two times the Purchase Price of the Right.

STOCK OPTION PLANS

In May 2004, the Company established the 2004 Incentive Stock Plan under which a total of 2,500,000 shares have been reserved for issuance. No options have been granted

through December 31, 2005 under this plan. In September 2000, the Company established the 2000 Employee Stock Option Plan (“2000 Employee Plan”) and the Amended and Restated 2000 Director Stock Option Plan (“2000 Director Plan”). In May 2002, shareholders of the Company approved amendments to both plans to increase the total shares reserved for issuance under both of the 2000 plans from 2,700,000 to 4,350,000 shares of the Company’s common stock (from 2,500,000 to 4,000,000 shares under the 2000 Employee Plan and from 200,000 to 350,000 shares under the 2000 Director Plan). In 1994, and as subsequently amended, the Company established the Mack-Cali Employee Stock Option Plan (“Employee Plan”) and the Mack-Cali Director Stock Option Plan (“Director Plan”) under which a total of 5,380,188 shares (subject to adjustment) of the Company’s common stock had been reserved for issuance (4,980,188 shares under the Employee Plan and 400,000 shares under the Director Plan). As the Employee Plan and Director Plan expired in 2004, stock options may no longer be issued under those plans. Stock options granted under the Employee Plan in 1994 and 1995 became exercisable over a three-year period. Stock options granted under the 2000 Employee Plan and those options granted subsequent to 1995 under the Employee Plan become exercisable over a five-year period. All stock options granted under both the 2000 Director Plan and Director Plan become exercisable in one year. All options were granted at the fair market value at the dates of grant and have terms of ten years. As of December 31, 2005 and December 31, 2004, the stock options outstanding had a weighted average remaining contractual life of approximately 5.7 and 6.5 years, respectively.

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

	Shares Under Options	Weighted Average Exercise Price
Outstanding at January 1, 2003	3,585,930	$ 32.19
Granted	954,800	$ 28.50
Exercised	(1,421,455)	$ 33.21
Lapsed or canceled	(129,140)	$ 30.54
Outstanding at December 31, 2003	2,990,135	$ 30.56
Granted	10,000	$ 38.07
Exercised	(1,250,864)	$ 32.40
Lapsed or canceled	(45,640)	$ 28.49
Outstanding at December 31, 2004	1,703,631	$ 29.31
Granted	5,000	$ 45.47
Exercised	(574,506)	$ 28.92
Lapsed or canceled	(50,540)	$ 28.60
Outstanding at December 31, 2005 ($24.63 – $45.47)	1,083,585	$ 29.63
Options exercisable at December 31, 2004	1,048,691	$ 29.67
Options exercisable at December 31, 2005	782,905	$ 29.96
Available for grant at December 31, 2004	4,728,358	
Available for grant at December 31, 2005	4,590,098	

The weighted average fair value of options granted during 2005, 2004 and 2003 was $3.62, $3.28 and $0.76 per option. 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 of stock options granted in 2005, 2004 and 2003:

	2005	2004	2003
Expected life (in years)	6	6	6
Risk-free interest rate	3.97%	3.74%	3.65%
Volatility	15.00%	19.50%	14.02%
Dividend yield	5.54%	6.65%	8.85%

The Company recognized stock options expense of $448, $415 and $189 for the years ended December 31, 2005, 2004 and 2003, respectively.

STOCK WARRANTS

Information regarding the Company’s stock warrants (“Stock Warrants”), which enable the holders to purchase an equal number of shares of the Company’s common stock at the respective exercise price, is summarized below:

	Shares Under Warrants	Weighted Average Exercise Price
Outstanding at January 1, 2003	642,476	$ 36.49
Exercised	(443,226)	$ 37.41
Lapsed or canceled	(50,000)	$ 38.75
Outstanding at December 31, 2003	149,250	$ 33.00
Exercised	(149,250)	$ 33.00
Outstanding at December 31, 2004	—	—

STOCK COMPENSATION

The Company has granted stock awards to officers, certain other employees, and non-employee members of the Board of Directors of the Company, which allow the holders to each receive a certain amount of shares of the Company’s common stock generally over a one to five-year vesting period. Certain Restricted Stock Awards are contingent upon the Company meeting certain performance and/or stock price appreciation objectives. All Restricted Stock Awards provided to the officers and certain other employees were granted under the 2000 Employee Plan and the Employee Plan. Restricted Stock Awards granted to directors were granted under the 2000 Director Plan.

Information regarding the Restricted Stock Awards is summarized below:

	Shares
Outstanding at January 1, 2003	153,736
Granted (a)	225,549
Vested	(97,916)
Canceled	(500)
Outstanding at December 31, 2003	280,869

Granted (b)	47,056
Vested	(109,938)
Canceled	(19,284)
Outstanding at December 31, 2004	198,703
Granted (c)	165,660
Vested	(109,419)
Canceled	(8,000)
Outstanding at December 31, 2005	246,944

(a) Included in the 225,549 Restricted Stock Awards granted in 2003 were:
   1) 168,000 awards granted to the Company’s five executive officers, Mitchell E. Hersh, Timothy M. Jones, Barry Lefkowitz, Roger W. Thomas and Michael Grossman on January 2, 2003.
   2) 39,710 awards granted to the Company’s five executive officers, Mitchell E. Hersh, Timothy M. Jones, Barry Lefkowitz, Roger W. Thomas and Michael Grossman on December 2, 2003.

(b) Included in the 47,056 Restricted Stock Awards granted in 2004 were 34,056 awards granted to the Company’s four executive officers, Mitchell E. Hersh, Barry Lefkowitz, Roger W. Thomas and Michael Grossman.

(c) Included in the 165,660 Restricted Stock Awards granted in 2005 were 37,960 awards granted to the Company’s four executive officers, Mitchell E. Hersh, Barry Lefkowitz, Roger W. Thomas and Michael Grossman.

DEFERRED STOCK COMPENSATION PLAN FOR DIRECTORS

The Deferred Compensation Plan for Directors, which commenced January 1, 1999, allows non-employee directors of the Company to elect to defer up to 100 percent of their annual retainer fee into deferred stock units. The deferred stock units are convertible into an equal number of shares of common stock upon the directors’ termination of service from the Board of Directors or a change in control of the Company, as defined in the plan. Deferred stock units are credited to each director quarterly using the closing price of the Company’s common stock on the applicable dividend record date for the respective quarter. Each participating director’s account is also credited for an equivalent amount of deferred stock units based on the dividend rate for each quarter.

During the years ended December 31, 2005, 2004 and 2003, 6,655, 6,230 and 6,256 deferred stock units were earned, respectively. As of December 31, 2005 and 2004, there were 30,903 and 29,222 director stock units outstanding, respectively.

EARNINGS PER SHARE

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

The following information presents the Company’s results for the years ended December 31, 2005, 2004 and 2003 in accordance with FASB No. 128:

	Year Ended December 31,		
Computation of Basic EPS	**2005**	**2004**	**2003**
Income from continuing operations	$ 88,484	$ 92,928	$ 128,557
Deduct: Preferred stock dividends	(2,000)	(2,000)	(1,672)
Income from continuing operations available to common shareholders	86,484	90,928	126,885
Income from discontinued operations	7,004	9,525	14,496
Net income available to common shareholders	$ 93,488	$ 100,453	$ 141,381
Weighted average common shares	61,477	60,351	57,724
Basic EPS:			
Income from continuing operations	$ 1.41	$ 1.50	$ 2.20
Income from discontinued operations	0.11	0.16	0.25
Net income available to common shareholders	$ 1.52	$ 1.66	$ 2.45

	Year Ended December 31,		
Computation of Diluted EPS	**2005**	**2004**	**2003**
Income from continuing operations available to common shareholders	$ 86,484	$ 90,928	$ 126,885
Add: Income from continuing operations attributable to Operating Partnership – common units	17,206	11,703	17,136
Income from continuing operations for diluted earnings per share	103,690	102,631	144,021
Income from discontinued operations for diluted earnings per share	8,520	10,723	16,467
Net income available to common shareholders	$ 112,210	$ 113,354	$ 160,488
Weighted average common shares	74,189	68,743	65,980
Diluted EPS:			
Income from continuing operations	$ 1.40	$ 1.49	$ 2.18
Income from discontinued operations	0.11	0.16	0.25
Net income available to common shareholders	$ 1.51	$ 1.65	$ 2.43

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

	Year Ended December 31,		
	2005	**2004**	**2003**
Basic EPS shares	61,477	60,351	57,724
Add: Operating Partnership – common units	12,252	7,759	7,802
Stock options	401	569	436
Restricted Stock Awards	59	58	10
Stock Warrants	—	6	8

Diluted EPS Shares	74,189	68,743	65,980

Not included in the computations of diluted EPS were 1,507, 0, and 738,003 stock options and 1,530,105, 6,205,426 and 6,219,001 Series B Preferred Units, on an as converted basis into common units, as such securities were anti-dilutive during the years ended December 31, 2005, 2004 and 2003, respectively. Unvested restricted stock outstanding as of December 31, 2005, 2004 and 2003 were 246,944, 198,703 and 280,869, respectively.

17. SEGMENT REPORTING

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

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

Selected results of operations for the years ended December 31, 2005, 2004 and 2003 and selected asset information as of December 31, 2005 and 2004 regarding the Company's operating segment are as follows:

	Total Segment	Corporate & Other (d)	Total Company
Total revenues:			
2005	$ 640,656	$ 2,749	$ 643,405
2004	573,868	3,881	577,749
2003	554,003	4,921	558,924
Total operating and interest expenses (a):			
2005	$ 227,696	$ 150,949	$ 378,645 (e)
2004	184,504	141,985	326,489 (f)
2003	173,830	147,952	321,782 (g)
Equity in earnings of unconsolidated joint ventures (net of minority interest):			
2005	$ 179	$ —	$ 179
2004	(3,452)	—	(3,452)
2003	11,873	—	11,873
Net operating income (b):			
2005	$ 413,139	$ (148,200)	$ 264,939 (e)
2004	385,912	(138,104)	247,808 (f)
2003	392,046	(143,031)	249,015 (g)
Total assets:			
2005	$ 4,097,098	$ 150,404	$ 4,247,502
2004	3,809,320	40,845	3,850,165
Total long-lived assets (c):			
2005	$ 3,921,536	$ 2,066	$ 3,923,602
2004	3,663,618	4,176	3,667,794

(a) Total operating and interest expenses represent the sum of real estate taxes, utilities, operating services, general and administrative and interest expense (net of interest income). All interest expense, net of interest income, (including for property-level mortgages) is excluded from segment amounts and classified in Corporate & Other for all periods.
(b) Net operating income represents total revenues less total operating and interest expenses [as defined in Note (a)], plus equity in earnings (loss) of unconsolidated joint ventures (net of minority interest), for the period.
(c) Long-lived assets are comprised of net investment in rental property, unbilled rents receivable and investments in unconsolidated joint ventures.
(d) Corporate & Other represents all corporate-level items (including interest and other investment income, interest expense and non-property general and administrative expense) as well as intercompany eliminations necessary to reconcile to consolidated Company totals.
(e) Excludes $155,370 of depreciation and amortization.
(f) Excludes $127,826 of depreciation and amortization.
(g) Excludes $113,202 of depreciation and amortization.

18. RELATED PARTY TRANSACTIONS

William L. Mack, Chairman of the Board of Directors of the Company ("W. Mack"), David S. Mack, a director of the Company, and Earle I. Mack, a former director of the Company ("E. Mack"), are the executive officers, directors and stockholders of a corporation that leases approximately 7,801 square feet at one of the Company's office properties, which is scheduled to expire in November 2008. The Company has recognized $242, $227 and $218 in revenue under this lease for the years ended December 31, 2005, 2004 and 2003, respectively, and had no accounts receivable from the corporation as of December 31, 2005 and 2004.

The Company has conducted business with certain entities ("RMC Entity" or "RMC Entities"), whose principals include Timothy M. Jones, Martin S. Berger and Robert F. Weinberg, each of whom are affiliated with the Company as the former president of the Company, a current member of the Board of Directors and a former member of the Board of Directors of the Company, respectively. In connection with the Company's acquisition of 65 Class A properties from The Robert Martin Company ("Robert Martin") on January 31, 1997, as subsequently modified, the Company granted Robert Martin the right to designate one seat on the Company's Board of Directors ("RM Board Seat"), which right has since expired. Robert Martin designated Martin S. Berger and Robert F. Weinberg to jointly share the RM Board Seat, as follows:
Mr. Weinberg served as a member of the Board of Directors of the Company from 1997 until December 1, 1998, at which time Mr. Weinberg resigned and Mr. Berger was appointed to serve in such capacity. Mr. Berger served as a member of the Board of Directors of the Company from December 1, 1998 until March 6, 2001, at which time Mr. Berger resigned and Mr. Weinberg was appointed to serve in such capacity until the Company's 2003 annual meeting of stockholders. The Company elected to nominate for re-election to its Board of Directors Mr. Berger at the Company's 2003 annual meeting of stockholders. Mr. Berger was elected to the Board of Directors and Mr. Berger and Mr. Weinberg have agreed that the seat will be rotated among Mr. Berger and Mr. Weinberg annually at the time of each annual meeting of stockholders. Mr. Berger

currently serves in this capacity. Upon the death of Mr. Berger or Mr. Weinberg, the surviving person shall solely fill the remainder of the term of the RM Board Seat. Such business was as follows:

(1) The Company provides management, leasing and construction-related services to properties in which RMC Entities have an ownership interest. The Company recognized approximately $1,095, $1,996 and $1,831in revenue from RMC Entities for the years ended December 31, 2005, 2004 and 2003, respectively. As of December 31, 2005 and 2004, respectively, the Company had no accounts receivable from RMC Entities.

(2) An RMC Entity leased space at one of the Company's office properties for approximately 3,330 square feet, which, after a three-year renewal and expansion signed with the Company in 2005, now leases 4,860 square feet which is scheduled to expire in October 2008. The Company has recognized $89, $91 and $89, in revenue under this lease for the years ended December 31, 2005, 2004 and 2003, respectively, and had no accounts receivable due from the RMC Entity, as of December 31, 2005 and 2004.

Mr. Berger holds a 24 percent interest, acts as chairman and chief executive officer, Mr. Weinberg also holds a 24 percent interest and is a director, and W. Mack holds a nine percent interest and is a director of City and Suburban Federal Savings Bank and/or one of its affiliates, which leases a total of 15,879 square feet of space at two of the Company's office properties, comprised of 3,037 square feet scheduled to expire in June 2008 and 12,842 square feet scheduled to expire in April 2013. As of February 13, 2004, City & Suburban assigned its lease with respect to 3,037 square feet of office space to an unaffiliated third party and has no continuing obligations under such lease. The Company recognized $396, $398 and $429 in revenue under the leases for the years ended December 31, 2005, 2004 and 2003, respectively, and had no accounts receivable from the company as of December 31, 2005 and 2004.

Vincent Tese, a director of the Company, is currently a director of Cablevision, Inc. who, through its affiliates, leases an aggregate of 58,885 square feet of office space, as well as has several telecom licensing agreements at the Company's properties. The Company recognized approximately $1,594, $1,695 and $1,645 in total revenue from affiliates of Cablevision for the years ended December 31, 2005, 2004 and 2003, respectively, and had accounts receivable from the affiliates of none and $2, respectively, as of December 31, 2005 and 2004.

Vincent Tese is also currently a member of the Board of Directors of Bear, Stearns & Co. Inc. W. Mack had been a member of the Board of Bear Stearns until October 2004. Bear Stearns acted as underwriter on several of the Operating Partnership's previously-completed public debt offerings.

The son of Mr. Berger, a former officer of the Company, served as an officer and had a financial interest which was sold in 2004 in a company which provides cleaning and other related services to certain of the Company's properties. The Company has incurred costs from this company of approximately $5,906 and $6,177 for the years ended December 31, 2004 and 2003, respectively. As of December 31, 2004, the Company had no accounts payable to this company.

Pursuant to an agreement between the Company and certain members and associates of the Cali family executed June 27, 2000, John J. Cali served as the Chairman Emeritus and a Board member of the Company, and as a consultant to the Company and was paid an annual salary of $150 from June 27, 2000 through June 27, 2003. Additionally, the Company provided office space and administrative support to John J. Cali, Angelo Cali, his brother, and Ed Leshowitz, his business partner (the "Cali Group"). Such services were in effect from June 27, 2000 through June 27, 2004. From June 27, 2004 through June 26, 2005, the Company agreed to provide office space at no cost to the Cali Group, as well as provide administrative support and related services for which it was reimbursed $115 and $55 from the Cali Group for the years ended December 31, 2005 and 2004, respectively. On June 27, 2005, an affiliate of the Cali Group entered into a three-year lease for 1,825 square feet of space at one of the Company's office properties, which is scheduled to expire in June 2008. The Company recognized approximately $24 in total revenue under this lease for the year ended December 31, 2005, and had no accounts receivable from the affiliate as of December 31, 2005.

19. IMPACT OF RECENTLY-ISSUED ACCOUNTING STANDARDS

SFAS No. 123 (revised 2004), *Share-Based Payment*
In October 2004, the FASB issued SFAS No. 123R (revised 2004), *"Share-Based Payment"* ("SFAS 123R"). SFAS 123R requires companies to categorize share-based payments as either liability or equity awards. For liability awards, companies will remeasure the award at fair value at each balance sheet date until the award is settled. Equity classified awards are measured at the grant-date fair value and are not remeasured. SFAS 123R will be effective for annual periods beginning after June 15, 2005. Awards issued, modified, or settled after the effective date will be measured and recorded in accordance with SFAS 123R. The Company does not expect that the implementation of this standard will have a material effect on the Company's consolidated financial position or results of operations.

SFAS No. 153, *Accounting for Non-monetary Transactions*
In December 2004, the FASB issued SFAS No. 153, *"Accounting for Non-monetary Transactions"* ("SFAS 153"). SFAS 153 requires non-monetary exchanges to be accounted for at fair value, recognizing any gain or loss, if the transactions meet a commercial-substance criterion and fair value is determinable. SFAS No. 153 is effective for non-monetary transactions occurring in fiscal years beginning after June 15, 2005. The Company does not expect that the implementation of this standard will have a material effect on the Company's consolidated financial position or results of operations.

Emerging Issues Task Force ("EITF") Issue No. 04-5, *Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights* At its June 2005 meeting, the EITF reached a consensus that a sole general partner is presumed to control a limited partnership (or similar entity like an LLC) and should consolidate the limited partnership unless one of the following two conditions exist:

- Kick-out rights – when the limited partners have the substantive ability to remove the sole general partner without cause or otherwise dissolve (liquidate) the limited partnership; or
- Substantive participating rights – when the limited partners have the substantive right to participate in certain financial and operating decisions of the limited partnership that are made in the ordinary course of business.

EITF 04-5 is effective for all agreements entered into or modified after June 29, 2005. For pre-existing agreements that are not modified, the consensus is effective as of the beginning of the first fiscal reporting period beginning after December 15, 2005. The Company does not expect that the implementation of this standard will have a material effect on the Company's consolidated financial position or results of operations.

Interpretation of FASB Statement No. 143 ("FIN 47"), *Accounting for Conditional Asset Retirement Obligations*
Issued in March 2005, FIN 47 clarifies that the term *conditional asset retirement obligation* as used in FASB Statement No. 143, *Accounting for Asset Retirement Obligations* ("SFAS No. 143"), refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and/or method of settlement. Thus, the timing and/or method of settlement may be conditional on a future event. Accordingly, an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. The fair value of a liability for the conditional asset retirement obligation should be recognized when incurred – generally upon acquisition, construction, or development and/or through the normal operation of the asset. Uncertainty about the timing and/or method of settlement of a conditional asset retirement obligation should be factored into the measurement of a liability when sufficient information exists. SFAS No. 143 acknowledges that in some cases, sufficient information may not be available to reasonably estimate the fair value of an asset retirement obligation. FIN 47 also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. FIN 47 is effective for the year ended December 31, 2005 and did not have a material effect on the Company's consolidated financial position or results of operations for 2005.

20. CONDENSED QUARTERLY FINANCIAL INFORMATION *(unaudited)*

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

Quarter Ended 2005:	December 31	September 30	June 30	March 31
Total revenues	$ 163,346	$ 163,968	$ 163,064	$ 153,027
Operating and other expenses	59,407	59,771	55,469	52,427
General and administrative	9,245	8,109	8,310	7,426
Depreciation and amortization	40,502	40,665	38,450	35,753
Interest expense	30,418	30,158	30,363	28,398
Interest income	(364)	(308)	(120)	(64)
Total expenses	139,208	138,395	132,472	123,940
Income from continuing operations before minority interest and equity in earnings of unconsolidated joint ventures	24,138	25,573	30,592	29,087
Minority interest in Operating Partnership	(4,293)	(4,576)	(5,538)	(6,635)
Minority interest in consolidated joint ventures	—	—	—	(74)
Equity in earnings of unconsolidated joint ventures (net of minority interest), net	(249)	263	442	(277)
Gain on sale of investment in unconsolidated joint ventures (net of minority interest)	—	—	—	31
Income from continuing operations	19,596	21,260	25,496	22,132
Discontinued operations (net of minority interest):				
Income from discontinued operations	(148)	(156)	1,273	1,609
Realized gains (losses) and unrealized losses on disposition of rental property, net	(4,547)	—	9,771	(798)
Total discontinued operations, net	(4,695)	(156)	11,044	811
Net income	14,901	21,104	36,540	22,943
Preferred stock dividends	(500)	(500)	(500)	(500)
Net income available to common shareholders	$ 14,401	$ 20,604	$ 36,040	$ 22,443
Basic earnings per share:				
Income from continuing operations	$ 0.31	$ 0.34	$ 0.41	$ 0.36
Discontinued operations	(0.08)	(0.01)	0.18	0.01
Net income available to common shareholders	$ 0.23	$ 0.33	$ 0.59	$ 0.37
Diluted earnings per share:				
Income from continuing operations	$ 0.31	$ 0.34	$ 0.40	$ 0.35
Discontinued operations	(0.08)	(0.01)	0.18	0.01
Net income available to common shareholders	$ 0.23	$ 0.33	$ 0.58	$ 0.36
Dividends declared per common share	$ 0.63	$ 0.63	$ 0.63	$ 0.63

Quarter Ended 2004:	December 31	September 30	June 30	March 31
Total revenues	$ 149,069	$ 147,618	$ 141,678	$ 139,384
Operating and other expenses	49,492	47,166	45,068	44,720
General and administrative	9,117	7,562	8,685	6,397
Depreciation and amortization	34,420	32,286	31,487	29,633
Interest expense	26,780	27,320	26,512	29,037
Interest income	(328)	(99)	(220)	(720)
Total expenses	119,481	114,235	111,532	109,067
Income from continuing operations before minority interest and equity in earnings of unconsolidated joint ventures	29,588	33,383	30,146	30,317
Minority interest in Operating Partnership	(6,731)	(7,214)	(6,849)	(6,897)
Equity in earnings of unconsolidated joint ventures (net of minority interest), net	(3,963)	(611)	965	157
Gain on sale of investment in unconsolidated joint ventures (net of minority interest)	—	—	—	637
Income from continuing operations	18,894	25,558	24,262	24,214
Discontinued operations (net of minority interest):				
Income from discontinued operations	1,986	3,059	2,491	2,608
Realized gains (losses) and unrealized losses on disposition of rental property, net	9,882	—	(10,501)	—
Total discontinued operations, net	11,868	3,059	(8,010)	2,608
Net income	30,762	28,617	16,252	26,822
Preferred stock dividends	(500)	(500)	(500)	(500)
Net income available to common shareholders	$ 30,262	$ 28,117	$ 15,752	$ 26,322
Basic earnings per share:				
Income from continuing operations	$ 0.30	$ 0.41	$ 0.39	$ 0.40
Discontinued operations	0.20	0.05	(0.13)	0.04
Net income available to common shareholders	$ 0.50	$ 0.46	$ 0.26	$ 0.44
Diluted earnings per share:				

Income from continuing operations	$ 0.30	$ 0.41	$ 0.39	$ 0.40
Discontinued operations	0.19	0.05	(0.13)	0.04
Net income available to common shareholders	$ 0.49	$ 0.46	$ 0.26	$ 0.44
Dividends declared per common share	$ 0.63	$ 0.63	$ 0.63	$ 0.63

MACK-CALI REALTY CORPORATION
REAL ESTATE INVESTMENTS AND ACCUMULATED DEPRECIATION
December 31, 2005
(dollars in thousands)

SCHEDULE III

				Initial Costs		Costs Capitalized	Gross Amount at Which Carried at Close of Period (a)			
Property Location (b)	Year Built	Acquired	Related Encumbrances	Land	Building and Improvements	Subsequent to Acquisition	Land	Building and Improvements	Total	Accumulated Depreciation
NEW JERSEY										
Atlantic County										
Egg Harbor										
100 Decadon Drive (O)	1987	1995	—	300	3,282	385	300	3,667	3,967	1,102
200 Decadon Drive (O)	1991	1995	—	369	3,241	519	369	3,760	4,129	1,039
Bergen County										
Fair Lawn										
17-17 Rte 208 North (O)	1987	1995	—	3,067	19,415	2,320	3,067	21,735	24,802	6,486
Fort Lee										
One Bridge Plaza (O)	1981	1996	—	2,439	24,462	3,810	2,439	28,272	30,711	6,955
2115 Linwood Avenue (O)	1981	1998	—	474	4,419	4,755	474	9,174	9,648	2,302
Little Ferry										
200 Riser Road (O)	1974	1997	9,644	3,888	15,551	692	3,888	16,243	20,131	3,235
Montvale										
95 Chestnut Ridge Road (O)	1975	1997	—	1,227	4,907	718	1,227	5,625	6,852	1,273
135 Chestnut Ridge Road (O)	1981	1997	—	2,587	10,350	2,345	2,587	12,695	15,282	3,205
Paramus										
15 East Midland Avenue (O)	1988	1997	20,600	10,375	41,497	80	10,375	41,577	51,952	8,357
461 From Road (O)	1988	1997	—	13,194	52,778	243	13,194	53,021	66,215	10,671
650 From Road (O)	1978	1997	25,600	10,487	41,949	5,863	10,487	47,812	58,299	10,382
140 East Ridgewood Avenue (O)	1981	1997	16,100	7,932	31,463	3,431	7,932	34,894	42,826	6,859
61 South Paramus Avenue (O)	1985	1997	20,800	9,005	36,018	5,491	9,005	41,509	50,514	9,628
Rochelle Park										
120 Passaic Street (O)	1972	1997	—	1,354	5,415	102	1,357	5,514	6,871	1,118
365 West Passaic Street (O)	1976	1997	12,250	4,148	16,592	3,082	4,148	19,674	23,822	4,758
Upper Saddle River			—							
1 Lake Street (O)	1994	1997	35,550	13,952	55,812	50	13,952	55,862	69,814	11,228
10 Mountainview Road (O)	1986	1998	—	4,240	20,485	2,049	4,240	22,534	26,774	4,356
Woodcliff Lake										
400 Chestnut Ridge Road (O)	1982	1997	—	4,201	16,802	5,080	4,201	21,882	26,083	4,235
470 Chestnut Ridge Road (O)	1987	1997	—	2,346	9,385	5	2,346	9,390	11,736	1,888
530 Chestnut Ridge Road (O)	1986	1997	—	1,860	7,441	3	1,860	7,444	9,304	1,497
300 Tice Boulevard (O)	1991	1996	—	5,424	29,688	3,174	5,424	32,862	38,286	8,045
50 Tice Boulevard (O)	1984	1994	19,100	4,500	—	27,427	4,500	27,427	31,927	15,945

				Initial Costs		Costs Capitalized	Gross Amount at Which Carried at Close of Period (a)			
Property Location (b)	Year Built	Acquired	Related Encumbrances	Land	Building and Improvements	Subsequent to Acquisition	Land	Building and Improvements	Total	Accumulated Depreciation
Burlington County										
Burlington										
3 Terri Lane (F)	1991	1998	—	652	3,433	1,235	658	4,662	5,320	1,048
5 Terri Lane (F)	1992	1998	—	564	3,792	2,026	569	5,813	6,382	1,559
Moorestown										
2 Commerce Drive (F)	1986	1999	—	723	2,893	95	723	2,988	3,711	454
101 Commerce Drive (F)	1988	1998	—	422	3,528	437	426	3,961	4,387	788
102 Commerce Drive (F)	1987	1999	—	389	1,554	193	389	1,747	2,136	263
201 Commerce Drive (F)	1986	1998	—	254	1,694	338	258	2,028	2,286	480
202 Commerce Drive (F)	1988	1999	—	490	1,963	350	490	2,313	2,803	379
1 Executive Drive (F)	1989	1998	—	226	1,453	418	228	1,869	2,097	404
2 Executive Drive (F)	1988	2000	—	801	3,206	463	801	3,669	4,470	650
101 Executive Drive (F)	1990	1998	—	241	2,262	167	244	2,426	2,670	554
102 Executive Drive (F)	1990	1998	—	353	3,607	195	357	3,798	4,155	812
225 Executive Drive (F)	1990	1998	—	323	2,477	183	326	2,657	2,983	649
97 Foster Road (F)	1982	1998	—	208	1,382	145	211	1,524	1,735	357
1507 Lancer Drive (F)	1995	1998	—	119	1,106	43	119	1,149	1,268	239
1510 Lancer Drive (F)	1998	1998	—	732	2,928	41	735	2,966	3,701	556
840 North Lenola Road (F)	1995	1998	—	329	2,366	527	333	2,889	3,222	649
844 North Lenola Road (F)	1995	1998	—	239	1,714	260	241	1,972	2,213	450
915 North Lenola Road (F)	1998	2000	—	508	2,034	271	508	2,305	2,813	431
1245 North Church Street (F)	1998	2001	—	691	2,810	17	691	2,827	3,518	333
1247 North Church Street (F)	1998	2001	—	805	3,269	176	805	3,445	4,250	386
1256 North Church (F)	1984	1998	—	354	3,098	481	357	3,576	3,933	899
224 Strawbridge Drive (O)	1984	1997	—	766	4,335	3,208	766	7,543	8,309	2,496
228 Strawbridge Drive (O)	1984	1997	—	766	4,334	2,208	767	6,541	7,308	1,328
232 Strawbridge Drive (O)	1986	2004	—	1,521	7,076	1,473	1,521	8,549	10,070	207
2 Twosome Drive (F)	2000	2001	—	701	2,807	18	701	2,825	3,526	329
30 Twosome Drive (F)	1997	1998	—	234	1,954	64	236	2,016	2,252	446
31 Twosome Drive (F)	1998	2001	—	815	3,276	102	815	3,378	4,193	416
40 Twosome Drive (F)	1996	1998	—	297	2,393	245	301	2,634	2,935	594
41 Twosome Drive (F)	1998	2001	—	605	2,459	12	605	2,471	3,076	307
50 Twosome Drive (F)	1997	1998	—	301	2,330	89	304	2,416	2,720	548
West Deptford										

1451 Metropolitan Drive (F)	1996	1998	—	203	1,189	30	206	1,216	1,422	265

				Initial Costs		Costs Capitalized	Gross Amount at Which Carried at Close of Period (a)			
Property Location (b)	Year Built	Acquired	Related Encumbrances	Land	Building and Improvements	Subsequent to Acquisition	Land	Building and Improvements	Total	Accumulated Depreciation
Essex County										
Millburn										
150 J.F. Kennedy Parkway (O)	1980	1997	—	12,606	50,425	8,502	12,606	58,927	71,533	12,158
Roseland										
101 Eisenhower Parkway (O)	1980	1994	—	228	—	15,156	228	15,156	15,384	8,837
103 Eisenhower Parkway (O)	1985	1994	—	—	—	14,353	2,300	12,053	14,353	6,440
105 Eisenhower Parkway (O)	2001	2001	—	4,430	42,898	4,342	3,835	47,835	51,670	6,880
Hudson County										
Jersey City										
Harborside Financial Center Plaza 1 (O)	1983	1996	—	3,923	51,013	11,675	3,923	62,688	65,252	11,726
Harborside Financial Center Plaza 2 (O)	1990	1996	72,321	17,655	101,546	13,096	15,039	117,258	132,297	27,122
Harborside Financial Center Plaza 3 (O)	1990	1996	72,321	17,655	101,878	12,766	15,040	117,259	132,299	27,122
Harborside Financial Center Plaza 4A (O)	2000	2000	—	1,244	56,144	8,567	1,244	64,711	65,955	9,503
Harborside Financial Center Plaza 5 (O)	2002	2002	—	6,218	170,682	54,352	5,705	225,547	231,252	18,384
101 Hudson Street (O)	1992	2004	—	45,530	271,376	226	45,530	271,602	317,132	7,902
Mercer County										
Hamilton Township										
100 Horizon Drive (F)	1989	1995	—	205	1,676	738	222	2,397	2,619	577
200 Horizon Drive (F)	1991	1995	—	205	3,027	824	255	3,801	4,056	947
300 Horizon Drive (F)	1989	1995	—	379	4,355	1,361	429	5,666	6,095	1,630
500 Horizon Drive (F)	1990	1995	—	379	3,395	1,256	394	4,636	5,030	1,175
600 Horizon Drive (F)	2002	2002	—	—	7,549	248	282	7,515	7,797	579
Princeton										
103 Carnegie Center (O)	1984	1996	—	2,566	7,868	1,461	2,566	9,329	11,895	2,271
100 Overlook Center (O)	1988	1997	—	2,378	21,754	2,074	2,378	23,828	26,206	5,265
5 Vaughn Drive (O)	1987	1995	—	657	9,800	1,498	657	11,298	11,955	3,239

				Initial Costs		Costs Capitalized	Gross Amount at Which Carried at Close of Period (a)			
Property Location (b)	Year Built	Acquired	Related Encumbrances	Land	Building and Improvements	Subsequent to Acquisition	Land	Building and Improvements	Total	Accumulated Depreciation
Middlesex County										
East Brunswick										
377 Summerhill Road (O)	1977	1997	—	649	2,594	374	649	2,968	3,617	586
Piscataway										
30 Knightsbridge Road, Building 3 (O)	1977	2004	—	1,030	7,269	24	1,030	7,293	8,323	288
30 Knightsbridge Road, Building 4 (O)	1977	2004	—	1,433	10,121	34	1,433	10,155	11,588	402
30 Knightsbridge Road, Building 5 (O)	1977	2004	—	2,979	21,035	561	2,979	21,596	24,575	834
30 Knightsbridge Road, Building 6 (O)	1977	2004	—	448	3,161	277	448	3,438	3,886	125
Plainsboro										
500 College Road East (O)	1984	1998	—	614	20,626	754	614	21,380	21,994	4,206
South Brunswick										
3 Independence Way (O)	1983	1997	—	1,997	11,391	675	1,997	12,066	14,063	2,470
Woodbridge										
581 Main Street (O)	1991	1997	—	3,237	12,949	20,250	8,115	28,321	36,436	5,487
Monmouth County										
Middletown										
23 Main Street (O)	1977	2005	33,500	4,336	19,544	5,825	4,336	25,369	29,705	402
2 Paragon Way (O)	1989	2005	4,470	999	4,619	17	999	4,636	5,635	125
3 Paragon Way (O)	1991	2005	5,968	1,423	6,041	27	1,423	6,068	7,491	102
4 Paragon Way (O)	2002	2005	—	1,961	8,827	12	1,961	8,839	10,800	234
One River Center, Building 1 (O)	1983	2004	—	3,070	17,414	4,115	3,054	21,545	24,599	631
One River Center, Building 2 (O)	1983	2004	—	2,468	15,043	529	2,452	15,588	18,040	385
One River Center, Building 3 (O)	1984	2004	—	4,051	24,790	656	4,024	25,473	29,497	674
100 Willowbrook Road (O)	1988	2005	5,606	1,264	5,573	26	1,264	5,599	6,863	109
Neptune										
3600 Route 66 (O)	1989	1995	—	1,098	18,146	1,459	1,098	19,605	20,703	4,694

				Initial Costs		Costs Capitalized	Gross Amount at Which Carried at Close of Period (a)			
Property Location (b)	Year Built	Acquired	Related Encumbrances	Land	Building and Improvements	Subsequent to Acquisition	Land	Building and Improvements	Total	Accumulated Depreciation
Wall Township										
1305 Campus Parkway (O)	1988	1995	—	335	2,560	129	335	2,689	3,024	698
1325 Campus Parkway (F)	1988	1995	—	270	2,928	1,292	270	4,220	4,490	1,293
1340 Campus Parkway (F)	1992	1995	—	489	4,621	794	489	5,415	5,904	1,400
1345 Campus Parkway (F)	1995	1997	—	1,023	5,703	1,587	1,024	7,289	8,313	1,743
1350 Campus Parkway (O)	1990	1995	—	454	7,134	1,157	454	8,291	8,745	2,102
1433 Highway 34 (F)	1985	1995	—	889	4,321	794	889	5,115	6,004	1,232
1320 Wyckoff Avenue (F)	1986	1995	—	255	1,285	68	255	1,353	1,608	334
1324 Wyckoff Avenue (F)	1987	1995	—	230	1,439	198	230	1,637	1,867	477
Morris County										
Florham Park										
325 Columbia Parkway (O)	1987	1994	—	1,564	—	14,605	1,564	14,605	16,169	6,336
Morris Plains										
250 Johnson Road (O)	1977	1997	—	2,004	8,016	1,406	2,004	9,422	11,426	1,996
201 Littleton Road (O)	1979	1997	—	2,407	9,627	858	2,407	10,485	12,892	2,218

Morris Township										
412 Mt. Kemble Avenue (O)	1985	2004	—	4,360	33,167	0	4,360	33,167	37,527	1,319
Parsippany										
4 Campus Drive (O)	1983	2001	—	5,213	20,984	1,022	5,213	22,006	27,219	2,723
6 Campus Drive (O)	1983	2001	—	4,411	17,796	1,586	4,411	19,382	23,793	2,610
7 Campus Drive (O)	1982	1998	—	1,932	27,788	107	1,932	27,895	29,827	5,498
8 Campus Drive (O)	1987	1998	—	1,865	35,456	3,914	1,865	39,370	41,235	7,956
9 Campus Drive (O)	1983	2001	—	3,277	11,796	16,873	5,842	26,104	31,946	4,587
4 Century Drive (O)	1981	2004	—	1,787	9,575	607	1,787	10,182	11,969	243
5 Century Drive (O)	1981	2004	—	1,762	9,341	112	1,762	9,453	11,215	235
6 Century Drive (O)	1981	2004	—	1,289	6,848	179	1,289	7,027	8,316	174
2 Dryden Way (O)	1990	1998	—	778	420	13	778	433	1,211	94
4 Gatehall Drive (O)	1988	2000	—	8,452	33,929	1,920	8,452	35,849	44,301	5,204
2 Hilton Court (O)	1991	1998	—	1,971	32,007	2,194	1,971	34,201	36,172	6,931
1633 Littleton Road (O)	1978	2002	—	2,283	9,550	163	2,355	9,641	11,996	1,099
600 Parsippany Road (O)	1978	1994	—	1,257	5,594	1,992	1,257	7,586	8,843	2,316

				Initial Costs		Costs Capitalized	Gross Amount at Which Carried at Close of Period (a)			
Property Location (b)	**Year Built**	**Acquired**	**Related Encumbrances**	**Land**	**Building and Improvements**	**Subsequent to Acquisition**	**Land**	**Building and Improvements**	**Total**	**Accumulated Depreciation**
1 Sylvan Way (O)	1989	1998	—	1,689	24,699	394	1,021	25,761	26,782	6,177
5 Sylvan Way (O)	1989	1998	—	1,160	25,214	2,040	1,161	27,253	28,414	5,591
7 Sylvan Way (O)	1987	1998	—	2,084	26,083	2,092	2,084	28,175	30,259	5,701
5 Wood Hollow Road (O)	1979	2004	—	5,302	26,488	5,003	5,302	31,491	36,793	1,158
Passaic County										
Clifton										
777 Passaic Avenue (O)	1983	1994	—	—	—	6,973	1,100	5,873	6,973	3,208
Totowa										
1 Center Court (F)	1999	1999	—	270	1,824	713	270	2,537	2,807	805
2 Center Court (F)	1998	1998	—	191	—	2,592	191	2,592	2,783	914
11 Commerce Way (F)	1989	1995	—	586	2,986	267	586	3,253	3,839	983
20 Commerce Way (F)	1992	1995	—	516	3,108	59	516	3,167	3,683	827
29 Commerce Way (F)	1990	1995	—	586	3,092	1,146	586	4,238	4,824	1,288
40 Commerce Way (F)	1987	1995	—	516	3,260	438	516	3,698	4,214	1,238
45 Commerce Way (F)	1992	1995	—	536	3,379	474	536	3,853	4,389	1,072
60 Commerce Way (F)	1988	1995	—	526	3,257	513	526	3,770	4,296	1,057
80 Commerce Way (F)	1996	1996	—	227	—	1,678	227	1,678	1,905	798
100 Commerce Way (F)	1996	1996	—	226	—	1,677	226	1,677	1,903	798
120 Commerce Way (F)	1994	1995	—	228	—	1,299	228	1,299	1,527	326
140 Commerce Way (F)	1994	1995	—	229	—	1,299	229	1,299	1,528	327
999 Riverview Drive (O)	1988	1995	—	476	6,024	2,137	1,102	7,535	8,637	1,889
Somerset County										
Basking Ridge										
106 Allen Road (O)	2000	2000	—	3,853	14,465	3,519	4,093	17,744	21,837	3,539
222 Mt. Airy Road (O)	1986	1996	—	775	3,636	2,132	775	5,768	6,543	964
233 Mt. Airy Road (O)	1987	1996	—	1,034	5,033	1,646	1,034	6,679	7,713	1,818
Bridgewater										
721 Route 202/206 (O)	1989	1997	—	6,730	26,919	2,541	6,730	29,460	36,190	5,751
Union County										
Clark										
100 Walnut Avenue (O)	1985	1994	—	—	—	16,765	1,822	14,943	16,765	7,533

				Initial Costs		Costs Capitalized	Gross Amount at Which Carried at Close of Period (a)			
Property Location (b)	**Year Built**	**Acquired**	**Related Encumbrances**	**Land**	**Building and Improvements**	**Subsequent to Acquisition**	**Land**	**Building and Improvements**	**Total**	**Accumulated Depreciation**
Cranford										
6 Commerce Drive (O)	1973	1994	—	250	—	2,887	250	2,887	3,137	1,762
11 Commerce Drive (O)	1981	1994	—	470	—	5,701	470	5,701	6,171	3,246
12 Commerce Drive (O)	1967	1997	—	887	3,549	1,537	887	5,086	5,973	1,243
14 Commerce Drive (O)	1971	2003	—	1,283	6,344	31	1,283	6,375	7,658	359
20 Commerce Drive (O)	1990	1994	—	2,346	—	21,212	2,346	21,212	23,558	8,538
25 Commerce Drive (O)	1971	2002	—	1,520	6,186	214	1,520	6,400	7,920	1,304
65 Jackson Drive (O)	1984	1994	—	541	—	6,269	542	6,268	6,810	3,133
New Providence										
890 Mountain Road (O)	1977	1997	—	2,796	11,185	4,873	3,765	15,089	18,854	3,038
NEW YORK										
Dutchess County										
Fishkill										
300 South Lake Drive (O)	1987	1997	—	2,258	9,031	1,507	2,258	10,538	12,796	2,309
Rockland County										
Suffern										
400 Rella Boulevard (O)	1988	1995	—	1,090	13,412	3,479	1,090	16,891	17,981	5,068
Westchester County										
Elmsford										
11 Clearbrook Road (F)	1974	1997	—	149	2,159	240	149	2,399	2,548	558
75 Clearbrook Road (F)	1990	1997	—	2,314	4,716	56	2,314	4,772	7,086	1,054
100 Clearbrook Road (O)	1975	1997	—	220	5,366	1,158	220	6,524	6,744	1,540
125 Clearbrook Road (F)	2002	2002	—	1,055	3,676	(51)	1,055	3,625	4,680	607
150 Clearbrook Road (F)	1975	1997	—	497	7,030	734	497	7,764	8,261	1,735
175 Clearbrook Road (F)	1973	1997	—	655	7,473	805	655	8,278	8,933	1,942
200 Clearbrook Road (F)	1974	1997	—	579	6,620	894	579	7,514	8,093	1,810
250 Clearbrook Road (F)	1973	1997	—	867	8,647	1,004	867	9,651	10,518	2,275
50 Executive Boulevard (F)	1969	1997	—	237	2,617	97	237	2,714	2,951	607
77 Executive Boulevard (F)	1977	1997	—	34	1,104	126	34	1,230	1,264	295
85 Executive Boulevard (F)	1968	1997	—	155	2,507	208	155	2,715	2,870	588
101 Executive Boulevard (O)	1971	1997	—	267	5,838	873	267	6,711	6,978	1,530

Property Location (b)	Year Built	Acquired	Related Encumbrances	Initial Costs		Costs Capitalized Subsequent to Acquisition	Gross Amount at Which Carried at Close of Period (a)			Accumulated Depreciation
				Land	Building and Improvements		Land	Building and Improvements	Total	
300 Executive Boulevard (F)	1970	1997	—	460	3,609	153	460	3,762	4,222	848
350 Executive Boulevard (F)	1970	1997	—	100	1,793	150	100	1,943	2,043	483
399 Executive Boulevard (F)	1962	1997	—	531	7,191	103	531	7,294	7,825	1,643
400 Executive Boulevard (F)	1970	1997	—	2,202	1,846	409	2,202	2,255	4,457	588
500 Executive Boulevard (F)	1970	1997	—	258	4,183	661	258	4,844	5,102	1,229
525 Executive Boulevard (F)	1972	1997	—	345	5,499	579	345	6,078	6,423	1,405
700 Executive Boulevard (L)	N/A	1997	—	970	—	0	970	—	970	—
3 Odell Plaza (O)	1984	2003	—	1,322	4,777	2,301	1,322	7,078	8,400	497
5 Skyline Drive (F)	1980	2001	—	2,219	8,916	551	2,219	9,467	11,686	1,330
6 Skyline Drive (F)	1980	2001	—	740	2,971	6	740	2,977	3,717	638
555 Taxter Road (O)	1986	2000	—	4,285	17,205	4,832	4,285	22,037	26,322	3,001
565 Taxter Road (O)	1988	2000	—	4,285	17,205	2,634	4,233	19,891	24,124	2,863
570 Taxter Road (O)	1972	1997	—	438	6,078	840	438	6,918	7,356	1,820
1 Warehouse Lane (I)	1957	1997	—	3	268	215	3	483	486	97
2 Warehouse Lane (I)	1957	1997	—	4	672	189	4	861	865	232
3 Warehouse Lane (I)	1957	1997	—	21	1,948	508	21	2,456	2,477	619
4 Warehouse Lane (I)	1957	1997	—	84	13,393	2,346	85	15,738	15,823	3,513
5 Warehouse Lane (I)	1957	1997	—	19	4,804	1,165	19	5,969	5,988	1,429
6 Warehouse Lane (I)	1982	1997	—	10	4,419	307	10	4,726	4,736	1,030
1 Westchester Plaza (F)	1967	1997	—	199	2,023	149	199	2,172	2,371	488
2 Westchester Plaza (F)	1968	1997	—	234	2,726	124	234	2,850	3,084	632
3 Westchester Plaza (F)	1969	1997	—	655	7,936	462	655	8,398	9,053	1,964
4 Westchester Plaza (F)	1969	1997	—	320	3,729	53	320	3,782	4,102	860
5 Westchester Plaza (F)	1969	1997	—	118	1,949	194	118	2,143	2,261	543
6 Westchester Plaza (F)	1968	1997	—	164	1,998	160	164	2,158	2,322	551
7 Westchester Plaza (F)	1972	1997	—	286	4,321	164	286	4,485	4,771	993
8 Westchester Plaza (F)	1971	1997	—	447	5,262	545	447	5,807	6,254	1,363
Hawthorne										
200 Saw Mill River Road (F)	1965	1997	—	353	3,353	314	353	3,667	4,020	858
1 Skyline Drive (O)	1980	1997	—	66	1,711	294	66	2,005	2,071	447
2 Skyline Drive (O)	1987	1997	—	109	3,128	396	109	3,524	3,633	899
4 Skyline Drive (F)	1987	1997	—	363	7,513	1,088	363	8,601	8,964	1,943

Property Location (b)	Year Built	Acquired	Related Encumbrances	Initial Costs		Costs Capitalized Subsequent to Acquisition	Gross Amount at Which Carried at Close of Period (a)			Accumulated Depreciation
				Land	Building and Improvements		Land	Building and Improvements	Total	
7 Skyline Drive (O)	1987	1998	—	330	13,013	1,293	330	14,306	14,636	2,761
8 Skyline Drive (F)	1985	1997	—	212	4,410	2,194	212	6,604	6,816	2,160
10 Skyline Drive (F)	1985	1997	—	134	2,799	79	134	2,878	3,012	632
11 Skyline Drive (F)	1989	1997	—	—	4,788	374	—	5,162	5,162	1,261
12 Skyline Drive (F)	1999	1999	—	1,562	3,254	1,594	1,320	5,090	6,410	1,509
14 Skyline Drive (L)	N/A	2002	—	964	—	16	980	—	980	—
15 Skyline Drive (F)	1989	1997	—	—	7,449	284	—	7,733	7,733	1,857
16 Skyline Drive (L)	N/A	2002	—	850	—	31	881	—	881	—
17 Skyline Drive (O)	1989	1997	—	—	7,269	391	—	7,660	7,660	1,664
19 Skyline Drive (O)	1982	1997	—	2,355	34,254	3,182	2,356	37,435	39,791	9,898
Tarrytown										
200 White Plains Road (O)	1982	1997	—	378	8,367	1,083	378	9,450	9,828	2,182
220 White Plains Road (O)	1984	1997	—	367	8,112	964	367	9,076	9,443	2,103
230 White Plains Road (R)	1984	1997	—	124	1,845	—	124	1,845	1,969	411
White Plains										
1 Barker Avenue (O)	1975	1997	—	208	9,629	960	207	10,590	10,797	2,474
3 Barker Avenue (O)	1983	1997	—	122	7,864	1,852	122	9,716	9,838	2,443
50 Main Street (O)	1985	1997	—	564	48,105	5,403	564	53,508	54,072	12,944
11 Martine Avenue (O)	1987	1997	—	127	26,833	4,755	127	31,588	31,715	8,155
1 Water Street (O)	1979	1997	—	211	5,382	918	211	6,300	6,511	1,487
Yonkers										
100 Corporate Boulevard (F)	1987	1997	—	602	9,910	749	602	10,659	11,261	2,551
200 Corporate Boulevard South (F)	1990	1997	—	502	7,575	440	502	8,015	8,517	1,660
250 Corporate Boulevard South (L)	N/A	2002	—	1,028	—	111	1,139	—	1,139	—
1 Enterprise Boulevard (L)	N/A	1997	—	1,379	—	1	1,380	—	1,380	—
1 Executive Boulevard (O)	1982	1997	—	1,104	11,904	2,022	1,105	13,925	15,030	3,413
2 Executive Plaza (R)	1986	1997	—	89	2,439	3	89	2,442	2,531	544
3 Executive Plaza (O)	1987	1997	—	385	6,256	1,619	385	7,875	8,260	2,094
4 Executive Plaza (F)	1986	1997	—	584	6,134	1,424	584	7,558	8,142	1,757
6 Executive Plaza (F)	1987	1997	—	546	7,246	260	546	7,506	8,052	1,710

Property Location (b)	Year Built	Acquired	Related Encumbrances	Initial Costs		Costs Capitalized Subsequent to Acquisition	Gross Amount at Which Carried at Close of Period (a)			Accumulated Depreciation
				Land	Building and Improvements		Land	Building and Improvements	Total	
1 Odell Plaza (F)	1980	1997	—	1,206	6,815	668	1,206	7,483	8,689	1,769
5 Odell Plaza (F)	1983	1997	—	331	2,988	227	331	3,215	3,546	730
7 Odell Plaza (F)	1984	1997	—	419	4,418	301	419	4,719	5,138	1,051
PENNSYLVANIA										
Chester County										
Berwyn										
1000 Westlakes Drive (O)	1989	1997	—	619	9,016	551	619	9,567	10,186	2,197
1055 Westlakes Drive (O)	1990	1997	—	1,951	19,046	3,557	1,951	22,603	24,554	5,391
1205 Westlakes Drive (O)	1988	1997	—	1,323	20,098	1,341	1,323	21,439	22,762	4,807
1235 Westlakes Drive (O)	1986	1997	—	1,417	21,215	2,084	1,418	23,298	24,716	5,191
Delaware County										
Lester										

Property Location (b)	Year Built	Acquired	Related Encumbrances	Initial Costs: Land	Initial Costs: Building and Improvements	Costs Capitalized Subsequent to Acquisition	Gross Amount: Land	Gross Amount: Building and Improvements	Gross Amount: Total	Accumulated Depreciation
100 Stevens Drive (O)	1986	1996	—	1,349	10,018	2,817	1,349	12,835	14,184	3,234
200 Stevens Drive (O)	1987	1996	—	1,644	20,186	4,607	1,644	24,793	26,437	6,148
300 Stevens Drive (O)	1992	1996	—	491	9,490	1,646	491	11,136	11,627	2,715
Media										
1400 Providence Rd, Center I (O)	1986	1996	—	1,042	9,054	1,873	1,042	10,927	11,969	2,938
1400 Providence Rd, Center II (O)	1990	1996	—	1,543	16,464	2,520	1,544	18,983	20,527	4,979
Montgomery County										
Bala Cynwyd										
150 Monument Road (O)	1981	2004	—	2,845	14,780	944	2,845	15,724	18,569	375
Blue Bell										
4 Sentry Parkway (O)	1982	2003	—	1,749	7,721	189	1,749	7,910	9,659	458
16 Sentry Parkway (O)	1988	2002	—	3,377	13,511	729	3,377	14,240	17,617	1,776
18 Sentry Parkway (O)	1988	2002	—	3,515	14,062	933	3,515	14,995	18,510	1,764
King of Prussia										
2200 Renaissance Blvd (O)	1985	2002	18,174	5,347	21,453	2,160	5,347	23,613	28,960	4,129

				Initial Costs		Costs Capitalized	Gross Amount at Which Carried at Close of Period (a)			
Property Location (b)	**Year Built**	**Acquired**	**Related Encumbrances**	**Land**	**Building and Improvements**	**Subsequent to Acquisition**	**Land**	**Building and Improvements**	**Total**	**Accumulated Depreciation**
Lower Providence										
1000 Madison Avenue (O)	1990	1997	—	1,713	12,559	895	1,714	13,453	15,167	2,859
Plymouth Meeting										
1150 Plymouth Meeting Mall (O)	1970	1997	—	125	499	29,527	6,219	23,932	30,151	5,046
Five Sentry Parkway East (O)	1984	1996	—	642	7,992	514	642	8,506	9,148	1,945
Five Sentry Parkway West (O)	1984	1996	—	268	3,334	85	268	3,419	3,687	783
CONNETICUT										
Fairfield County										
Greenwich										
500 West Putnam Avenue (O)	1973	1998	25,000	3,300	16,734	1,623	3,300	18,357	21,657	4,065
Norwalk										
40 Richards Avenue (O)	1985	1998	—	1,087	18,399	2,882	1,087	21,281	22,368	4,404
Shelton										
1000 Bridgeport Avenue (O)	1986	1997	—	773	14,934	1,333	744	16,296	17,040	3,919
Stamford										
1266 East Main Street (O)	1984	2002	18,427	6,638	26,567	1,127	6,638	27,694	34,332	3,231
419 West Avenue (F)	1986	1997	—	4,538	9,246	1,266	4,538	10,512	15,050	2,412
500 West Avenue (F)	1988	1997	—	415	1,679	162	415	1,841	2,256	444
550 West Avenue (F)	1990	1997	—	1,975	3,856	16	1,975	3,872	5,847	863
600 West Avenue (F)	1999	1999	—	2,305	2,863	833	2,305	3,696	6,001	567
650 West Avenue (F)	1998	1998	—	1,328	—	3,929	1,328	3,929	5,257	1,387
DISTRICT OF COLUMBIA										
Washington,										
1201 Connecticut Avenue, NW (O)	1940	1999	—	14,228	18,571	1,912	14,228	20,483	34,711	3,731
1400 L Street, NW (O)	1987	1998	—	13,054	27,423	1,839	13,054	29,262	42,316	5,513
MARYLAND										
Prince George's County										
Lanham										
4200 Parliament Place (O)	1989	1998	—	2,114	13,546	562	1,393	14,829	16,222	3,328

				Initial Costs		Costs Capitalized	Gross Amount at Which Carried at Close of Period (a)			
Property Location (b)	**Year Built**	**Acquired**	**Related Encumbrances**	**Land**	**Building and Improvements**	**Subsequent to Acquisition**	**Land**	**Building and Improvements**	**Total**	**Accumulated Depreciation**
COLORADO										
Arapahoe County										
Denver										
400 South Colorado Boulevard (O)	1983	1998	—	1,461	10,620	1,946	1,461	12,566	14,027	2,627
Englewood										
9359 East Nichols Avenue (O)	1997	1998	—	1,155	8,171	594	1,155	8,765	9,920	1,625
5350 South Roslyn Street (O)	1982	1998	—	862	6,831	(2,170)	559	4,964	5,523	826
Boulder County										
Broomfield										
105 South Technology Court (O)	1997	1998	—	653	4,936	(2,378)	653	2,558	3,211	365
303 South Technology Court A (O)	1997	1998	—	623	3,892	(1,399)	623	2,493	3,116	325
303 South Technology Court B (O)	1997	1998	—	623	3,892	(1,399)	623	2,493	3,116	325
Louisville										
1172 Century Drive (O)	1996	1998	—	707	4,647	274	707	4,921	5,628	628
248 Centennial Parkway (O)	1996	1998	—	708	4,647	275	708	4,922	5,630	629
285 Century Place (O)	1997	1998	—	889	10,133	(3,877)	891	6,254	7,145	603
Denver County										
Denver										
8181 East Tufts Avenue (O)	2001	2001	—	2,342	32,029	2,371	2,342	34,400	36,742	5,742
Douglas County										
Englewood										
67 Inverness Drive East (O)	1996	1998	—	1,034	5,516	(2,859)	1,034	2,657	3,691	364
384 Inverness Drive South (O)	1985	1998	—	703	5,653	(2,337)	703	3,316	4,019	491
400 Inverness Drive (O)	1997	1998	—	1,584	19,878	(4,483)	1,584	15,395	16,979	1,959
5975 South Quebec Street (O)	1996	1998	—	855	11,551	1,954	857	13,503	14,360	3,226

Initial Costs	Costs Capitalized	Gross Amount at Which Carried at Close of Period (a)

Property Location (b)	Year Built	Acquired	Related Encumbrances	Land	Building and Improvements	Subsequent to Acquisition	Land	Building and Improvements	Total	Accumulated Depreciation
Parker										
9777 Pyramid Court (O)	1995	1998	—	1,304	13,189	2,324	1,880	14,937	16,817	3,022
El Paso County										
Colorado Springs										
8415 Explorer (O)	1998	1999	—	347	2,507	2,599	347	5,106	5,453	521
1975 Research Parkway (O)	1997	1998	—	1,397	13,221	(371)	1,611	12,636	14,247	1,716
2375 Telstar Drive (O)	1998	1999	—	348	2,507	2,599	348	5,106	5,454	521
Jefferson County										
Lakewood										
141 Union Boulevard (O)	1985	1998	—	774	6,891	(954)	775	5,936	6,711	871
CALIFORNIA										
San Francisco County										
San Francisco										
795 Folsom Street (O)	1977	1999	—	9,348	24,934	5,915	9,348	30,849	40,197	6,885
760 Market Street (O)	1908	1997	—	5,588	22,352	40,417	13,499	54,858	68,357	10,853
Projects Under Development and Developable Land			—	90,655	6,805	—	90,655	6,805	97,460	—
Furniture, Fixtures and Equipment			—	—	—	7,432	—	7,432	7,432	5,759
TOTALS			$ 415,431	$ 616,051	$ 3,267,049	$ 608,652	$ 637,653	$ 3,854,099	$ 4,491,752	$ 722,980

(a) The aggregate cost for federal income tax purposes at December 31, 2005 was approximately $2.9 billion.

(b) Legend of Property Codes:
(O)=Office Property
(F)=Office/Flex Property
(I)=Industrial/Warehouse Property
(R)=Stand-alone Retail Property
(L)=Land Lease

MACK-CALI REALTY CORPORATION
NOTE TO SCHEDULE III

Changes in rental properties and accumulated depreciation for the periods ended December 31, 2005, 2004 and 2003 are as follows *(in thousands):*

	2005	2004	2003
Rental Properties			
Balance at beginning of year	$ 4,160,959	$ 3,954,632	$ 3,857,657
Additions	485,680	340,472	115,882
Rental property held for sale – before accumulated depreciation	—	(21,929)	—
Properties sold	(120,755)	(112,179)	(16,951)
Retirements/disposals	(34,132)	(37)	(1,956)
Balance at end of year	$ 4,491,752	$ 4,160,959	$ 3,954,632
Accumulated Depreciation			
Balance at beginning of year	$ 641,626	$ 546,007	$ 445,569
Depreciation expense	128,814	111,975	103,483
Rental property held for sale	—	(1,550)	—
Properties sold	(16,691)	(14,797)	(2,462)
Retirements/disposals	(30,769)	(9)	(583)
Balance at end of year	$ 722,980	$ 641,626	$ 546,007

MACK-CALI REALTY CORPORATION

Signatures

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

Mack-Cali Realty Corporation
(Registrant)

Date: February 22, 2006

/s/ BARRY LEFKOWITZ
Barry Lefkowitz
Executive Vice President and
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Name	Title	Date
/S/ WILLIAM L. MACK	Chairman of the Board	February 22, 2006

Name	Title	Date
William L. Mack		
/S/ MITCHELL E. HERSH Mitchell E. Hersh	President and Chief Executive Officer and Director	February 22, 2006
/S/ BARRY LEFKOWITZ Barry Lefkowitz	Executive Vice President and Chief Financial Officer	February 22, 2006
/S/ MARTIN S. BERGER Martin S. Berger	Director	February 22, 2006
/S/ ALAN S. BERNIKOW Alan S. Bernikow	Director	February 22, 2006
/S/ JOHN R. CALI John R. Cali	Director	February 22, 2006
/S/ KENNETH M. DUBERSTEIN Kenneth M. Duberstein	Director	February 22, 2006
/S/ NATHAN GANTCHER Nathan Gantcher	Director	February 22, 2006

Name	Title	Date
/S/ DAVID S. MACK David S. Mack	Director	February 22, 2006
/S/ ALAN G. PHILIBOSIAN Alan G. Philibosian	Director	February 22, 2006
/S/ IRVIN D. REID Irvin D. Reid	Director	February 22, 2006
/S/ VINCENT TESE Vincent Tese	Director	February 22, 2006
/S/ ROY J. ZUCKERBERG Roy J. Zuckerberg	Director	February 22, 2006

MACK-CALI REALTY CORPORATION

EXHIBIT INDEX

Exhibit Number	Exhibit Title
3.1	Restated Charter of Mack-Cali Realty Corporation dated June 11, 2001 (filed as Exhibit 3.1 to the Company’s Form 10-Q dated June 30, 2001 and incorporated herein by reference).
3.2	Amended and Restated Bylaws of Mack-Cali Realty Corporation dated June 10, 1999 (filed as Exhibit 3.2 to the Company’s Form 8-K dated June 10, 1999 and incorporated herein by reference).
3.3	Amendment No. 1 to the Amended and Restated Bylaws of Mack-Cali Realty Corporation dated March 4, 2003, (filed as Exhibit 3.3 to the Company’s Form 10-Q dated March 31, 2003 and incorporated herein by reference).
3.4	Second Amended and Restated Agreement of Limited Partnership of Mack-Cali Realty, L.P. dated December 11, 1997 (filed as Exhibit 10.110 to the Company’s Form 8-K dated December 11, 1997 and incorporated herein by reference).
3.5	Amendment No. 1 to the Second Amended and Restated Agreement of Limited Partnership of Mack-Cali Realty, L.P. dated August 21, 1998 (filed as Exhibit 3.1 to the Company’s and the Operating Partnership’s Registration Statement on Form S-3, Registration No. 333-57103, and incorporated herein by reference).
3.6	Second Amendment to the Second Amended and Restated Agreement of Limited Partnership of Mack-Cali Realty, L.P. dated July 6, 1999 (filed as Exhibit 10.1 to the Company’s Form 8-K dated July 6, 1999 and incorporated herein by reference).
3.7	Third Amendment to the Second Amended and Restated Agreement of Limited Partnership of Mack-Cali Realty, L.P. dated September 30, 2003 (filed as Exhibit 3.7 to the Company’s Form 10-Q dated September 30, 2003 and incorporated herein by reference).
3.8	Certificate of Designation of Series B Preferred Operating Partnership Units of Limited Partnership Interest of Mack-Cali Realty, L.P. (filed as Exhibit 10.101 to the Company’s Form 8-K dated December 11, 1997 and incorporated herein by reference).

3.9	Articles Supplementary for the 8% Series C Cumulative Redeemable Perpetual Preferred Stock dated March 11, 2003 (filed as Exhibit 3.1 to the Company's Form 8-K dated March 14, 2003 and incorporated herein by reference).
3.10	Certificate of Designation for the 8% Series C Cumulative Redeemable Perpetual Preferred Operating Partnership Units dated March 14, 2003 (filed as Exhibit 3.2 to the Company's Form 8-K dated March 14, 2003 and incorporated herein by reference).
4.1	Amended and Restated Shareholder Rights Agreement, dated as of March 7, 2000, between Mack-Cali Realty Corporation and EquiServe Trust Company, N.A., as Rights Agent (filed as Exhibit 4.1 to the Company's Form 8-K dated March 7, 2000 and incorporated herein by reference).

Exhibit Number	Exhibit Title
4.2	Amendment No. 1 to the Amended and Restated Shareholder Rights Agreement, dated as of June 27, 2000, by and among Mack-Cali Realty Corporation and EquiServe Trust Company, N.A. (filed as Exhibit 4.1 to the Company's Form 8-K dated June 27, 2000 and incorporated herein by reference).
4.3	Indenture dated as of March 16, 1999, by and among Mack-Cali Realty, L.P., as issuer, Mack-Cali Realty Corporation, as guarantor, and Wilmington Trust Company, as trustee (filed as Exhibit 4.1 to the Operating Partnership's Form 8-K dated March 16, 1999 and incorporated herein by reference).
4.4	Supplemental Indenture No. 1 dated as of March 16, 1999, by and among Mack-Cali Realty, L.P., as issuer, and Wilmington Trust Company, as trustee (filed as Exhibit 4.2 to the Operating Partnership's Form 8-K dated March 16, 1999 and incorporated herein by reference).
4.5	Supplemental Indenture No. 2 dated as of August 2, 1999, by and among Mack-Cali Realty, L.P., as issuer, and Wilmington Trust Company, as trustee (filed as Exhibit 4.4 to the Operating Partnership's Form 10-Q dated June 30, 1999 and incorporated herein by reference).
4.6	Supplemental Indenture No. 3 dated as of December 21, 2000, by and among Mack-Cali Realty, L.P., as issuer, and Wilmington Trust Company, as trustee (filed as Exhibit 4.2 to the Operating Partnership's Form 8-K dated December 21, 2000 and incorporated herein by reference).
4.7	Supplemental Indenture No. 4 dated as of January 29, 2001, by and among Mack-Cali Realty, L.P., as issuer, and Wilmington Trust Company, as trustee (filed as Exhibit 4.2 to the Operating Partnership's Form 8-K dated January 29, 2001 and incorporated herein by reference).
4.8	Supplemental Indenture No. 5 dated as of December 20, 2002, by and between Mack-Cali Realty, L.P., as issuer, and Wilmington Trust Company, as trustee (filed as Exhibit 4.2 to the Operating Partnership's Form 8-K dated December 20, 2002 and incorporated herein by reference).
4.9	Supplemental Indenture No. 6 dated as of March 14, 2003, by and between Mack-Cali Realty, L.P., as issuer, and Wilmington Trust Company, as trustee (filed as Exhibit 4.2 to the Company's Form 8-K dated March 14, 2003 and incorporated herein by reference).
4.10	Supplemental Indenture No. 7 dated as of June 12, 2003, by and between Mack-Cali Realty, L.P., as issuer, and Wilmington Trust Company, as trustee (filed as Exhibit 4.2 to the Company's Form 8-K dated June 12, 2003 and incorporated herein by reference).
4.11	Supplemental Indenture No. 8 dated as of February 9, 2004, by and between Mack-Cali Realty, L.P., as issuer, and Wilmington Trust Company, as trustee (filed as Exhibit 4.2 to the Company's Form 8-K dated February 9, 2004 and incorporated herein by reference).
4.12	Supplemental Indenture No. 9 dated as of March 22, 2004, by and between Mack-Cali Realty, L.P., as issuer, and Wilmington Trust Company, as trustee (filed as Exhibit 4.2 to the Company's Form 8-K dated March 22, 2004 and incorporated herein by reference).

Exhibit Number	Exhibit Title
4.13	Supplemental Indenture No. 10 dated as of January 25, 2005, by and between Mack-Cali Realty, L.P., as issuer, and Wilmington Trust Company, as trustee (filed as Exhibit 4.2 to the Company's Form 8-K dated January 25, 2005 and incorporated herein by reference).
4.14	Supplemental Indenture No. 11 dated as of April 15, 2005, by and between Mack-Cali Realty, L.P., as issuer, and Wilmington Trust Company, as trustee (filed as Exhibit 4.2 to the Company's Form 8-K dated April 15, 2005 and incorporated herein by reference).
4.15	Supplemental Indenture No. 12 dated as of November 30, 2005, by and between Mack-Cali Realty, L.P., as issuer, and Wilmington Trust Company, as trustee (filed as Exhibit 4.2 to the Company's Form 8-K dated November 30, 2005 and incorporated herein by reference).
4.16	Supplemental Indenture No. 13 dated as of January 24, 2006, by and between Mack-Cali Realty, L.P., as issuer, and Wilmington Trust Company, as trustee (filed as Exhibit 4.2 to the Company's Form 8-K dated January 18, 2006 and incorporated herein by reference).
4.17	Deposit Agreement dated March 14, 2003 by and among Mack-Cali Realty Corporation, EquiServe Trust Company, N.A., and the holders from time to time of the Depositary Receipts described therein (filed as Exhibit 4.1 to the Company's Form 8-K dated March 14, 2003 and incorporated herein by reference).
10.1	Amended and Restated Employment Agreement dated as of July 1, 1999 between Mitchell E. Hersh and Mack-Cali Realty Corporation (filed as Exhibit 10.2 to the Company's Form 10-Q dated June 30, 1999 and incorporated herein by reference).
10.2	Second Amended and Restated Employment Agreement dated as of July 1, 1999 between Barry Lefkowitz and Mack-Cali Realty Corporation (filed as Exhibit 10.6 to the Company's Form 10-Q dated June 30, 1999 and incorporated herein by reference).
10.3	Second Amended and Restated Employment Agreement dated as of July 1, 1999 between Roger W. Thomas and Mack-Cali Realty Corporation (filed as Exhibit 10.7 to the Company's Form 10-Q dated June 30, 1999 and incorporated herein by reference).
10.4	Employment Agreement dated as of December 5, 2000 between Michael Grossman and Mack-Cali Realty Corporation (filed as Exhibit 10.5 to the Company's Form 10-K for the year ended December 31, 2000 and incorporated herein by reference).

10.5	Restricted Share Award Agreement dated as of July 1, 1999 between Mitchell E. Hersh and Mack-Cali Realty Corporation (filed as Exhibit 10.8 to the Company's Form 10-Q dated June 30, 1999 and incorporated herein by reference).
10.6	Restricted Share Award Agreement dated as of July 1, 1999 between Barry Lefkowitz and Mack-Cali Realty Corporation (filed as Exhibit 10.12 to the Company's Form 10-Q dated June 30, 1999 and incorporated herein by reference).
10.7	Restricted Share Award Agreement dated as of July 1, 1999 between Roger W. Thomas and Mack-Cali Realty Corporation (filed as Exhibit 10.13 to the Company's Form 10-Q dated June 30, 1999 and incorporated herein by reference).
10.8	Restricted Share Award Agreement dated as of March 12, 2001 between Roger W. Thomas and Mack-Cali Realty Corporation (filed as Exhibit 10.10 to the Company's Form 10-Q dated March 31, 2001 and incorporated herein by reference).

Exhibit Number	**Exhibit Title**
10.9	Restricted Share Award Agreement dated as of March 12, 2001 between Michael Grossman and Mack-Cali Realty Corporation (filed as Exhibit 10.11 to the Company's Form 10-Q dated March 31, 2001 and incorporated herein by reference).
10.10	Restricted Share Award Agreement effective as of January 2, 2003 by and between Mack-Cali Realty Corporation and Mitchell E. Hersh (filed as Exhibit 10.1 to the Company's Form 8-K dated January 2, 2003 and incorporated herein by reference).
10.11	Tax Gross Up Agreement effective as of January 2, 2003 by and between Mack-Cali Realty Corporation and Mitchell E. Hersh (filed as Exhibit 10.2 to the Company's Form 8-K dated January 2, 2003 and incorporated herein by reference).
10.12	First Amendment effective as of January 2, 2003 to the Restricted Share Award Agreement dated July 1, 1999 between Mack-Cali Realty Corporation and Mitchell E. Hersh (filed as Exhibit 10.3 to the Company's Form 8-K dated January 2, 2003 and incorporated herein by reference).
10.13	Restricted Share Award Agreement effective as of January 2, 2003 by and between Mack-Cali Realty Corporation and Barry Lefkowitz (filed as Exhibit 10.7 to the Company's Form 8-K dated January 2, 2003 and incorporated herein by reference).
10.14	Tax Gross Up Agreement effective as of January 2, 2003 by and between Mack-Cali Realty Corporation and Barry Lefkowitz (filed as Exhibit 10.8 to the Company's Form 8-K dated January 2, 2003 and incorporated herein by reference).
10.15	First Amendment effective as of January 2, 2003 to the Restricted Share Award Agreement dated July 1, 1999 between Mack-Cali Realty Corporation and Barry Lefkowitz (filed as Exhibit 10.9 to the Company's Form 8-K dated January 2, 2003 and incorporated herein by reference).
10.16	Restricted Share Award Agreement effective as of January 2, 2003 by and between Mack-Cali Realty Corporation and Roger W. Thomas (filed as Exhibit 10.10 to the Company's Form 8-K dated January 2, 2003 and incorporated herein by reference).
10.17	Tax Gross Up Agreement effective as of January 2, 2003 by and between Mack-Cali Realty Corporation and Roger W. Thomas (filed as Exhibit 10.11 to the Company's Form 8-K dated January 2, 2003 and incorporated herein by reference).
10.18	First Amendment effective as of January 2, 2003 to the Restricted Share Award Agreement dated July 1, 1999 between Mack-Cali Realty Corporation and Roger W. Thomas (filed as Exhibit 10.12 to the Company's Form 8-K dated January 2, 2003 and incorporated herein by reference).
10.19	First Amendment effective as of January 2, 2003 to the Restricted Share Award Agreement dated March 12, 2001 between Mack-Cali Realty Corporation and Roger W. Thomas (filed as Exhibit 10.13 to the Company's Form 8-K dated January 2, 2003 and incorporated herein by reference).
10.20	Restricted Share Award Agreement effective as of January 2, 2003 by and between Mack-Cali Realty Corporation and Michael A. Grossman (filed as Exhibit 10.14 to the Company's Form 8-K dated January 2, 2003 and incorporated herein by reference).

Exhibit Number	**Exhibit Title**
10.21	Tax Gross Up Agreement effective as of January 2, 2003 by and between Mack-Cali Realty Corporation and Michael A. Grossman (filed as Exhibit 10.15 to the Company's Form 8-K dated January 2, 2003 and incorporated herein by reference).
10.22	Restricted Share Award Agreement dated December 6, 1999 by and between Mack-Cali Realty Corporation and Michael A. Grossman (filed as Exhibit 10.16 to the Company's Form 8-K dated January 2, 2003 and incorporated herein by reference).
10.23	First Amendment effective as of January 2, 2003 to the Restricted Share Award Agreement dated December 6, 1999 between Mack-Cali Realty Corporation and Michael A. Grossman (filed as Exhibit 10.17 to the Company's Form 8-K dated January 2, 2003 and incorporated herein by reference).
10.24	First Amendment effective as of January 2, 2003 to the Restricted Share Award Agreement dated March 12, 2001 between Mack-Cali Realty Corporation and Michael A. Grossman (filed as Exhibit 10.18 to the Company's Form 8-K dated January 2, 2003 and incorporated herein by reference).
10.25	Restricted Share Award Agreement effective as of December 2, 2003 by and between Mack-Cali Realty Corporation and Mitchell E. Hersh (filed as Exhibit 10.1 to the Company's Form 8-K dated December 2, 2003 and incorporated herein by reference).
10.26	Tax Gross Up Agreement effective as of December 2, 2003 by and between Mack-Cali Realty Corporation and Mitchell E. Hersh (filed as Exhibit 10.2 to the Company's Form 8-K dated December 2, 2003 and incorporated herein by reference).
10.27	Restricted Share Award Agreement effective as of December 2, 2003 by and between Mack-Cali Realty Corporation and Barry Lefkowitz (filed as Exhibit 10.5 to the Company's Form 8-K dated December 2, 2003 and incorporated herein by reference).

10.28	Tax Gross Up Agreement effective as of December 2, 2003 by and between Mack-Cali Realty Corporation and Barry Lefkowitz (filed as Exhibit 10.6 to the Company's Form 8-K dated December 2, 2003 and incorporated herein by reference).
10.29	Restricted Share Award Agreement effective as of December 2, 2003 by and between Mack-Cali Realty Corporation and Roger W. Thomas (filed as Exhibit 10.7 to the Company's Form 8-K dated December 2, 2003 and incorporated herein by reference).
10.30	Tax Gross Up Agreement effective as of December 2, 2003 by and between Mack-Cali Realty Corporation and Roger W. Thomas (filed as Exhibit 10.8 to the Company's Form 8-K dated December 2, 2003 and incorporated herein by reference).
10.31	Restricted Share Award Agreement effective as of December 2, 2003 by and between Mack-Cali Realty Corporation and Michael Grossman (filed as Exhibit 10.9 to the Company's Form 8-K dated December 2, 2003 and incorporated herein by reference).
10.32	Tax Gross Up Agreement effective as of December 2, 2003 by and between Mack-Cali Realty Corporation and Michael Grossman (filed as Exhibit 10.10 to the Company's Form 8-K dated December 2, 2003 and incorporated herein by reference).
10.33	Restricted Share Award Agreement effective December 7, 2004 by and between Mack-Cali Realty Corporation and Mitchell E. Hersh (filed as Exhibit 10.2 to the Company's Form 8-K dated December 7, 2004 and incorporated herein by reference).

Exhibit Number	Exhibit Title
10.34	Tax Gross Up Agreement effective December 7, 2004 by and between Mack-Cali Realty Corporation and Mitchell E. Hersh (filed as Exhibit 10.3 to the Company's Form 8-K dated December 7, 2004 and incorporated herein by reference).
10.35	Restricted Share Award Agreement effective December 7, 2004 by and between Mack-Cali Realty Corporation and Barry Lefkowitz (filed as Exhibit 10.4 to the Company's Form 8-K dated December 7, 2004 and incorporated herein by reference).
10.36	Tax Gross Up Agreement effective December 7, 2004 by and between Mack-Cali Realty Corporation and Barry Lefkowitz (filed as Exhibit 10.5 to the Company's Form 8-K dated December 7, 2004 and incorporated herein by reference).
10.37	Restricted Share Award Agreement effective December 7, 2004 by and between Mack-Cali Realty Corporation and Roger W. Thomas (filed as Exhibit 10.6 to the Company's Form 8-K dated December 7, 2004 and incorporated herein by reference).
10.38	Tax Gross Up Agreement effective December 7, 2004 by and between Mack-Cali Realty Corporation and Roger W. Thomas (filed as Exhibit 10.7 to the Company's Form 8-K dated December 7, 2004 and incorporated herein by reference).
10.39	Restricted Share Award Agreement effective December 7, 2004 by and between Mack-Cali Realty Corporation and Michael A. Grossman (filed as Exhibit 10.8 to the Company's Form 8-K dated December 7, 2004 and incorporated herein by reference).
10.40	Tax Gross Up Agreement effective December 7, 2004 by and between Mack-Cali Realty Corporation and Michael A. Grossman (filed as Exhibit 10.9 to the Company's Form 8-K dated December 7, 2004 and incorporated herein by reference).
10.41	Restricted Share Award Agreement effective December 6, 2005 by and between Mack-Cali Realty Corporation and Mitchell E. Hersh (filed as Exhibit 10.2 to the Company's Form 8-K dated December 6, 2005 and incorporated herein by reference).
10.42	Tax Gross Up Agreement effective December 6, 2005 by and between Mack-Cali Realty Corporation and Mitchell E. Hersh (filed as Exhibit 10.3 to the Company's Form 8-K dated December 6, 2005 and incorporated herein by reference).
10.43	Restricted Share Award Agreement effective December 6, 2005 by and between Mack-Cali Realty Corporation and Barry Lefkowitz (filed as Exhibit 10.4 to the Company's Form 8-K dated December 6, 2005 and incorporated herein by reference).
10.44	Tax Gross Up Agreement effective December 6, 2005 by and between Mack-Cali Realty Corporation and Barry Lefkowitz (filed as Exhibit 10.5 to the Company's Form 8-K dated December 6, 2005 and incorporated herein by reference).
10.45	Restricted Share Award Agreement effective December 6, 2005 by and between Mack-Cali Realty Corporation and Roger W. Thomas (filed as Exhibit 10.6 to the Company's Form 8-K dated December 6, 2005 and incorporated herein by reference).
10.46	Tax Gross Up Agreement effective December 6, 2005 by and between Mack-Cali Realty Corporation and Roger W. Thomas (filed as Exhibit 10.7 to the Company's Form 8-K dated December 6, 2005 and incorporated herein by reference).

Exhibit Number	Exhibit Title
10.47	Restricted Share Award Agreement effective December 6, 2005 by and between Mack-Cali Realty Corporation and Michael A. Grossman (filed as Exhibit 10.8 to the Company's Form 8-K dated December 6, 2005 and incorporated herein by reference).
10.48	Tax Gross Up Agreement effective December 6, 2005 by and between Mack-Cali Realty Corporation and Michael A. Grossman (filed as Exhibit 10.9 to the Company's Form 8-K dated December 6, 2005 and incorporated herein by reference).
10.49	Amended and Restated Revolving Credit Agreement dated as of September 27, 2002, among Mack-Cali Realty, L.P. and JPMorgan Chase Bank, Fleet National Bank and Other Lenders Which May Become Parties Thereto with JPMorgan Chase Bank, as administrative agent, swing lender and fronting bank, Fleet National Bank and Commerzbank AG, New York and Grand Cayman branches as syndication agents, Bank of America, N.A. and Wells Fargo Bank, National Association, as documentation agents, and J.P. Morgan Securities Inc. and Fleet Securities, Inc, as arrangers (filed as Exhibit 10.1 to the Company's Form 8-K dated September 27, 2002 and incorporated herein by reference).

10.50	Second Amended and Restated Revolving Credit Agreement among Mack-Cali Realty, L.P., JPMorgan Chase Bank, N.A., Bank of America, N.A., and other lending institutions that are or may become a party to the Second Amended and Restated Revolving Credit Agreement dated as of November 23, 2004 (filed as Exhibit 10.1 to the Company's Form 8-K dated November 23, 2004 and incorporated herein by reference).
10.51	Extension and Modification Agreement dated as of September 16, 2005 by and among Mack-Cali Realty, L.P., JPMorgan Chase Bank, N.A., as administrative agent, and the several Lenders Party thereto (filed as Exhibit 10.1 to the Company's Form 8-K dated September 16, 2005 and incorporated herein by reference).
10.52	Amended and Restated Master Loan Agreement dated as of November 12, 2004 among Mack-Cali Realty, L.P., and Affiliates of Mack-Cali Realty Corporation and Mack-Cali Realty, L.P., as Borrowers, Mack-Cali Realty Corporation and Mack-Cali Realty L.P., as Guarantors and The Prudential Insurance Company of America, as Lender (filed as Exhibit 10.1 to the Company's Form 8-K dated November 12, 2004 and incorporated herein by reference).
10.53	Contribution and Exchange Agreement among The MK Contributors, The MK Entities, The Patriot Contributors, The Patriot Entities, Patriot American Management and Leasing Corp., Cali Realty, L.P. and Cali Realty Corporation, dated September 18, 1997 (filed as Exhibit 10.98 to the Company's Form 8-K dated September 19, 1997 and incorporated herein by reference).
10.54	First Amendment to Contribution and Exchange Agreement, dated as of December 11, 1997, by and among the Company and the Mack Group (filed as Exhibit 10.99 to the Company's Form 8-K dated December 11, 1997 and incorporated herein by reference).
10.55	Employee Stock Option Plan of Mack-Cali Realty Corporation (filed as Exhibit 10.1 to the Company's Post-Effective Amendment No. 1 to Form S-8, Registration No. 333-44443, and incorporated herein by reference).
10.56	Director Stock Option Plan of Mack-Cali Realty Corporation (filed as Exhibit 10.2 to the Company's Post-Effective Amendment No. 1 to Form S-8, Registration No. 333-44443, and incorporated herein by reference).

Exhibit Number	Exhibit Title
10.57	2000 Employee Stock Option Plan (filed as Exhibit 10.1 to the Company's Registration Statement on Form S-8, Registration No. 333-52478, and incorporated herein by reference), as amended by the First Amendment to the 2000 Employee Stock Option Plan (filed as Exhibit 10.17 to the Company's Form 10-Q dated June 30, 2002 and incorporated herein by reference).
10.58	Amended and Restated 2000 Director Stock Option Plan (filed as Exhibit 10.2 to the Company's Post-Effective Amendment No. 1 to Registration Statement on Form S-8, Registration No. 333-100244, and incorporated herein by reference).
10.59	Mack-Cali Realty Corporation 2004 Incentive Stock Plan (filed as Exhibit 10.1 to the Company's Registration Statement on Form S-8, Registration No. 333-116437, and incorporated herein by reference).
10.60	Deferred Compensation Plan for Directors (filed as Exhibit 10.1 to the Company's Registration Statement on Form S-8, Registration No. 333-80081, and incorporated herein by reference).
10.61	Form of Indemnification Agreement by and between Mack-Cali Realty Corporation and each of William L. Mack, John J. Cali, Mitchell E. Hersh, John R. Cali, David S. Mack, Martin S. Berger, Alan S. Bernikow, Kenneth M. Duberstein, Martin D. Gruss, Nathan Gantcher, Vincent Tese, Roy J. Zuckerberg, Alan G. Philibosian, Irvin D. Reid, Robert F. Weinberg, Barry Lefkowitz, Roger W. Thomas, Michael A. Grossman, Anthony Krug, Dean Cingolani, Anthony DeCaro Jr., Mark Durno, William Fitzpatrick, John Kropke, Nicholas Mitarotonda, Jr., Michael Nevins, Virginia Sobol, Albert Spring, Daniel Wagner, Deborah Franklin, John Marazzo, Christopher DeLorenzo, Jeffrey Warner, Diane Chayes and James Corrigan (filed as Exhibit 10.28 to the Company's Form 10-Q dated September 30, 2002 and incorporated herein by reference).
10.62	Indemnification Agreement dated October 22, 2002 by and between Mack-Cali Realty Corporation and John Crandall (filed as Exhibit 10.29 to the Company's Form 10-Q dated September 30, 2002 and incorporated herein by reference).
10.63	Second Amendment to Contribution and Exchange Agreement, dated as of June 27, 2000, between RMC Development Company, LLC f/k/a Robert Martin Company, LLC, Robert Martin Eastview North Company, L.P., the Company and the Operating Partnership (filed as Exhibit 10.44 to the Company's Form 10-K dated December 31, 2002 and incorporated herein by reference.)
10.64	Limited Partnership Agreement of Meadowlands Mills/Mack-Cali Limited Partnership by and between Meadowlands Mills Limited Partnership, Mack-Cali Meadowlands Entertainment L.L.C. and Mack-Cali Meadowlands Special L.L.C. dated November 25, 2003 (filed as Exhibit 10.1 to the Company's Form 8-K dated December 3, 2003 and incorporated herein by reference).
10.65	Redevelopment Agreement by and between the New Jersey Sports and Exposition Authority and Meadowlands Mills/Mack-Cali Limited Partnership dated December 3, 2003 (filed as Exhibit 10.2 to the Company's Form 8-K dated December 3, 2003 and incorporated herein by reference).
10.66	First Amendment to Redevelopment Agreement by and between the New Jersey Sports and Exposition Authority and Meadowlands Mills/Mack-Cali Limited Partnership dated October 5, 2004 (filed as Exhibit 10.54 to the Company's Form 10-Q dated September 30, 2004 and incorporated herein by reference).

Exhibit Number	Exhibit Title
10.67	Letter Agreement by and between Mack-Cali Realty Corporation and The Mills Corporation dated October 5, 2004 (filed as Exhibit 10.55 to the Company's Form 10-Q dated September 30, 2004 and incorporated herein by reference).

10.68	First Amendment to Limited Partnership Agreement of Meadowlands Mills/Mack-Cali Limited Partnership by and between Meadowlands Mills Limited Partnership, Mack-Cali Meadowlands Entertainment L.L.C. and Mack-Cali Meadowlands Special L.L.C. dated as of June 30, 2005 (filed as Exhibit 10.66 to the Company's Form 10-Q dated June 30, 2005 and incorporated herein by reference).
10.69*	Contribution and Exchange Agreement by and between Mack-Cali Realty, L.P. and Tenth Springhill Lake Associates L.L.L.P., Eleventh Springhill Lake Associates L.L.L.P., Twelfth Springhill Lake Associates L.L.L.P., Fourteenth Springhill Lake Associates L.L.L.P., each a Maryland limited liability limited partnership, Greenbelt Associates, a Maryland general partnership, and Sixteenth Springhill Lake Associates L.L.L.P., a Maryland limited liability limited partnership, and certain other natural persons, dated as of November 21, 2005.
21.1*	Subsidiaries of the Company.
23.1*	Consent of PricewaterhouseCoopers LLP, independent registered public accounting firm.
31.1*	Certification of the Company's President and Chief Executive Officer, Mitchell E. Hersh, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of the Company's Chief Financial Officer, Barry Lefkowitz, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of the Company's President and Chief Executive Officer, Mitchell E. Hersh, and the Company's Chief Financial Officer, Barry Lefkowitz, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.1	Mack-Cali Realty Corporation Corporate Governance Principles, as amended and restated (filed as Exhibit 99.2 to the Company's Form 8-K dated September 13, 2005 and incorporated herein by reference).

*filed herewith

Exhibit 10.69

CONTRIBUTION AND EXCHANGE AGREEMENT

by and between

ALBERT H. SMALL,

THEODORE N. LERNER,

RALPH OCHSMAN,

RICHARD PERKINS,

GUDELSKY BROTHERS,

TENTH SPRINGHILL LAKE ASSOCIATES L.L.L.P.,

ELEVENTH SPRINGHILL LAKE ASSOCIATES L.L.L.P.,

TWELFTH SPRINGHILL LAKE ASSOCIATES L.L.L.P.,

FOURTEENTH SPRINGHILL LAKE ASSOCIATES L.L.L.P.,

GREENBELT ASSOCIATES,

SIXTEENTH SPRINGHILL LAKE ASSOCIATES L.L.L.P.

and

MACK-CALI REALTY, L.P.

Date: November 21, 2005

CONTRIBUTION AND EXCHANGE AGREEMENT

THIS CONTRIBUTION AND EXCHANGE AGREEMENT (this "**Agreement**") made this 21st day of November, 2005 (the "**Execution Date**"), by and between the persons set forth on **Exhibit A** annexed hereto (each a "**GP Contributor**" and collectively, the "**GP Contributors**"), Tenth Springhill Lake Associates L.L.L.P. ("**Tenth LLLP**"), a Maryland limited liability limited partnership, Eleventh Springhill Lake Associates L.L.L.P. ("**Eleventh LLLP**"), a Maryland limited liability limited partnership, Twelfth Springhill Lake Associates L.L.L.P. ("**Twelfth LLLP**"), a Maryland limited liability limited partnership, Fourteenth Springhill Lake Associates L.L.L.P. ("**Fourteenth LLLP**" and together with Tenth LLLP, Eleventh LLLP and Twelfth LLLP each shall be referred to herein individually as a "**Property LLLP**" and together as the "**Property LLLPs**"), a Maryland limited liability limited partnership, Greenbelt Associates ("**Greenbelt**"), a Maryland general partnership, and Sixteenth Springhill Lake Associates L.L.L.P. ("**Sixteenth LLLP**" and together with Greenbelt each shall be referred to herein individually as an "**Option Property Owner**" and together as the "**Option Property Owners**"), a Maryland limited liability limited partnership and **MACK-CALI REALTY, L.P.** ("**MCRLP**"), a Delaware limited partnership. The Property LLLPs and the Option Property Owners shall hereinafter be referred to individually as a "**Capital Office Owner**" and collectively as the "**Capital Office Owners**".

RECITALS

WHEREAS, MCRLP desires to acquire from the GP Contributors and the limited partner contributors set forth on **Exhibit B** annexed hereto (the "**LP Contributors**" and together with the GP Contributors the "**Contributors**") and the Contributors desire to either (i) transfer to MCRLP all of the ownership and beneficial interests in and to each Property LLLP following the Conversion (as hereinafter defined) of each Property LLLP to a limited liability company, or (ii) in the event that the Conversion of any Property LLLP cannot be accomplished in accordance with the terms of this Agreement, cause to be transferred to MCRLP the fee interest in each Property (as defined below);

WHEREAS, MCRLP desires to acquire the Option (as hereinafter defined) to acquire from the Contributors and the Contributors desire to grant the Option to MCRLP to acquire all of the ownership and beneficial interests in and to each Option Property Owner following the Conversion (as such term is defined in the Option Agreement (as hereinafter defined)) of each Option Property Owner to a limited liability company; however, in the event that the Conversion of any Option Property Owner cannot be accomplished in accordance with the terms of the Option Agreement, MCRLP desires to acquire an option to acquire the fee interest in each Option Property from the Option Property Owners;

WHEREAS, provided the requisite consent of the LP Contributors is obtained authorizing the Conversion at or prior to Closing, each LP Contributor and MCRLP shall execute and deliver the LP Contributors Joinder Agreement in the form annexed hereto as **Exhibit C** whereby each LP Contributor shall make certain representations, warranties and agreements with respect to such LP Contributor's ownership in any applicable Property Owner and shall agree to be bound by the terms and conditions of this Agreement;

WHEREAS, each Contributor is a partner in a Property LLLP or a partner in an Option Property Owner (an "**Option Contributor**") and in such capacity is the record and beneficial owner of the limited liability limited partnership interest or the general partnership interest (the "**Property Owner Interests**") in the Capital Office Owner set forth opposite such Contributor's name on **Exhibit D-1** through **Exhibit D-6** annexed hereto;

WHEREAS, the Capital Office Owners are the owners of that certain real property known as "Capital Office Park", which includes 6301 Ivy Lane, 6303 Ivy Lane, 6305 Ivy Lane, 6404 Ivy Lane, 6406 Ivy Lane and 6411 Ivy Lane, Greenbelt, Maryland, and 9200 Edmonston Road, Greenbelt, Maryland, which is located outside of Capital Office Park, all such real property as more particularly described in **Exhibit E** annexed hereto (each a "**Property**" and together the "**Properties**"), and certain unimproved real property designated as Parcel J, Parcel K, Parcel L, Outlot A, Parcel I-1, Parcel A and Parcel G on **Exhibit F** annexed hereto (each an "**Option Property**" and together the "**Option Properties**") (the owner of each Property is set forth opposite the name of each Property LLLP on **Exhibit G** annexed hereto and the ownership of each Option Property is set forth opposite the name of each Option Property Owner on **Exhibit H** annexed hereto);

WHEREAS, prior to the Closing Date each GP Contributor shall endeavor to obtain the requisite consent or approval of the partners of any Property LLLP in which

such GP Contributor is a partner to the conversion of such Property LLLP to a limited liability company (the "**Conversion**") and the contribution of 100% of the membership and beneficial interests in and to such limited liability company to MCRLP (each a "**Transferred Interest,**" and, collectively, the "**Transferred Interests**"), and, upon receipt of such requisite consent or approval, each GP Contributor shall cause the Conversion of the Property LLLP to a limited liability company;

WHEREAS, on the Closing Date (as defined below) the Contributors desire to transfer the Exchange Property (as hereinafter defined) to MCRLP and to grant an option to MCRLP with respect to the Option Properties pursuant to the terms of the Option Agreement (as defined below) in exchange for (i) MCRLP's assumption of those certain non-recourse first mortgage loans set forth on **Exhibit I** annexed hereto (collectively, the "**Assumed Debt**") and each of which is evidenced and secured by those certain documents and instruments described in **Exhibit J-1** through **Exhibit J-7** annexed hereto (collectively, the "**Existing Loan Documents**"), which Existing Loan Documents include, without limitation, non-recourse first mortgages on each of the Properties, (ii) common operating partnership units ("**Units**") of MCRLP and (iii) cash, or a combination cash and Units, on and subject to, the terms, covenants and conditions set forth herein; and

WHEREAS, subject to the terms and conditions of this Agreement, each Contributor and MCRLP shall, at the Closing (as defined below), execute a separate Limited Agreement of Indemnity (in the form attached hereto as **Exhibit K**) or a separate Guaranty Agreement (in the form attached hereto as **Exhibit S**) pursuant to Article 21 hereof whereby such Contributor shall indemnify MCRLP and/or Mack-Cali Realty Corporation (the "**Company**" and together with MCRLP "**Mack-Cali**"), MCRLP's general partner, with respect to certain indebtedness of MCRLP and/or the Company as described herein.

NOW, THEREFORE, in consideration of the mutual promises hereinafter set forth herein and other good and valuable consideration, the mutual receipt and legal sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound hereby, do hereby agree as follows:

1. CONTRIBUTION AND EXCHANGE; ALTERNATIVE STRUCTURE.

1.1. Provided the GP Contributors have obtained the requisite consent or approval of the partners of each Property LLLP authorizing the Conversion of such Property LLLP to a limited liability company, upon, and subject to, the terms, covenants and conditions of this Agreement, on the Closing Date (as defined below), each Contributor shall contribute the Transferred Interest to MCRLP, and MCRLP shall acquire the Transferred Interests.

1.2. Alternatively, in the event that the GP Contributors are unable to obtain the requisite consent or approval of the partners of any Property LLLP to the Conversion of such Property LLLP to a limited liability company prior to the Closing, the GP Contributor of such Property LLLP shall cause the Property LLLP to contribute the Properties owned by such Property LLLP to MCRLP, or its designee, by deed transfer at Closing. Notwithstanding the foregoing, each GP Contributor shall endeavor prior to the Closing to obtain the requisite consent or approval of the partners of any such Property LLLP in which such GP Contributor is a partner to the Conversion of such Property LLLP to a limited liability company. The Property conveyed by deed transfer pursuant to this Section 1.2 and/or the Transferred Interests contributed by assignment by each Contributor pursuant to Section 1.1 shall hereinafter be collectively referred to as the "**Exchange Property**".

2. CONSIDERATION AND DEPOSIT.

2.1. The aggregate consideration (the "**Consideration**") for the Exchange Property shall be ONE HUNDRED SIXTY-ONE MILLION SEVEN HUNDRED TWENTY EIGHT THOUSAND DOLLARS ($161,728,000), and shall be allocated among the Properties as set forth on **Schedule 2.1** (the "**Allocated Property Values**") and payable as follows:

(a) By MCRLP assuming the Assumed Debt as of the Closing Date (as defined below). The parties hereto acknowledge and agree that, as of the date hereof, the Assumed Debt has an approximate outstanding balance of SIXTY-THREE MILLION SEVEN HUNDRED EIGHTY-ONE THOUSAND EIGHT HUNDRED TWENTY-FOUR DOLLARS ($63,781,824) (the outstanding balance of the Assumed Debt shall hereinafter be referred to as the "**Assumed Debt Amount**");

(b) By payment of an amount of cash, if any, (i) in respect of any Contributor who elects to receive cash for part or all of its share of the Exchange Property, (ii) in respect of any Contributor who has not demonstrated to the reasonable satisfaction of MCRLP that it qualifies as an "accredited investor" (as such term is defined in Rule 501(a) of Regulation D under the Securities Act (as hereinafter defined)), (iii) in respect of any Contributor for fractional Units as provided in Section 2.1(c) hereof and (iv) in respect of any Property LLLP that elects to receive cash in exchange for part or all of the applicable Property in the event any Property is conveyed by Deed pursuant to Section 1.2 hereof. Each Contributor and/or Property LLLP, as applicable,

that elects to receive cash for all or part of its Exchange Property in accordance with this Section 2.1(b), shall notify MCRLP of such election, in writing, as soon as practicable following the date hereof and no later then fifteen (15) days prior to Closing; and, thereafter, **Schedule 2.1(b)** annexed hereto shall be completed and shall set forth the name of each Contributor and the amount of cash paid to such Contributor pursuant to this Section 2.1(b). Notwithstanding anything herein to the contrary, unless otherwise agreed upon by MCRLP in its sole discretion, the cash portion of the Consideration, if any, shall in no event exceed an amount equal to the Consideration, less the Assumed Debt Amount and less the sum of a maximum amount of $70,000,000; and

(c) By the issuance of Units, in respect of the Contributors, having a value (the "**Unit Value**") equal to the sum of the Consideration less the amount of cash received pursuant to Section 2.1(b) above, if any, and the Assumed Debt Amount as of the Closing Date. The aggregate number of such Units (the "**Contributor Units**") to be issued shall be calculated by dividing the Unit Value by the average closing price as reported on the New York Stock Exchange for the common stock, par value $0.01 per share (the "**Common Stock**"), of the Company over the twenty (20) consecutive trading days ending two (2) trading days prior to the Closing Date (the "**Base Value**"). No fractional Units shall be issued in respect of any Contributor, and any Contributor who is entitled to receive a fractional Unit shall instead receive cash with respect to such fractional Unit in an amount equal to the fractional Unit multiplied by the Base Value. Notwithstanding anything herein to the contrary, the Consideration shall be comprised of at least SEVENTY MILLION DOLLARS ($70,000,000) of Contributor Units, the value of such Contributor Units to be determined in accordance with this Section 2.1(c). If Contributors do not elect or do not qualify to receive Contributor Units with a Unit Value equal to at least SEVENTY MILLION DOLLARS ($70,000,000), MCRLP shall have the right, at its sole option, to terminate this Agreement by delivering written notice to Contributors' counsel (as designated in Article 26 of this Agreement).

2.2. At the Closing, each Contributor shall be admitted to MCRLP as a limited partner with respect to the Contributor Units issued in respect of such Contributor as set forth on **Schedule 2.2-A** annexed hereto (which schedule shall be completed immediately prior to Closing), with the initial capital account balance set forth opposite such Contributor's name on **Schedule 2.2-B** annexed hereto (which schedule shall be completed immediately prior to Closing). Each Contributor shall be issued a certificate (with respect to each Contributor, the "**Certificate**") in the form attached hereto as **Exhibit L**, representing the Contributor Units, which Certificate shall contain the legend set forth in Section 7.5 of this Agreement.

2.3. (a) In consideration for the execution of this Agreement and the mutual undertakings, covenants and obligations contained herein, concurrent with its execution of this Agreement, MCRLP shall deposit with Lawyers Title Insurance Corporation, as escrow agent (the "**Escrow Agent**"), TWO MILLION FIVE HUNDRED THOUSAND DOLLARS ($2,500,000) (the "**Refundable Deposit**"), which deposit shall be unconditionally refundable prior to the expiration of the Inspection Period (as defined below), or otherwise pursuant to the terms of this Agreement and an additional TWO MILLION FIVE HUNDRED THOUSAND DOLLARS ($2,500,000) deposit on or before the expiration of the Inspection Period (together with the Refundable Deposit, the "**Deposit**").

(b) MCRLP shall have the right to satisfy all or any portion of the Deposit with one or more unconditional irrevocable letters of credit issued by a banking institution reasonably satisfactory to the Contributors, having offices in the District of Columbia, presentable and payable on sight, naming the Escrow Agent as the beneficiary thereunder and naming MCRLP as the account party (the "**Letter of Credit**"). The Letter of Credit is to have an expiration date of at least one (1) year from its issuance. In the event that the Letter of Credit is not renewed by the date which is thirty (30) days prior to its then stated expiration date (and this Agreement remains in full force and effect) or in the event that the Contributors are entitled to the Deposit as provided herein, Escrow Agent shall present the Letter of Credit to the issuer at any time thereafter for payment and retain the proceeds thereof. The cash proceeds of any presentment of the Letter of Credit shall be held by the Escrow Agent in accordance with the terms of this Agreement.

(c) If MCRLP satisfied the Deposit by either a check or wire transfer of funds, then so long as the Closing has occurred, the Escrow Agent shall return the Deposit to MCRLP at Closing. In the event that the Deposit is a Letter of Credit, then so long as the Closing has occurred, the Letter of Credit shall be returned to MCRLP, along with an acknowledgment from the beneficiary of the Letter of Credit, in a form reasonably acceptable to MCRLP, that said beneficiary has no further claim or interest in said Letter of Credit. If the Closing does not occur for any reason other than a default by any Contributor or a failure of any condition precedent to Closing set forth in Article 14 hereof, the Deposit shall be paid to, or the Letter of Credit may be drawn by, the Contributors. If the Closing does not occur for any reason other than a default by MCRLP or a failure of any condition precedent to Closing set forth in Article 14, the Deposit shall be returned to MCRLP.

2.4. With respect to the first Partnership Record Date (as defined in the OP Agreement) on or after the Closing Date, each Contributor shall receive a pro-rata distribution payable with respect to the Units held by such Contributor in accordance with the terms of the OP Agreement, as from time to time amended and in effect on the date hereof, on MCRLP's next distribution payment date. Such pro-rata distribution shall be equal to (a) the amount of such distribution, multiplied by (b) a fraction, the numerator of which is equal to the number of days from the Closing Date to and including the end date of the period for which such distribution is being paid (the "**Distribution Date**"), and the denominator of which is equal to the number of days from (but excluding) the previous Distribution Date to and including the Distribution Date in question.

2.5. (a) Subject to the terms and conditions set forth in this Agreement and with the benefit of all of the exculpatory provisions, if any, which are contained in the Existing Loan Documents, MCRLP shall accept and, if required by the Assumed Debt Lenders, expressly assume, as of the Closing Date all of the Assumed Debt, MCRLP acknowledging that such Assumed Debt will not be repaid at Closing. It shall be a condition to MCRLP's obligation to assume any Assumed Debt, that the GP Contributors shall have obtained or caused the Property LLLP in which such GP Contributor is a partner to obtain the express written consent from each of the Assumed Debt Lenders to the transaction contemplated herein, together with an estoppel certificate from each of the Assumed Debt Lenders containing the certifications and agreements set forth on **Schedule 2.5(a)** ("**Lender's Estoppel**"). Each GP Contributor, Property LLLP and MCRLP covenant to the other to use diligent and good faith efforts and take all commercially

reasonable actions to obtain the express written consent and Lender's Estoppel to the transactions contemplated herein from each of the Assumed Debt Lenders prior to the Closing Date and to provide such information and/or documentation as the Assumed Debt Lenders shall reasonably require in connection with such assumption. In the event that any GP Contributor or any Property LLLP is unable to obtain the requisite consent or approval from any Assumed Debt Lenders, MCRLP shall have the right, at its sole option, to terminate this Agreement by delivering written notice to Contributors' counsel (as designated in Article 26 of this Agreement) to such effect within twenty (20) days after its receipt of written notification of any such occurrence; provided, however, in the event that MCRLP elects to terminate, as aforesaid, the Property LLLPs shall reimburse MCRLP for its reasonable attorney's fees up to a maximum amount of $150,000.

(b) MCRLP and the Property LLLPs agree to split on a 50/50 basis all costs and fees associated with the assumption of the Assumed Debt and the Existing Loan Documents including, without limitation, any and all assignment, transfer or other fees, application or other costs and any and all costs and expenses incurred by the applicable Assumed Debt Lender, including, without limitation, legal fees and disbursements and costs and expenses related to updated title, survey, environmental reports and/or other legal, due diligence or compliance matters required by the applicable Assumed Debt Lender. Notwithstanding the foregoing, each party shall pay for their respective legal fees in connection with such assumption of the Assumed Debt.

(c) MCRLP and the GP Contributors agree that the GP Contributors and any guarantor and any environmental indemnitor under any of the Existing Loan Documents shall only be liable for obligations and liabilities with respect to matters first arising prior to the Closing Date and it shall be a condition to the GP Contributor's obligation to Close hereunder that the Assumed Debt Lenders shall have released the GP Contributors and any guarantor and any environmental indemnitor from any and all obligations and liabilities first arising from and after the Closing Date. MCRLP agrees to assume liability for so-called "carve-outs" to non-recourse provisions and for any environmental indemnities contained in any of the Existing Loan Documents, but only for obligations and liabilities first arising from and after the Closing Date and not for any obligations or liabilities relating to any periods prior to Closing Date. MCRLP and Contributors agree to use commercially reasonable efforts to cause the Assumed Debt Lenders to require MCRLP to assume obligations and liabilities under the Existing Loan Documents only with respect to matters first arising from and after the Closing Date.

3. REDEMPTION.

3.1. The Contributor Units received as Consideration for the transfer of the Exchange Property shall be redeemable by the Contributors in accordance with the Second Amended and Restated Agreement of Limited Partnership of MCRLP, as amended from time to time (the "**OP Agreement**"), at any time and from time to time subsequent to the first anniversary of the Closing Date on the basis of one (1) Unit for either cash equal to the fair market value of a share of Common Stock at the time of the redemption or, at the option of MCRLP acting through the Company, one (1) share of Common Stock (with such adjustments thereto as are provided in the OP Agreement).

4. OPTION TO PURCHASE.

4.1. For the one (1) year period beginning on the Closing Date, MCRLP, or its designee, shall have the option (the "**Option**") to notify the Option Contributors' counsel (as designated in the Option Agreement (as hereinafter defined)) that it elects to acquire either all of the ownership and beneficial interests in and to each Option Property Owner or the fee interest in each Option Property for a purchase price of THIRTEEN MILLION DOLLARS ($13,000,000) (the "**Option Purchase Price**"), which shall be payable Units or, at the election of the Option Contributors or if an Option Contributor is not an "accredited investor" or as otherwise provided in the Option Agreement, cash. At Closing, the Option Contributors and MCRLP or its designee shall enter into an option agreement (the "**Option Agreement**") in the form of **Exhibit M** annexed hereto pursuant to which the respective rights and obligations of the Option Contributors and MCRLP or its designee shall be set forth.

5. INSPECTION PERIOD; MCRLP'S RIGHT OF TERMINATION AND REJECTION PRIOR TO CLOSING; AS IS CONDITION.

5.1. Through the period ending on the Execution Date, as it may be extended (the "**Inspection Period**"), MCRLP has performed, or cause to be performed, tests, investigations and studies of or related to the Properties including, but not limited to, soil tests and borings, ground water tests and investigations, percolator tests,

surveys, architectural, engineering, subdivision, environmental, access, financial, market analysis, development and economic feasibility studies and other tests, investigations or studies as MCRLP, in its sole discretion, determined is necessary or desirable in connection with the Properties and inspected the physical (including environmental) and financial condition of the Properties, including but not limited to (i) all leases and other agreements with respect to the use and occupancy of the Properties, together with all amendments and modifications thereto and any guaranties provided thereunder (individually, a "**Lease**", and collectively, the "**Leases**"), (ii) contracts and agreements for the servicing, maintenance and/or operation of any Property (the "**Service Contracts**"), (iii) engineering and environmental reports, (iv) development approval agreements, (v) permits and approvals, which inspection shall be satisfactory to MCRLP in its sole and absolute discretion, (vi) all Books and Records (as defined below), (vii) Existing Loan Documents, including, without limitation, the Existing Loan Documents, (viii) tenant correspondence files and (ix) other documents and information relating to the foregoing. MCRLP shall conduct any tests and studies in a manner which does not unreasonably impede the day-to-day operations of any Property, and shall repair and restore any portion of the surface of any Property disturbed by MCRLP, its agents or contractors during the conduct of any tests and studies to substantially the same condition as existed prior to such disturbance. Such right of inspection and the exercise of such right shall not constitute a waiver by MCRLP of the breach of any representation, warranty, covenant or agreement of any Contributor which might, or should, have been disclosed by such inspection. Each Contributor acknowledges that each of the Property LLLPs and Mack-Cali Realty Acquisition Corporation, a Delaware corporation and affiliate of MCRLP, have entered into that certain Access Agreement dated as of July 14, 2005 (the "**Access Agreement**"), with respect to MCRLP's access to the Properties during the Inspection Period and thereafter and certain other matters. In the event of any conflict or inconsistency between the provisions of Sections 5.1 or 5.2 and any provision of the Access Agreement, the Access Agreement shall control.

5.2. During and after the Inspection Period and pursuant to the Access Agreement, MCRLP, its agents and contractors, shall have access to the Properties subject to the terms of the Access Agreement and other information pertaining thereto in the possession or within the control of any Contributor or any Property LLLP for the purpose of performing such studies, tests, borings, investigations and inspections for the purposes described in this Article 5. Each GP Contributor shall reasonably cooperate and shall cause each Property LLLP to cooperate with MCRLP in facilitating its due diligence inquiry and will deliver to MCRLP, promptly after request, true and complete copies of all test borings, Environmental Documents (as defined below), surveys, title materials and engineering and architectural data and the like relating to any Property that are in any GP Contributor's or any Property LLLP's possession or under its/his control. In the event that any additional materials or information come within any GP Contributor's or any Property LLLP's possession or control after the date of this Agreement, such GP Contributor shall promptly submit or cause any Property LLLP to submit true and complete copies of the same to MCRLP. Each GP Contributor shall notify MCRLP of any dangerous conditions on the Property of which such GP Contributor has knowledge, including, without limitation, conditions which due to the nature of the borings, studies, investigations, inspections or testing to be performed by or on behalf of MCRLP may pose a dangerous condition to MCRLP or MCRLP's agents and contractors.

5.3. MCRLP may terminate this Agreement for any reason or for no reason, by written notice to the Contributors' counsel (as designated in Article 26 of this Agreement) delivered on or prior to the expiration of the Inspection Period. In the event that MCRLP terminates this Agreement during the Inspection Period, this Agreement shall be null and void and the parties hereto shall be relieved of all further obligations hereunder except as otherwise provided herein. In the event MCRLP does not send notice by the end of the Inspection Period waiving its right to terminate this Agreement pursuant to this Section 5.3, MCRLP shall be deemed to have elected to terminate this Agreement. Upon such termination, the Refundable Deposit shall be returned to MCRLP.

5.4. EXCEPT AS PROVIDED IN THE EXPRESS REPRESENTATIONS AND WARRANTIES OF THE CONTRIBUTORS SET FORTH IN THIS AGREEMENT AND IN ANY CLOSING DOCUMENTS, INSTRUMENTS OR AFFIDAVITS TO BE DELIVERED AT CLOSING (COLLECTIVELY, THE "**EXPRESS REPRESENTATIONS**"), THE CONTRIBUTORS DO NOT, BY THE EXECUTION AND DELIVERY OF THIS AGREEMENT, AND THE CONTRIBUTORS SHALL NOT, BY THE EXECUTION AND DELIVERY OF ANY DOCUMENT OR INSTRUMENT EXECUTED AND DELIVERED IN CONNECTION WITH CLOSING, MAKE ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, OF ANY KIND OR NATURE WHATSOEVER, WITH RESPECT TO THE PROPERTIES, AND ALL SUCH WARRANTIES ARE HEREBY DISCLAIMED.

5.5. NOTWITHSTANDING ANYTHING TO THE CONTRARY SET FORTH IN THIS AGREEMENT, BUT SUBJECT TO THE REPRESENTATIONS AND WARRANTIES SET FORTH IN ARTICLE 7 (REPRESENTATIONS AND WARRANTIES OF CONTRIBUTORS) AND COVENANTS OF THE CONTRIBUTORS SET FORTH IN ARTICLE 8 (COVENANTS OF THE CONTRIBUTORS), AND SUBJECT TO ARTICLES 17 (CASUALTY LOSS) AND 18 (CONDEMNATION), MCRLP SHALL ACCEPT THE

PROPERTIES, INCLUDING WITHOUT LIMITATION THE ROOFS, ALL STRUCTURAL COMPONENTS, ALL HEATING, VENTILATING, AIR CONDITIONING, MECHANICAL, PLUMBING, AND ELECTRICAL SYSTEMS, FIRE AND LIFE SAFETY AND ALL OTHER PARTS OF THE BUILDINGS CONSTITUTING A PORTION OF THE PROPERTIES IN THEIR "AS IS" "WHERE IS" CONDITION ON THE CLOSING DATE, "WITH ALL FAULTS" AND "SUBJECT TO ALL DEFECTS." MCRLP HEREBY ACKNOWLEDGES, REPRESENTS AND WARRANTS THAT IT IS NOT IN A DISPARATE BARGAINING POSITION WITH RESPECT TO THE CONTRIBUTORS IN CONNECTION WITH THE TRANSACTION CONTEMPLATED HEREBY, THAT MCRLP FREELY AND FAIRLY AGREED TO THE WAIVERS AND CONDITIONS OF THIS SECTION 5.5 AS PART OF THE NEGOTIATIONS OF THIS AGREEMENT, AND MCRLP HAS BEEN REPRESENTED BY COMPETENT LEGAL COUNSEL IN CONNECTION HEREWITH AND HAS CONFERRED WITH SUCH LEGAL COUNSEL CONCERNING THE WAIVERS AND OTHER CONDITIONS OF THIS SECTION 5.5.

5.6. Notwithstanding the expiration of the Inspection Period, MCRLP shall continue to have the rights to conduct further investigations of the Properties as set forth in this Article 5.

6. <u>TITLE; MATTERS TO WHICH THIS EXCHANGE IS SUBJECT.</u>

6.1. The Properties at Closing shall be subject to the following (collectively, the '**Permitted Encumbrances**"):

(a) The liens of real estate Taxes (as hereinafter defined), personal property Taxes, water charges, and sewer charges provided same are not due and payable, but subject to adjustment as provided herein;

(b) The rights of those parties listed on **<u>Schedule 7.1(b)</u>** occupying space at any of the Properties or tenants under leases entered into after the date hereof in accordance with the terms hereof (collectively, "**Tenants**"), as tenants only;

(c) Any and all laws, statutes, ordinances, codes, rules, regulations, requirements, or executive mandates affecting the Properties including, without limitation, those related to zoning and land use, as of the date hereof;

(d) The Service Contracts, except those Service Contracts which MCRLP elects not to assume in accordance with Section 8.1(h);

(e) Any installment not yet due and payable of assessments imposed after the date hereof and affecting the Properties (or any portion thereof);

(f) The lien of the mortgages on those Properties encumbered by Existing Loan Documents as of the date hereof in respect of Assumed Debt (but subject to the terms and conditions of this Agreement); and

(g) Any matters not objected to, approved or deemed approved by MCRLP pursuant to Section 6.2 below.

6.2. (a) MCRLP has, prior to the date hereof, directed Lawyers Title Insurance Corporation ("**Lawyers Title**") to prepare title insurance searches and commitments for owner's title insurance policies for each of the Properties (the "**Title Commitments**"). MCRLP shall direct Lawyers Title, or such other or additional title insurance companies as may be selected by MCRLP (collectively, the "**Title Company**"), to deliver to the Contributors' counsel (as designated in Article 26 of this Agreement) copies of the Title Commitments and the documents describing the title exceptions shown on the Title Commitments (collectively, the "**Title Documents**") which are to be delivered to MCRLP and its counsel.

(b) MCRLP has, prior to the date hereof, advised Contributors' counsel (as designated in Article 26 of this Agreement) in writing ('**MCRLP's Title Objection Letter**") of certain defects, objections or exceptions in the title to the Properties that appear in the Title Commitments (other than the Permitted Encumbrances) which MCRLP is not required to accept under the terms of this Agreement and to which MCRLP objects. The GP Contributors may, at their election (but shall have no obligation to), undertake to eliminate or cause to be eliminated such unacceptable defects, objections or exceptions, except that the GP Contributors shall be obligated to remove (i) judgments against the Contributors or the Property LLLPs, (ii) mortgages or other liens which can be satisfied by payment of a liquidated amount other than the Assumed Debt, (iii) payments to the mortgagees which are currently required pursuant to existing loan documents in order to cause the mortgagees to consent to MCRLP taking subject to the mortgages. Except as provided in the preceding sentence or below, the Contributors shall have no obligation to incur any expense in connection with curing such defects, objections or exceptions. Subject to the terms of this Section 6.2(b) and the GP Contributors' right to adjourn the Closing as set forth below, the GP Contributors agree to respond to MCRLP's Title Objection Letter ("**Contributors' Title Response**") within three (3) days of the Execution Date indicating whether they intend to undertake to eliminate or cause to be eliminated any objections, and, unless the GP Contributors elect to adjourn the Closing, as set forth below, MCRLP agrees to respond to Contributors' Title Response prior to the expiration of the Inspection Period. The GP Contributors, in their discretion, may adjourn the Closing for up to sixty (60) days in the aggregate in order to eliminate unacceptable defects, objections or exceptions. Other than the items described in (i) through (iii) above, which the GP Contributors agree to cure or cause to be cured at their sole cost and expense without regard to the cost thereof, if, after complying with the foregoing requirements, the GP Contributors are unable to eliminate or cause to be eliminated all unacceptable defects, objections or exceptions in accordance with the terms of this Agreement on or before such adjourned date for the Closing, MCRLP shall elect either (w) to terminate this Agreement by notice given to the Contributors' counsel (as designated in Article 26 of this Agreement) in which event the provisions of Section 25.2 shall apply, or (x) to accept title subject to such unacceptable defects, objections or exceptions and receive no credit against or reduction of the consideration to be given hereunder for any Property. Each GP Contributor agrees and covenants that it shall not voluntarily place or consent or permit any encumbrances or restrictions to title to any of the Properties from and after the date hereof, and if any encumbrance or restrictions are placed of record by any Contributor or Property LLLP against any of the Properties, the GP Contributors shall be obligated to remove them at or prior to Closing.

6.3. It shall be a condition to Closing that the Title Company be prepared to insure, title to each Property conveyed through the contribution of the Exchange Property, in the amount

of the Allocated Property Value thereof (at a standard rate for such insurance) in the name of MCRLP or its designees, after delivery of the deeds or assignments of the Contributed Interests, by a standard 1992 ALTA Owners Policy, with such ALTA endorsements (including without limitation a comprehensive owner's endorsement and a non-imputation endorsement, where available, for each Property) as are available in each applicable state where the Properties are located and as required by MCRLP attached, free and clear of all liens, encumbrances and other matters, other than the Permitted Encumbrances (the "**Title Policy**"). The Title Company shall provide affirmative insurance that any: (i) Permitted Encumbrances have not been violated, and that any future violation thereof will not result in a forfeiture or reversion of title; and (ii) the exceptions for Taxes shall apply only to the Taxes not yet due and payable. Each Contributor shall provide or cause to be provided such affidavits and undertakings as the Title Company insuring title to the Properties may reasonably require. The words "insurable title" and "insurable" as used in this Agreement are hereby defined to mean title which is insurable at standard rates (without special premium) by the Title Company without exception other than the Permitted Encumbrances, and standard printed policy exceptions.

6.4. Any unpaid Taxes, water charges, sewer rents and assessments, together with the interest and penalties thereon to the Closing Date (in each case subject to any applicable apportionment), and any mortgages or other liens created by or permitted by any Contributor, which such Contributor is obligated to pay and discharge pursuant to the terms of this Agreement, together with the cost of recording or filing of any instruments necessary to discharge such liens and such judgments, shall be paid at the Closing by such Contributor. The Contributors shall deliver to MCRLP, on the Closing Date, instruments in recordable form sufficient to discharge any such mortgages or other liens that are required to be paid and discharged pursuant to the terms of this Agreement.

6.5. If the Title Commitments disclose judgments, bankruptcies or other returns against other persons having names the same as or similar to that of any Contributor or any Property LLLP, such Contributor, on request by MCRLP, shall deliver to the Title Company affidavits showing that such judgments, bankruptcies or other returns are not against any Contributors, any Property LLLP or any affiliates. Upon request by MCRLP, each Contributor shall deliver any affidavits and documentary evidence as are reasonably required by the Title Company to eliminate the standard or general exceptions on the ALTA form Owner's Policy. Each Contributor further agrees to deliver to the Title Company non-imputation indemnities or affidavits in the form attached hereto as **Exhibit N** necessary for the Title Company to issue a non-imputation endorsement for each Property, where available.

6.6. It is recognized and acknowledged that the portion of the Property known as Capital Office Park Buildings 5 and 6 and the Option Property described as Parcel I-1 are burdened and benefited by the terms of that certain Declaration of Easements dated January 7, 1986 and recorded among the Land Records of Prince George's County, Maryland in Liber 6277 at Folio 240 (the "**Declaration**"). Notwithstanding anything contained herein to the contrary, Fourteenth LLLP, as declarant under the Declaration, shall be authorized prior to Closing hereunder, to record a modification to the Declaration in order to recognize and confirm that (i) the property subject to the Declaration, formerly known as Parcel F, has been further subdivided into Parcels H, I-1 and I-2, (ii) Capital Office Park Buildings 5 and 6 have been constructed on Parcels H and I-2, respectively, (iii) nothing in the Declaration shall be

interpreted as precluding the owner of Parcel I-1 from developing an office building on Parcel I-1, and (iv) Parcels H, I-1 and I-2 shall continue to be benefited and burdened by the various easements and rights-of-way provided under the Declaration. The form of any such modification shall be submitted to MCRLP for review and approval not less than fifteen (15) days prior to the Closing and MCRLP's approval shall not be arbitrarily withheld, delayed or conditioned.

7. REPRESENTATIONS AND WARRANTIES OF THE GP CONTRIBUTORS AND THE PROPERTY LLLPs.

7.1. In order to induce MCRLP to perform as required hereunder, as of the date hereof and as of the Closing Date, each Property LLLP hereby warrants and represents, jointly and severally, all of the matters set forth in this Section 7.1. Without limiting the foregoing, in order to further induce MCRLP to perform as required hereunder, each GP Contributor agrees to, and shall, be liable for any breach of any of the warranties and representations set forth in this Section 7.1, subject in all respects to the limitations on (i) survival set forth in Section 7.4 hereof, (ii) knowledge set forth in Section 7.8 hereof, (iii) liability set forth in Sections 25.3(b) hereof and (iv) security

for any breach set forth in Section 25.4 hereof. Anything contained herein to the contrary notwithstanding, the GP Contributors shall have no personal liability for any breach of any representation or warranty under this Section 7.1 and MCRLP's sole remedy with respect to such breaches shall be to recover Units from the Escrow Pool pursuant to Section 25.4 hereof.

(a) There are no actions, suits, labor disputes, litigation or proceedings currently pending or, to the knowledge of any Property LLLP in which such GP Contributor is a partner, threatened in writing against or related to such Property LLLP with respect to the Property, the environmental condition thereof, or the operation thereof, except as set forth on **Schedule 7.1(a)** annexed hereto.

(b) Annexed hereto as **Schedule 7.1(b)** is a true, complete and correct schedule of all of the Leases to which the Properties are subject. The Leases are valid and bona fide obligations of the landlord thereunder and are in full force and effect. To the knowledge of each Property LLLP, no defaults remain uncured pursuant to notices of default sent to any Tenants and no condition exists which, solely with the passage of time or the giving of written notice or both, will become a default. Except as disclosed in writing to MCRLP, no Property LLLP has received any written notices of default by the applicable Tenant under any Lease which remain uncured or which were cured within the last two (2) years. The Leases constitute all of the Leases, tenancies or occupancies or rights to use and occupancy affecting any Property on the date hereof (except as a result of any subleases of portions of any Property), except as set forth on the Rent Roll, all Tenants have commenced occupancy and there are no other rights with respect to the use or occupancy of the Properties (except as a result of any subleases of portions of any Property). Except as expressly set forth in the Leases, no Tenant is entitled to now or in the future any concession, rebate, offset, allowance or free rent for any period nor has any such claim been asserted by any Tenant.

(c) Annexed hereto as **Schedule 7.1(c)** is a listing (the "**Rent Roll**") of the following, as of the date hereof and as of the Closing Date, which is true, complete and correct in all material respects for the Property and which lists, among other things, the amount deposited or

posted as a letter of credit (the **"Security Deposit"**) under any Lease in the nature of security for the performance of the obligations of the Tenant or user, if any.

(d) All undisputed bills and claims for labor performed and materials furnished to or for the account of the applicable owner of any Property arising prior to the Closing Date will be paid in full by such owner within customary time periods but not later than the Closing Date. To the extent any bills and claims for labor performed and materials furnished to or for the account of the applicable owner of any Property prior to the Closing Date are disputed, the applicable Property LLLP shall commence any actions related to such bills and claims promptly, such commencement being no later than forty-five (45) days from the receipt of an invoice by the applicable Property LLLP, and shall diligently prosecute same to its conclusion. If such action results in (i) a lien on any Property which lien remains unbonded for thirty (30) days, or (ii) any vendor providing unique services or services at below market price refusing to service any Property, the Property LLLP shall cause payment of same to be made to remedy same within ten (10) days thereafter. To the knowledge of such Property LLLP, the landlord under any Lease with respect thereto has performed all of the obligations and observed all of the covenants required of the landlord under the Leases. All work, alterations, improvements or installations required to be made for or on behalf of all Tenants under the Leases have in all respects been carried out, performed and completed and there is no agreement with any Tenant for the performance of any work to be done in the future, except as provided in any Lease.

(e) No Property LLLP has received any written notice and has no knowledge of (i) any pending, threatened or contemplated annexation or condemnation proceedings, or private purchase in lieu thereof, affecting or which may affect any Property, or any part thereof, (ii) any proposed or pending proceeding to change or redefine the zoning classification of all or any part of any Property, (iii) any proposed or pending special assessments affecting any Property or any portion thereof, (iv) any penalties or interest due with respect to real estate taxes assessed against any Property and (v) any proposed change(s) in any road or grades with respect to the roads providing a means of ingress and egress to any Property.

(f) No Property LLLP has received any written notice and has no knowledge of any suits or judgments relating to any violations (including, without limitation, Environmental Laws (as defined herein)) of any laws, ordinances or regulations affecting any Property, or any violations or conditions that may give rise thereto, from any agency, board, bureau, commission, department or body of any municipal, country, state or federal governmental unit, or any subdivision thereof, having, asserting or acquiring jurisdiction over all or any part of any Property or the management, operation, use or improvement thereof (collectively, the "**Governmental Authorities**"), and there are no outstanding orders, judgments, injunctions, decrees or writ of any Governmental Authorities against or involving the Contributors in respect of any Property.

(g) No Property LLLP has received any written notice of outstanding requirements or recommendations by the holder of any mortgage encumbering any of any Property, which require or recommend any repairs or work to be done on any Property of a material nature.

(h) There are no Service Contracts, union contracts, employment agreements or other agreements affecting any Property or the operation thereof, except the Service Contracts. True,

accurate and complete copies of all the Service Contracts have been made available for review and are listed on**Schedule 7.1(h)** annexed hereto. All sums presently due and payable by the Property LLLPs under the Service Contracts which are due as of the Closing Date shall be fully paid on the Closing Date.

(i) No Property LLLP has received any written notice that any of the permits and licenses required in connection with the operation of the Properties are subject to, or in jeopardy of, revocation or non-renewal.

(j) There are no employees working at or in connection with any Property, except as set forth on**Schedule 7.1(j)**. There are no union agreements affecting any Property as of the date hereof, nor shall any such agreements affect any Property as of the Closing Date.

(k) Annexed hereto as **Schedule 7.1(k)**, is a true, accurate and complete schedule of all leasing commission obligations affecting any Property. The respective obligations of the Property LLLPs, the GP Contributors and MCRLP with respect to said commissions are set forth in Article 9.

(l) All personal property, fixtures, equipment, inventory and fixtures ("**Personal Property**") owned by any Property LLLP and located on or at any Property, and used in connection with the operation of any Property is now owned and will on the Closing Date be owned by such Property LLLP free and clear of any conditional bills of sale, chattel mortgages, security agreements or financing statements or other security interests of any kind, except the lien of the Existing Loan Documents.

(m) To the knowledge of the Property LLLPs, all pre-existing aboveground and underground storage tanks and vessels, if any, at any Property have been removed and their contents disposed of in accordance with and pursuant to all applicable Environmental Laws or their continued use and operation is in accordance with all applicable Environmental Laws.

(n) No Property LLLP has knowingly permitted, and shall not knowingly permit any person or entity to engage in any activity on the Property, in violation of Environmental Laws. The Property LLLPs have provided MCRLP with all environmental site assessments, investigations, and documents related to Contaminants and to prior operations set forth on **Schedule 7.1(n)** attached hereto.

(i) "**Environmental Laws**" means each and every applicable federal, state, county, or municipal statute, ordinance, rule, regulation, order,

code, directive or requirement of any Governmental Authority in any way related to Contaminants.

(ii) "**Contaminants**" shall include, without limitation, any regulated substance, toxic substance, hazardous substance, hazardous waste, pollution, pollutant or contaminant, as defined or referred to in the Resource Conservation and Recovery Act, as amended, 42 U.S.C. §6901 et seq.; the Comprehensive Environmental Response Compensation and Liability Act, as amended, 42 U.S.C. §9601 et seq.; ("**CERCLA**"); the Federal Water Pollution Control Act, as amended, 33 U.S.C. §1251 et seq.; together with any amendments thereto, regulations promulgated thereunder and all substitutions thereof, as well as words of similar purport or meaning referred to in any other applicable

federal, state, county or municipal environmental statute, ordinance, rule or regulation, including, without limitation, asbestos, polychlorinated biphenyls, urea formaldehyde and petroleum products and petroleum-based derivatives.

(iii) "**Discharge**" shall mean the releasing, spilling, leaking, leaching, disposing, pumping, pouring, emitting, emptying, treating or dumping of Contaminants at, into, onto or from the Properties, as the case may be, regardless of whether the result of an intentional or unintentional action or omission.

(iv) "**Environmental Documents**" shall mean all environmental documentation in the possession or under the control of the GP Contributors or the Property LLLPs concerning the Properties, as the case may be, or their environs, including, without limitation, all sampling plans, cleanup plans, preliminary assessment plans and reports, remedial action plans and reports, or the equivalent, sampling results, sampling result reports, data, diagrams, charts, maps, analysis, conclusions, quality assurance/quality control documentation, correspondence to or from any Governmental Authority, submissions to any Governmental Authority and directives, orders, approvals and disapprovals from any Governmental Authority.

(v) "**Environmental Laws**" means each and every applicable federal, state, county or municipal statute, ordinance, rule, regulation, order, code, directive or requirement of any Governmental Authority in any way related to Contaminants.

(o) The current principal balance outstanding under the Assumed Debt as of the date hereof, is SIXTY-THREE MILLION SEVEN HUNDRED EIGHTY-ONE THOUSAND EIGHT HUNDRED TWENTY-FOUR DOLLARS ($63,781,824). All monetary payments due and payable under the Existing Loan Documents on or before the date hereof by the Property LLLPs (or any successor entity) have been paid and no written notice has been received by any of the Property LLLPs and none of the Property LLLPs have any knowledge of any monetary or non-monetary defaults on the part of any party to the Existing Loan Documents as of the date hereof and no condition exists which with the giving of notice or the passage of time, or both, would constitute a default under the Existing Loan Documents. Except for any documents being entered into by MCRLP, the Existing Loan Documents constitute all of the documents evidencing, securing or otherwise dealing with the Assumed Debt.

(p) No notice has been received from the General Services Administration to the effect that they have vacated or intend to vacate the first (1st) floor of the office building located at 9200 Edmonston Road. The Property LLLPs have not received any written notices from any of the Tenants at any of the Properties exercising a right of early termination of the term of such Tenant's Lease.

(q) Annexed hereto as **Schedule 7.1(q)** is a true and complete list of all Property LLLP's collective bargaining agreements, employment and consulting agreements, non-competition agreements, executive compensation plans, bonus plans, directors' fee arrangements, deferred compensation agreements, employee pension plans or retirement plans, employee profit sharing plans, 401(k) savings plans, multiemployer plans, employee stock purchase and stock option plans, employee welfare plans, severance plans, group life insurance, hospitalization

insurance or other similar plans or arrangements (either written or oral, but only to the extent an oral plan provides material benefits) providing for benefits to any employees of the Property LLLPs who are offered employment with Mack-Cali as of the Closing Date and who accept the offer (**"New Employees"**) or with respect to which a New Employee is a party.

(r) The Property LLLPs have complied and currently are in compliance in all material respects, both as to form and operation, with the applicable provisions of the Employee Retirement Income Security Act of 1974, as amended (**"ERISA"**), and the Internal Revenue Code of 1986, as amended (the **"Code"**), with respect to the 401(k) Savings Plan (the **"Contributor 401(k) Plan"**). With respect to the Contributor 401(k) Plan, the Property LLLPs have supplied MCRLP with the most recent determination letter issued by the Internal Revenue Service. With respect to collective bargaining agreements which cover New Employees, the Property LLLPs have supplied MCRLP with a true and complete copy of each collective bargaining agreement currently in effect including all amendments thereto.

7.2. In order to induce MCRLP to perform as required hereunder, as of the date hereof and as of the Closing Date, each GP Contributor and each Property LLLP hereby warrants and represents, jointly and severally, the following (it being recognized and agreed, however, that the following representations shall be of no force or effect in the event the transaction contemplated hereby is structured as a transfer of all of the Properties by Deed in accordance with Section 1.2 hereof):

(a) The GP Contributor and any Property LLLP (including any predecessor entity thereto) in which such GP Contributor is a partner have paid all Taxes (as defined below) due and payable prior to Closing and timely filed all returns and reports required to be filed prior to Closing with respect to the operation and ownership of the Properties and for which MCRLP or such Property LLLP (including any predecessor entity thereto) could be subject to a material Tax liability or with respect to which a material claim in respect for Taxes could be made against the Properties. Each such Tax return or report is complete and accurate in all material respects. Each GP Contributor and the Property LLLP (including any predecessor entity thereto) in which such GP Contributor is a partner has paid or will pay, or has provided or will provide for a cash reserve, for all Taxes due with respect to any Property or Property LLLP related to any period ending on the Closing Date but that are required to be paid after the Closing Date with respect to the ownership and operation of the Properties and for which MCRLP or any Property LLLP (including any predecessor entity thereto) could be subject to a material Tax liability or with respect to which a material claim in respect for Taxes could be made against the Properties. True and complete copies of all federal, state and local Tax returns that have been filed by the Property LLLPs for 2001, 2002, 2003 and 2004 and all written communication with any taxing authority relating thereto have or will be made available to MCRLP during the Inspection Period. To the knowledge of each GP Contributor, no claim has been made by a taxing authority in a jurisdiction in which any Property LLLP (including any predecessor entity thereto) in which such GP Contributor is a partner has not filed Tax returns. Except as set forth in **Schedule 7.2(a)**, there are no audits or other proceedings by any taxing authority pending or, to the knowledge of such GP Contributor, threatened with respect to the Taxes resulting from the ownership and operation of the Properties for which MCRLP or any Property LLLP (including any predecessor entity thereto) could be subject to a material Tax liability or with respect to which a material claim in respect for Taxes could be made against the Properties and no

agreement extending the period for assessment and collection has been executed with respect thereto. To the knowledge of each GP Contributor, no assessment of Taxes is proposed against the Property LLLPs (including any predecessor entity thereto). There are no agreements or waivers extending the statute of limitations applicable to any Tax return or report filed or required to be filed by the GP Contributors or any Property LLLP (including any predecessor entity thereto) in which such GP Contributor is a partner

with respect to any Taxes. Neither the GP Contributor nor any Property LLLP (including any predecessor entity thereto) in which such GP Contributor is a partner is a party to or has any liability under, any Tax indemnification, Tax allocation or Tax sharing agreement.

(b) Annexed hereto as **Schedule 7.2(b)** is a listing of the following, which, to the GP Contributor's actual knowledge, is true, complete and correct in all material respects for the assets that comprise each Property: (i) the adjusted basis to the Property LLLP owning such Property for federal income tax purposes as of October 27, 2005; (ii) the date placed in service by the Property LLLP owning such property; (iii) the cost recovery method used by the Property LLLP owning such Property; and (iv) the remaining useful life for federal income tax purposes to the Property LLLP owning such Property.

(c) To the GP Contributor's actual knowledge, the financial statements, including the income and expense statements and the balance sheets of each Property LLLP (including any predecessor entity thereto) excluding only those assets, liabilities and operations not contemplated to be contributed pursuant to this Agreement, relating to the ownership and operation of the Property and the related audited, combined statement of income, partners' capital and cash flows, including the footnotes thereto (copies of which are attached hereto as **Exhibit T**) (the "**Property Financials**") as of and for the years ending December, 31, 2002, 2003 and 2004 which have been audited (or, in the case of Tenth LLLP, reviewed) by Hariton, Mancuso & Jones, P.C. and for the period of January 1, 2005 through June 30, 2005 (or the most recent fiscal quarter ending date if later), and reviewed by such accountants, fairly present the combined financial position of the Property LLLPs, or any predecessor entities thereto, relating to the Property in all material respects as of such dates and the combined results of operations and combined cash flows of the Property LLLPs, or any predecessor entities thereto, relating to the ownership and operation of the Property for such respective periods, in each case in accordance with generally accepted accounting practices for the operation of commercial real estate consistently applied for the periods covered thereby. The Property Financials from January 1, 2005 through June 30, 2005 (or the most recent fiscal quarter ending date if later) are subject to the normal year-end adjustments. There has been no material adverse change in the financial condition of any Property between June 30, 2005 and the date hereof and the same shall be true and correct as of the Closing Date.

(d) The GP Contributors have delivered or made available or caused to be delivered or made available to MCRLP true, complete and correct copies of the operative organizational documents of each of Property LLLP and any successor organization to such Property LLLP (collectively, the "**Seller Organizational Documents**"). The Seller Organizational Documents, as applicable, constitute all of the material documents, agreements and instruments with respect to the governance, management and organization of each of the Property LLLPs and any successor organization to such Property LLLP. Except as shall be required to effect the Conversion, the Seller Organizational Documents shall not have been amended, modified,

supplemented, terminated or otherwise changed in any manner as of the Closing Date. None of the Property LLLPs owns, or any successor organization to such Property LLLP shall own, directly or indirectly, any property or assets, other than the Properties owned by such entity or any equity or voting interest in, or otherwise control, any person or entity, except as may be expressly shown on the Property Financials.

(e) The Contributors comprise all of the partners of the Property LLLPs or owners of any successor organization to the Property LLLPs formed as a result of the Conversion. There are no other partners of the Property LLLPs or owners of any successor organizations the Property LLLPs formed as a result of the Conversion.

(f) Except as set forth in the Property Financials, or except for accounts payable to trade creditors in the ordinary course of business, none of the Property LLLPs, or any predecessor entities thereto, has any liabilities of any nature whatsoever, known or unknown, choate or inchoate, liquidated or unliquidated, secured or unsecured, fixed or unfixed or contingent, including, without limitation, any claim that is initiated after the Closing Date, but which claim is based upon an event that occurred prior to the Closing Date and liabilities evidenced by bonds, debentures, notes guarantees or similar instruments ("**Undisclosed Liabilities**"), with respect to any Property, Property LLLP, or any predecessor entity thereto and, notwithstanding anything to the contrary contained herein, the GP Contributors agree to, and hereby do, indemnify and hold harmless MCRLP from and against any such Undisclosed Liabilities arising at any time from and after the Closing.

7.3. In order to induce MCRLP to perform as required hereunder, as of the date hereof and as of the Closing Date, each GP Contributor represents and warrants to MCRLP, severally as to itself and not jointly, as follows (it being recognized and agreed, however, that the following representations shall be of no force or effect in the event the transaction contemplated hereby is structured as a transfer of all of the Properties by Deed in accordance with Section 1.2 hereof):

(a) If such GP Contributor is an individual, such GP Contributor has all requisite power and authority to execute and deliver this Agreement and all other documents and instruments to be executed and delivered by him hereunder, and to perform all obligations hereunder and under such other documents and instruments in order to contribute his or her respective Property Owner Interest or cause the contribution of the Properties, as the case may be, in accordance with the terms and conditions hereof.

(b) If such GP Contributor is an entity, such GP Contributor is a duly organized and validly existing organization and in good standing organized under the laws of its state of formation, has all requisite power and authority to execute and deliver this Agreement and all other documents and instruments to be executed and delivered by it hereunder, and to perform its obligations hereunder and under such other documents and instruments in order to contribute the Exchange Property in accordance with the terms and conditions hereof. All necessary actions of owners of such GP Contributor to confer such power and authority upon the persons executing this Agreement and all documents which are contemplated by this Agreement on its behalf have been duly taken.

(c) This Agreement, when duly executed and delivered, will be the legal, valid and binding obligation of such GP Contributor, enforceable in accordance with the terms of this Agreement. The performance by such GP Contributor of its/his duties and obligations under this Agreement and the documents and instruments to be executed and delivered by it/him hereunder will not conflict with, or result in a breach of, or default under, any provision of any of the organizational documents of such GP Contributor, if applicable, or any agreements, instruments, decrees, judgments, injunctions, orders, writs, laws, rules or regulations, or any determination or award of any court or arbitrator, to which such GP Contributor is a party or by which its/his assets are or may be bound. Such GP Contributor has good and marketable title to, is the exclusive legal and equitable owner of, and has the unrestricted power and right to contribute, assign and deliver the Transferred Interest free and clear of all encumbrances of any kind or nature other than liens for Taxes that are not yet due and payable. No consent or approval of any person, entity or Governmental Authority or agency is required with respect to the execution and delivery of this Agreement by such Contributor or the consummation by such Contributor of the transaction contemplated hereby or the performance by such Contributor of its/his obligations hereunder. For purposes of this Agreement, "**Governmental Authority**" shall mean the federal, state, county or municipal government, or any department, agency, bureau or other similar type body obtaining authority therefrom, or created pursuant to any law.

(d) Each GP Contributor owns its respective interest in the Property LLLP and such interest will, as of Closing, be owned by such Contributor free and clear of all liens, encumbrances, claims and rights of others, except for liens for Taxes not yet due and payable. None of the Contributors who has or has had an ownership interest in a Property LLLP has heretofore assigned or encumbered any of its interests in such Property LLLP.

(e) None of the Contributors nor any of its or their affiliates, nor any of their respective partners, or to each Contributor's knowledge, any of their members, shareholders or other equity owners, and none of their respective employees, officers, directors, representatives or agents, is a person or entity with whom U.S. persons or entities are restricted from doing business under regulations of the Office of Foreign Asset Control ("**OFAC**") of the Department of the Treasury (including, without limitation, those named on OFAC's Specially Designated and Blocked Persons List) or under any statute, executive order (including the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism), or other governmental action.

(f) Each GP Contributor hereby acknowledges its understanding that the issuance of the Contributor Units is intended to be exempt from registration under the

Securities Act of 1933, as amended, and the rules and regulations in effect thereunder (the "**Securities Act**").

(g) In furtherance thereof, and in order to induce MCRLP to issue the Contributor Units to each GP Contributor hereunder, each GP Contributor represents and warrants to MCRLP, severally as to itself and not jointly, as follows:

(i) Such GP Contributor is acquiring the Contributor Units solely for its/his own account for the purpose of investment and not as a nominee or agent for any other person and not with a view to, or for offer or sale in connection with, any distribution of any thereof. Such GP Contributor agrees and acknowledges that it/he is

not permitted to offer, transfer, sell, assign, pledge, hypothecate or otherwise dispose of ("**Transfer**") any of the GP Contributor Units except as provided in this Agreement and the OP Agreement.

(ii) Such GP Contributor is knowledgeable, sophisticated and experienced in business and financial matters. Such Contributor fully understands the limitations on transfer described in this Agreement and the OP Agreement. Such GP Contributor is able to bear the economic risk of holding the Contributor Units for an indefinite period and is able to afford the complete loss of its/his investment in the Contributor Units. Such GP Contributor has received and reviewed the OP Agreement and had the opportunity to review the documents filed by the Company since its inception and MCRLP since 1998 under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), and all registration statements and related prospectuses and supplements filed by the Company and declared effective under the Securities Act (collectively, and in each case including all exhibits and schedules thereto and documents incorporated by reference therein, the "**SEC Documents**") and has been given the opportunity to obtain any additional information or documents and to ask questions and receive answers about such documents, as well as the Company and MCRLP and the business and prospects of the Company and MCRLP which such GP Contributor deems necessary to evaluate the merits and risks related to its/his investment in the Contributor Units.

(iii) Such GP Contributor acknowledges that it/he has been advised that (i) the Contributor Units must be held indefinitely, and such Contributor will continue to bear the economic risk of the investment in the Contributor Units, unless the Contributor Units are redeemed pursuant to the OP Agreement or are subsequently Transferred or registered under the Securities Act or an exemption from such registration is available, (ii) it is not anticipated that there will be any public market for the Contributor Units at anytime, (iii) Rule 144 promulgated under the Securities Act may not be available with respect to the sale of any securities of MCRLP (and that upon redemption of the Contributor Units in MCRLP for shares of Common Stock a new holding period under Rule 144 may commence), and MCRLP has made no covenant, and makes no covenant, to make Rule 144 available with respect to the sale of any securities of MCRLP, (iv) a restrictive legend as set forth in Section 7.5 below shall be placed on the certificates representing the Contributor Units, and (v) a notation shall be made in the appropriate records of MCRLP indicating that the Contributor Units are subject to restrictions on transfer.

(iv) Such GP Contributor also acknowledges that: (i) the redemption of Contributor Units for, at the option of MCRLP acting through the Company, shares of Common Stock is subject to certain restrictions contained in the OP Agreement; and (ii) the shares of said Common Stock which may be received upon such a redemption may, under certain circumstances, be restricted securities and be subject to limitations as to transfer, and therefore subject to the risks referred to in subsection (c) above. Notwithstanding anything herein or in the OP Agreement to the contrary, Contributor hereby acknowledges and agrees that it/he may not exercise the Redemption Rights (as

defined in the OP Agreement) until after the date which is one year from the Closing Date.

(v) Such GP Contributor is an "accredited investor" (as such term is defined in Rule 501(a) of Regulation D under the Securities Act).

7.4. Except as otherwise specifically stated in this Agreement, the representations, warranties and agreements set forth in this Agreement or in any document, agreement or estoppel delivered pursuant to this Agreement shall survive the Closing Date for a period of twelve (12) months and thereafter shall be deemed to be extinguished unless written notice of a breach of any such representation, warranty or agreement is delivered to the other party within such twelve (12) month period. If any such notice is delivered, the representation, warranty or agreement upon which such claim or breach is based shall survive for the applicable period of the statute of limitations. Notwithstanding the foregoing, (i) the representations, warranties and agreements set forth in Section 7.2 hereof shall survive the Closing Date until the later of (x) two (2) years after the Closing Date, or (y) March 31, 2008, (ii) the agreements set forth in Section 9.1 shall survive the Closing Date for a period of three (3) years thereafter, and (iii) the representations, warranties and agreements set forth in Sections 7.3, 11.1 and 13.2 shall survive for the applicable period of the statute of limitations.

7.5. The Contributors hereby acknowledge that each Certificate representing the Contributor Units shall bear the following legend:

"THE UNITS REPRESENTED BY THIS CERTIFICATE OR INSTRUMENT MAY NOT BE TRANSFERRED, SOLD, ASSIGNED, PLEDGED, HYPOTHECATED OR OTHERWISE DISPOSED OF UNLESS SUCH TRANSFER, SALE, ASSIGNMENT, PLEDGE, HYPOTHECATION OR OTHER DISPOSITION COMPLIES WITH THE PROVISIONS OF THE SECOND AMENDED AND RESTATED PARTNERSHIP AGREEMENT DATED AS OF DECEMBER 11, 1997 (A COPY OF WHICH IS ON FILE WITH THE OPERATING PARTNERSHIP), AS AMENDED, AND THAT CERTAIN CONTRIBUTION AND EXCHANGE AGREEMENT BY AND BETWEEN THE PERSONS IDENTIFIED THEREIN AS CONTRIBUTORS AND THE OPERATING PARTNERSHIP MADE , 2005 (A COPY OF WHICH IS ON FILE WITH THE OPERATING PARTNERSHIP; THE "EXCHANGE AGREEMENT"). EXCEPT AS OTHERWISE PROVIDED IN SUCH AGREEMENTS, NO TRANSFER, SALE, ASSIGNMENT, PLEDGE, HYPOTHECATION OR OTHER DISPOSITION OF THE UNITS REPRESENTED BY THIS CERTIFICATE MAY BE MADE EXCEPT (A) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR (B) IF THE OPERATING PARTNERSHIP HAS BEEN FURNISHED WITH A SATISFACTORY OPINION OF COUNSEL FOR THE HOLDER THAT SUCH TRANSFER, SALE, ASSIGNMENT, PLEDGE, HYPOTHECATION OR OTHER DISPOSITION IS EXEMPT FROM THE PROVISIONS OF SECTION 5 OF THE ACT AND THE RULES AND REGULATIONS IN EFFECT THEREUNDER. IN ADDITION, THE UNITS ARE SUBJECT TO THE PROVISIONS OF SECTION 19 OF THE EXCHANGE AGREEMENT."

7.6. Each GP Contributor and each Property LLLP acknowledges that it/he is not in a significantly disparate bargaining position with respect to MCRLP in connection with the

transactions contemplated by this Agreement and that such GP Contributor and each Property LLLP was represented by legal counsel in connection with these transactions.

7.7. If, prior to the Closing, any of those individuals listed in **<u>Schedule 7.7</u>** ("**MCRLP Knowledge Persons**") obtain actual knowledge, without an obligation to investigate and without being responsible for the knowledge of any other person or any imputed knowledge, that is inconsistent with any representation or warranty made by

the GP Contributors or the Property LLLPs in which any GP Contributor is a partner in this Article 7 or elsewhere in this Agreement, and MCRLP shall elect to proceed with the Closing notwithstanding such knowledge, then MCRLP shall be deemed to have waived any claim against the GP Contributors on account of such inconsistency; provided, however, that if the GP Contributors or the Property LLLPs in which any GP Contributor is a partner had actual knowledge of such inconsistent information at the time the representation or warranty was made, and MCRLP gives Contributors' counsel (as designated in Article 26 of this Agreement) written notice of such inconsistent information and the consequent breach of such representation or warranty prior to the Closing, then the GP Contributors shall remain liable to MCRLP following the Closing on account of the breach of such representation or warranty.

7.8. As used in this Agreement, knowledge (or words of similar import) of any Property LLLP means the actual knowledge of the GP Contributor that is a general partner of such Property LLLP, as contrasted with any concept of imputed or implied knowledge and without any independent investigation and without assuming any duty to conduct any such independent investigation, except that each GP Contributor shall be deemed to have actual knowledge of any matter of which the following individuals shall have actual knowledge: Doug Erdman, President of CRC Commercial ("**CRC**") Dennis Burke, Vice President of Leasing of CRC, and Bill McClain, Vice President of Property Management of CRC**.**

7.9. No representation or warranty made by such GP Contributor or any Property LLLP in which such GP Contributor is a partner contained in this Agreement, and no statement contained in any document, certificate, schedule or exhibit furnished or to be furnished by or on behalf of such GP Contributor to MCRLP or any of its designees or affiliates pursuant to this Agreement contains or will contain any untrue statement of a material fact or omits or will omit to state any material fact necessary, in light of the circumstances under which it was or will be made, in order to make the statements herein or therein not misleading or necessary in order to fully and fairly provide the information required to be provided in any such document, certificate, schedule or exhibit.

8. COVENANTS OF THE GP CONTRIBUTORS AND THE PROPERTY LLLPs.

8.1. Each GP Contributor and any Property LLLP in which such GP Contributor is a partner, covenants and agrees that between the date hereof and the Closing Date, it/he shall perform or observe or cause to be performed or observed the following:

(a) The GP Contributor and any Property LLLP in which such GP Contributor is a partner, will operate and maintain or cause to operate or maintain the Properties in the ordinary course of business and use commercially reasonable efforts to reasonably preserve for MCRLP the relationships of the GP Contributors and the Property LLLPs with Tenants, suppliers,

managers, employees, service providers and others having on-going relationships with the Properties. The GP Contributor and any Property LLLP in which such GP Contributor is a partner will continue to perform or conduct any capital improvement or capital expenditure program currently in process in the ordinary course of business. Neither the GP Contributors nor the Property LLLPs will defer taking any actions or spending any funds, or otherwise manage the Properties differently, due to the pending sale of the Properties.

(b) The GP Contributors and the Property LLLPs, as landlord, will not enter into any new Leases with respect to the Properties, or renew or modify any Lease, without MCRLP's prior written consent, which consent shall not be unreasonably withheld or delayed prior to the expiration of the Inspection Period and, thereafter, shall be granted or withheld in the sole and absolute discretion of MCRLP. In the event the proposed new or modified Lease contemplates that the landlord will perform tenant improvement work on a "turn-key" basis (a "**Turn-Key Lease**") (i.e., that the Landlord is to provide specified tenant improvements and renovations as opposed to the Landlord granting an allowance to the tenant for such purpose), the request for MCRLP's consent, shall include, in addition to the proposed lease and background information about the proposed tenant, a proposed preliminary space plan and office layout and a preliminary cost estimate of the proposed work to be provided by the Landlord. MCRLP shall have five (5) business days from the receipt of both the written request from the Property LLLP and all the required documentation and information regarding any new or modified Lease to notify the Property LLLP whether or not to grant its consent to such Lease. If it fails to respond within such five (5) business day period, MCRLP's consent shall be deemed granted. With respect to all Turn-Key Leases executed after August 1, 2005, MCRLP shall be entitled to receive all of the following in connection with such Leases, as and when same become available: construction drawings and plans as revised from time to time; all requisitions for payment submitted by contractors with respect to the "turn-key" work; all change orders issued with respect to such work; and all budgets prepared from time to time by the contractors and/or the managing agent with respect to such work. As the work under any Turn-Key Lease executed after August 1, 2005 is performed, MCRLP shall have the right to approve, in its reasonable discretion, all material changes to the drawings and plans for such work and all material change orders that would increase the cost of such work. As used herein, the term "material" as relates to change-orders or changes in drawings and plans shall mean changes that increase the cost of the work to be performed by the Landlord under the Turn-Key Lease by more than ten percent (10%). In addition, the Property LLLP shall enter into a construction contract with the contractor or contractors performing all work under any such Turn-Key Lease on a form reasonably acceptable to MCRLP, and any material modifications of such construction contract shall be subject to MCRLP's prior approval, which shall not be unreasonably withheld, delayed or conditioned and which shall be deemed granted if MCRLP fails to respond to a request for consent within five (5) business days after receipt of such request. If the work under any such Turn-Key Lease has not been completed at the time of the Closing hereunder, if requested by MCRLP, the GP Contributors shall arrange for CRC or any designated employee of CRC to continue to be available for a reasonable period of time to supervise and coordinate completion such work after the Closing at a compensation rate to be agreed upon.

(c) If prior to the Closing Date the GP Contributor or any Property LLLP in which such GP Contributor is a partner, shall have received from the holder of any mortgage, any written notice requiring any repair work to be done on any Property, the GP Contributor or any

Property LLLP in which such GP Contributor is a partner, will promptly commence same and thereafter diligently pursue such work at their own cost and expense until the Closing Date and shall provide a credit against the Consideration for the estimated cost of all work remaining uncompleted as of the Closing Date.

(d) Neither the GP Contributor nor the Property LLLPs shall:

(i) Enter into any agreement requiring the Contributors or the Property LLLPs to do work for any Tenant after the Closing Date without first obtaining the prior written consent of MCRLP, except for work under Leases approved or deemed approved by MCRLP;

(ii) Accept the surrender of any Service Contract or Lease, or grant any concession, rebate, allowance or free rent, without MCRLP's prior written consent, which consent shall not be unreasonably withheld or delayed prior to the expiration of the Inspection Period and thereafter shall be provided at the sole and absolute discretion of MCRLP;

(iii) Apply any Security Deposits with respect to any Tenant in occupancy on the Closing Date, without MCRLP's prior written consent, which consent shall not be unreasonably withheld or delayed prior to the expiration of the Inspection Period and thereafter shall be provided at the sole and absolute discretion of MCRLP;

(iv) Renew, extend or modify any of the Service Contracts, without MCRLP's prior written consent, which consent shall not be unreasonably withheld or delayed prior to the expiration of the Inspection Period and thereafter shall be provided at the sole and absolute discretion of MCRLP;

(v) Remove any Personal Property located in or on the Properties, except as may be required for repair and replacement. All repairs and replacements shall be free and clear of liens and encumbrances (except for the lien of the Existing Loan Documents) and shall be of quality at least equal to the repaired or replaced items and shall be deemed included in this sale, without cost or expense to MCRLP; or

(vi) Cause or permit any Property (any portion of such property), or any interest therein, to be alienated, mortgaged, licensed, encumbered or otherwise be transferred.

(e) Upon request of MCRLP at any time after the date hereof, each GP Contributor and any Property LLLP in which such GP Contributor is a partner, shall assist MCRLP in its preparation of audited financial statements, statements of income and expense, all at MCRLP's sole cost and expense and such other documentation as MCRLP may reasonably request, covering the period of such Contributor's ownership of any Property.

(f) Until Closing hereunder, each GP Contributor and any Property LLLP in which such GP Contributor is a partner will make all required payments under any mortgage affecting any Property within any applicable grace period, but without reimbursement by MCRLP thereof. Each GP Contributor shall also comply with all other terms, covenants, and conditions of any

mortgage on any Property and the terms, covenants, and conditions of the Existing Loan Documents, if applicable, in each case, which, if not complied with, shall result in a default thereunder.

(g) Up to and including the Closing Date, each Property LLLP agrees to maintain and keep or cause to be maintained and kept such hazard, liability and casualty insurance policies in full force and effect in such amounts and covering such risks as such Property LLLP has carried in the past in the ordinary course of business and in accordance with the terms of the Existing Loan Documents, if applicable.

(h) Upon written notice from MCRLP given and received at least thirty (30) days prior to the Closing Date, the GP Contributor and any Property LLLP in which such GP Contributor is a partner, shall promptly cancel or cause to be cancelled, at their sole cost and expense, those Service Contracts which MCRLP elects not to assume effective as of the Closing hereunder to the extent cancelable; it being understood and agreed the Property LLLPs shall pay or cause to be paid any penalties incurred as a result of any such termination. MCRLP has notified the Property LLLPs that all existing cleaning contracts and management contracts relating to the Property shall be cancelled as of the Closing hereunder, but MCRLP acknowledges that the cleaning contract with Capital Building Maintenance Corp. will not be cancelled as of the Closing because it provides for a 120-day notice before the cancellation can become effective and that MCRLP shall provide any notice of cancellation of such contract not earlier than the Closing. It is further understood and agreed that MCRLP does not intend to terminate the existing contracts with the vendors providing electricity to the Properties prior to the Closing, but at any time thereafter, if requested in writing by MCRLP, the GP Contributors will send a notice of termination of such contracts to such vendors, provided the GP Contributors are held harmless from any termination fees or costs associated with such termination.

(i) Each Property LLLP shall permit or cause to permit MCRLP and its authorized representatives to inspect the Books and Records (as defined below) of the Property LLLPs at all reasonable times. All Books and Records not conveyed to MCRLP hereunder shall be maintained for MCRLP's inspection at Community Realty Company, Inc., 6305 Ivy Lane, Suite 202, Greenbelt, Maryland 20770.

(j) All violations of statutes, ordinances, rules, regulations, orders, codes, directives or requirements affecting any Property, noted in the records of or issued by any Governmental Authorities and of which the GP Contributors have received written notice shall be complied with by Property LLLP prior to the Closing and each Property shall be conveyed free of any such violations, including, without limitation, violations of Environmental Laws.

(k) Each Property LLLP and each GP Contributor shall:

(i) Promptly notify MCRLP of, and promptly deliver to MCRLP, a certified true and complete copy of any Notice that such GP Contributor or a Property LLLP may receive, on or before the Closing Date from any Governmental Authority, concerning a violation of Environmental Laws or Discharge of Contaminants;

(ii) Contemporaneously with the execution and delivery of this Agreement, and subsequently, promptly upon receipt by such GP Contributor or its/his representative or Property LLLP, deliver to MCRLP a certified true and complete copy of all Environmental Documents in its possession or control; and

(iii) Promptly notify MCRLP if such GP Contributor obtains actual knowledge that any of the representations and warranties set forth in Article 7 of this Agreement have become untrue in any respect or will be untrue on the Closing Date.

8.2. Each GP Contributor represents on behalf of itself and each of the Property LLLPs that set forth on**Schedule 8.2** annexed hereto are the only proceedings now pending for a reduction in the assessed valuation of the Property or the Option Property. The GP Contributors agree to settle or withdraw all such proceedings prior to the Closing. Notwithstanding the foregoing, the GP Contributor shall not litigate or settle or cause to be litigated or settled any such matters without MCRLP's prior written consent, not to be unreasonably withheld, if such litigation or settlement shall affect the current tax year or any future tax year. MCRLP, in MCRLP's sole discretion, is hereby authorized by each GP Contributor, and each GP Contributor represents that it has authority from each Property LLLP to file any applicable proceeding for any tax years following the last tax year set forth on **Schedule 8.2**. The net refund of Taxes, if any, for any tax year for which the Property LLLPs or MCRLP shall be entitled to share in the refund shall be divided between the Property LLLPs and MCRLP in accordance with the apportionment of Taxes pursuant to the provisions hereof. All expenses in connection therewith, including counsel fees, shall be paid for by the party entitled to the benefits thereof, with a pro-rata sharing between the Property LLLPs and MCRLP for any tax year in which both parties are entitled to a portion of the refund. The provisions of this Section shall survive the Closing Date.

8.3. To the extent that any promotional material, marketing materials, brochures, photographs are not in the possession of the Contributors or the Property LLLPs, the Contributors shall cause the holders or owners of same to deliver such materials to MCRLP, without cost or expense, which obligation shall survive the Closing.

9. LEASING COMMISSIONS AND TENANT IMPROVEMENT OBLIGATIONS.

9.1. The Property LLLPs shall be liable for (i) all leasing costs, including but not limited to brokerage commissions, tenant improvement and refurbishment obligations and allowances, any other Tenant inducements such as relocation expenses and rental payments to third parties and attorneys' fees and expenses, payable in connection with all Leases in existence prior to August 1, 2005 (excluding leasing costs payable with respect to extension, expansion and renewal options which have not been exercised, and extension, expansion and renewal agreements which have not been entered into prior to August 1, 2005) and (ii) the Contributor's "proportionate share," as defined below, of all leasing costs payable with respect to any new Lease executed and delivered by the parties thereto between August 1, 2005 and the Closing Date (including any extension, expansion and renewal options which have been exercised, and extension, expansion and renewal agreements which have been entered into, between August 1, 2005 and the Closing Date) pursuant to the terms of this Agreement. The Contributor's "proportionate share" of all leasing costs payable with respect to any new Lease entered into

between August 1, 2005 and the Closing Date shall be equal to the proportion that the number of days from the commencement date of such Lease to the Closing Date bears to the total number of days during the primary term of such new Lease, and MCRLP's "proportionate share" of all leasing costs payable with respect to any new Lease entered into between August 1, 2005 and the Closing Date shall be equal to the proportion that the number of days from the Closing Date to the termination date of the primary term of such new Lease bears to the total number of days during the primary term of such new Lease. For the avoidance of doubt, if the commencement date of any new Lease entered into between August 1, 2005 and the Closing Date occurs after the Closing Date, then the Contributor's "proportionate share" of all leasing costs payable with respect to such Lease shall be 0%, and MCRLP's "proportionate share" of all leasing costs payable with respect to such Lease shall be 100%. Those leasing costs for which the Contributor's will be responsible under this Section 9.1 are hereinafter referred to as "**Contributors' Lease Costs**"; and those leasing costs for which MCRLP will be responsible pursuant to the terms of this Section 9.1 are hereinafter referred to as "**MCRLP's Lease Costs**". Notwithstanding anything to the contrary contained herein, it is understood and agreed that MCRLP's Lease Costs shall include the leasing commissions listed in **Schedule 7.1(k)** that may become payable in the future if any of those Tenants listed in **Schedule 7.1(k)** with early termination rights do not in fact exercise those rights (notwithstanding that such Leases were in existence prior to August 1, 2005). Each of the Property LLLPs agrees to indemnify and hold MCRLP harmless from and against, and agrees to reimburse MCRLP with respect to, any and all claims, demands, causes of action, losses, damages, liabilities, costs and expenses (including reasonable attorneys' fees and court costs) suffered or incurred by MCRLP and relating directly or indirectly to Contributors' Lease Costs. MCRLP agrees to indemnify and hold the Contributors harmless from and against, and, agrees to reimburse the Contributors with respect to, any and all claims, demands, causes of action, losses, damages, liabilities, costs and expenses (including reasonable attorneys' fees and court costs) suffered or incurred by the Contributors and relating directly or indirectly to MCRLP's Lease Costs. The Property LLLPs shall have a right at Closing to direct, in writing, that a portion of the Contributor Units otherwise distributable to the Contributors be issued to CRC; provided, however: (i) CRC is an "accredited investor" (as such term is defined in Rule 501(a) of Regulation D under the Securities Act); (ii) CRC executes and delivers to MCRLP a subscription agreement covering such matters as MCRLP may reasonably request; (iii) CRC agrees to execute and/or deliver such other documents instruments and/or information required by MCRLP in connection with its issuance of Units; and (iv) such further agreements as may be reasonably agreed upon by the parties hereto.

9.2. Notwithstanding anything to the contrary set forth herein, in no event shall MCRLP have any liability to pay any leasing or brokerage fees or commissions to Community Realty Co., Inc., or any brokers or employees thereof, on account of any leases whatsoever regardless when signed.

9.3. The Lease with General Services Administration ("**GSA**") at 9200 Edmonston Road (the '**GSA Edmonston Lease**") provides that GSA shall be provided an allowance in the amount of $922,314 by the landlord for the purpose of paying for tenant renovations at the leased premises and relocation costs. Under the GSA Edmonston Lease, all of such allowance has been paid to GSA. If as a result of an audit of such allowance by GSA after the Closing it is determined that the landlord thereunder owes to GSA any additional sums on account of such

allowance, the Property LLLP owning 9200 Edmonston Road shall remain liable to MCRLP for the amount of such additional sum. The Property LLLP owning 9200 Edmonston Road agrees to deliver to MCRLP at Closing all books and records relating to such allowance and the renovations for which such allowance was granted.

9.4. It is understood and agreed that from and after the Closing Date, all obligations and liabilities of the Property LLLPs under Sections 9.1 and 9.3 hereof shall be enforceable against the GP Contributors; provided, however, that the GP Contributors shall have no personal liability for such obligations or liabilities and MCRLP's sole remedy with respect to such obligations and liabilities shall be to recover from the Escrow Pool pursuant to Section 25.4 hereof, except as otherwise provided in the next sentence. Notwithstanding the foregoing, the GP Contributors shall have personal liability for the brokerage commissions for which the Property LLLPs are liable under clause (i) of Section 9.1 above (but not for any of the other leasing costs listed in said clause (i)) and such personal liability shall not be limited to recovery against the Escrow Pool provided in Section 25.4 hereof, nor shall such personal liability be subject to the limitations set forth in Section 25.6 hereof.

10. ESTOPPEL CERTIFICATES.

10.1. On or prior to the date hereof, each Property LLLP agrees to deliver or cause to be delivered to each Tenant an estoppel certificate in the form annexed hereto as **Schedule 10.1** or in the form attached as **Exhibit O** with respect to GSA leases for Tenant's execution, completed to reflect the Tenant's particular Lease status. Each Property LLLP agrees use commercially reasonable efforts to obtain or cause to be obtained from all Tenants the estoppel certificates in such form; provided, however, that if any Tenant shall refuse to execute an estoppel letter in such form, such Property LLLP shall nevertheless be obligated use commercially reasonable efforts to obtain estoppel certificates in the form in which each Tenant is obligated to deliver same as provided in its Lease. Each Property LLLP agrees to deliver or cause to be delivered to MCRLP, promptly upon receipt, copies of all estoppel letters received by Tenants, in the form received by such Contributor. The estoppel certificates required to be obtained pursuant to this Section 10.1 are collectively referred to as the "**Estoppel Certificates**".

10.2. As a condition to Closing, the Property LLLPs may deliver or cause to be delivered: (i) an Estoppel Certificate from each Tenant which leases space at the Property in excess of 7,000 square feet or more in the aggregate (each a "**Major Tenant**"); and (ii) Estoppel Certificates from the remaining Tenants leasing at least seventy-five (75%) percent of the aggregate remaining square footage of each Property. In the event that the Property LLLPs are unable to obtain an Estoppel Certificate from Tenants other than a Major Tenant, sufficient to satisfy the aforesaid 75% of the aggregate square foot requirement, the Property LLLPs and GP Contributors may deliver or cause to be delivered a so-called "**Seller's Estoppel Certificate**" for such Tenants as shall be required to satisfy such requirement covering those matters that would have been covered had such Tenant delivered an estoppel certificate in the form attached hereto, which Sellers Estoppel Certificate may be limited to the Contributors' knowledge, as appropriate. Notwithstanding the immediately preceding sentence, MCRLP may in its sole and absolute discretion accept a Seller's Estoppel Certificate for a Major Tenant in lieu of the Estoppel Certificate described in (i) above.

10.3. In addition to the requirements in Section 10.1 above, for an Estoppel Certificate to be deemed acceptable for purposes of this Agreement, such Estoppel Certificate (i) must not indicate any material defaults or delinquent rent payment, (ii) must certify that the Tenant's most recent rental payment under its Lease was made not more than one (1) month prior to the month in which the Closing occurs, (iii) otherwise be consistent with the Rent Roll and the Contributor's other representations and warranties in Article 7 and (iv) not allege a default by landlord under the Tenant's Lease. Contributors shall deliver or cause to be delivered to MCRLP all responses received from Tenants in connection with Contributors' request for such Estoppel Certificate.

11. REPRESENTATIONS AND WARRANTIES OF MCRLP AND THE COMPANY.

11.1. In order to induce each Contributor to perform as required hereunder or under the LP Contributors Joinder Agreement, MCRLP and the Company hereby warrant and represent the following:

(a) MCRLP is a limited partnership duly organized and validly existing and in good standing under the laws of the State of Delaware and the Company is a corporation duly organized and validly existing and in good standing under the laws of the State of Maryland. Each of the Company and MCRLP has all requisite power and authority to execute this Agreement and execute and deliver all other documents and instruments to be executed and delivered hereunder, and to perform its obligations

hereunder and under such other documents and instruments in order to acquire the Exchange Property in accordance with the terms and conditions hereof. All necessary actions of MCRLP and the Company to confer such power and authority upon the persons performing on behalf of MCRLP and the Company have been taken.

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

(c) The Contributor Units to be issued to the Contributors and the Common Stock of the Company to be issued to the Contributors upon redemption of the Contributor Units are duly authorized and, when issued by MCRLP or the Company, as the case may be, will be fully paid and non-assessable, free and clear of any mortgage, pledge, lien, encumbrance, security interest, claim or right of interest of any third party of any nature whatsoever.

(d) MCRLP has furnished to each Contributor a true and complete copy of the OP Agreement, as amended to date and will provide the GP Contributors copies of any and all amendments thereto from and after the date hereof until the Closing Date.

(e) Neither MCRLP nor the Company has made a general assignment for the benefit of creditors, filed any voluntary petition in bankruptcy or suffered the filing of any involuntary petition by its creditors, suffered the appointment of a receiver to take possession of all, or substantially all, of its assets, suffered the attachment or other judicial seizure of all, or substantially all, of its assets, admitted in writing its inability to pay its debts as they come due or made an offer of settlement, extension or composition to its creditors generally.

(f) The Company has filed with the Securities and Exchange Commission the SEC Documents required to date. As of their respective filing dates (or if amended, revised or superseded by a subsequent filing with the Securities and Exchange Commission, then on the date of such subsequent filing), the SEC Documents complied in all material respects with the requirements of the Securities Act or the Exchange Act, as the case may be, and none of the SEC Documents (including any and all financial statements included therein) as of such dates contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

(g) The Company, (i) beginning with first its taxable year ended December 31, 1995, and through the most recent taxable year ended December 31, 2004, has been subject to taxation as a REIT within the meaning of the Code and has satisfied all requirements to qualify as a REIT for such years, (ii) has operated, and currently intends to continue to operate, in such a manner as to qualify as a REIT for the taxable year ending December 31, 2005 and all subsequent taxable years, and (iii) has not taken or omitted to take any action which could reasonably be expected to result in a challenge to its status as a REIT, and to the knowledge of the Company, no such challenge is pending or threatened.

(h) MCRLP (i) beginning with its first taxable year ended December 31, 1995, has qualified as a partnership for federal income tax purposes (and is not classified as an association taxable as a corporation for federal income tax purposes), (ii) has operated, and intends to continue to operate, in such a manner as to qualify as a partnership and avoid taxation as a corporation and (iii) has not taken or omitted to take any action which would reasonably be expected to result in a challenge to its status as a partnership, and to the knowledge of the Company, no such challenge is pending or threatened.

12. <u>CLOSING.</u>

12.1. (a) The consummation of the transactions contemplated hereunder (the "**Closing**") shall take place at the offices of Seyfarth Shaw LLP, 815 Connecticut Avenue, N.W., Suite 500, Washington, D.C. 20006, or such other place as shall be mutually agreed by the parties hereto, on or about fifteen (15) days following the satisfactory completion by MCRLP of its due diligence review and the approval of the assignment of the Assumed Debt Amount by the lenders (the "**Closing Date**"); provided, however, the parties agree that if the consents of all of the Assumed Debt Lenders have not been obtained as required herein, then the Closing Date may be extended by either party to a date that is five (5) days after all of the consents of the Assumed Debt Lenders have been obtained, which date shall, in no event be latter than ninety (90) days from the date of this Agreement (the "**Outside Closing Date**").

(b) If the requisite consents or approvals for the Conversion have been obtained pursuant to the terms hereof, then immediately prior to the Closing, the applicable Contributors shall cause each of the applicable Property LLLPs to delivery duly executed and acknowledged documents and instruments, each in form and substance reasonably approved by the applicable Property LLLPs and MCRLP, required or appropriate to cause the Conversion to be consummated pursuant to the terms hereof.

12.2. On the Closing Date each Contributor or Property LLLP, as applicable, at his or its sole cost and expense, will deliver or cause to be delivered in escrow to the Escrow Agent to be delivered to MCRLP or the entity otherwise provided below upon satisfaction of all conditions to Closing set forth herein, the following documents:

(a) If a Conversion has occurred, a duly executed assignment of the Transferred Interest to MCRLP in the form annexed hereto as**<u>Exhibit P</u>**;

(b) If such Contributor is an entity, all organizational documents of such Contributor including the partnership agreement or LLC agreement, as applicable, of such Contributor, evidencing the power and authority of such Contributor to enter into this Agreement and any documents to be delivered hereunder, and the enforceability of same;

(c) A certificate indicating that the representations and warranties of such Contributor made in this Agreement are true and correct as of the Closing Date;

(d) A certificate signed by such Contributor, or, if applicable, an officer or partner of such Contributor in the form prescribed by Treasury Regulation Section 1445-2(b)(2) and annexed hereto as **<u>Exhibit Q</u>**, to the effect that such Contributor is not a "foreign person" as that term is defined in Section 1445(f)(3) of Code, in order to avoid the imposition of the withholding tax payment pursuant to Section 1445 of the Code;

(e) Each Contributor's Limited Agreement of Indemnity or Guaranty Agreement, duly executed by such Contributor, if applicable;

(f) All original Leases and all other documents pertaining thereto, and certified copies of such Leases or other documents where each Contributor, using its best efforts, is unable to deliver originals of same;

(g) All other original documents or instruments referred to herein, including without limitation the books, records, Tenant data, leasing material and forms, original brokerage agreements, past and current rent rolls, files, statements, tax returns, market studies, keys, access cards, codes, combinations, plans, specifications, reports, tests and other materials of any kind owned by or in the possession of any Contributor or any Property LLLP which are or may be used by any Contributor or any Property

LLLP in the use and operation of any Property or Personal Property (collectively, "**Books and Records**"), contracts and agreements for the servicing, maintenance and operation of any Property, Licenses and Permits, and certified copies of same where Contributors, using their best efforts, are unable to deliver originals, provided however, for purposes of clarification, that Books and Records shall not include the personal or other Tax returns of the Contributors;

(h) A letter to Tenants advising the Tenants of the transactions hereunder and directing that rent and other payments thereafter be sent to MCRLP or its designee, as MCRLP shall so direct;

(i) If the Conversion has not been consummated pursuant to the terms hereof, then duly executed and acknowledged documents and instruments, each in form and substance reasonably approved by the applicable Property LLLPs and MCRLP, required or appropriate to effectuate the transfer of the Property to MCRLP pursuant to the terms hereof, including, without limitation, the following: (i) a special warranty deed with respect to each Property, in proper form for recording, conveying such Property from the applicable Property LLLP to MCRLP, subject only to the Permitted Encumbrances; (ii) a bill of sale conveying any and all personal property owned by each Property LLLP, which bill of sale shall contain no warranties representations by such Property LLLP, except that the Property LLLP is the owner of and has not previously sold, transferred or encumbered (other than in connection with the Existing Loan Documents) such personal property; (iii) an assignment and assumption of each Property LLLP's right, title and interest in, to and under all Leases, Rents, Security Deposits (including, without limitation, any and all documents or instruments required or appropriate to transfer all Security Deposits held in the form of a letter of credit), equipment, service and other contracts and/or agreements; (iv) a general assignment of each Property LLLP's right, title and interest in, to and under all warranties and guaranties, permits, licenses and approvals, utility deposits, site plans, surveys, plans and specification relating to each Property, catalogues, books, manuals, files, logs, records, correspondence, tenant lists, histories, brochures and other advertising materials and Intangible Property.

(j) An assumption of the Existing Loan Documents duly executed by the Contributors and/or the Property LLLPs and consented to by the Assumed Debt Lenders, together with all original Existing Loan Documents and all other documents pertaining thereto, and certified copies of such Existing Loan Documents where each Contributor, using its best efforts, is unable to deliver originals of the same;

(k) The Option Agreement duly executed by the Option Contributors and the Option Property Owners;

(l) A termination of the existing CRC Management Agreement and a release from CRC Management of any amounts owed thereunder;

(m) Audited Property Financials for all Property LLLPs (except Tenth LLLP) as of and for the years ending December, 31, 2002, 2003 and 2004 and reviewed Property Financials for Tenth LLLP as of and for the years ending December, 31, 2002, 2003 and 2004;

(n) An opinion of Contributors' counsel reasonably satisfactory to MCRLP with respect to the existence, organization and authority of each Property LLLP and of the authority of persons executing documents on behalf of each Property LLLP;

(o) A statement from each Contributor of such Contributor's Contributor Debt Amount (as defined in Section 21.1); and

(p) Such other documents as may be reasonably required or appropriate to effectuate the consummation of the transactions contemplated by this Agreement.

12.3. On the Closing Date, MCRLP, at its sole cost and expense, will deliver or cause to be delivered to each Contributor the following documents:

(a) The Certificate, duly executed by MCRLP;

(b) An agreement prepared by MCRLP and executed by the Company evidencing the admission of such Contributor as a limited partner in MCRLP, and pursuant to which such Contributor agrees to be bound by and assume all of the obligations and to be entitled to all of the rights of a limited partner in MCRLP with respect to the Contributor Units issued to such Contributor (the "**Partnership Acknowledgment**");

(c) Counterparts of any applicable documents listed in Section 12.2(i) above;

(d) An assumption of the Existing Loan Documents duly executed by MCRLP;

(e) The Option Agreement duly executed by MCRLP;

(f) The Contributor's Units and cash required to be paid as part of the Consideration;

(g) An opinion from Seyfarth Shaw LLP to the effect that MCRLP has, since its taxable year ended December 31, 1995, been treated as a partnership for all federal income tax purposes and will continue so to qualify for its taxable year ending December 31, 2005, and that, for taxable years thereafter, based upon its current and proposed method of operation, MCRLP will be taxed as a partnership and not as an association taxable as a corporation for all federal income tax purposes;

(h) An opinion of MCRLP's counsel reasonably satisfactory to the Contributors to the effect that:

(i) MCRLP is a limited partnership duly organized, validly existing and in good standing under the laws of the state of Delaware and the Company is a corporation duly organized, validly existing and in good standing under the laws of the state of Maryland and that each of MCRLP and the Company have all the requisite power and authority to enter into the Agreement and perform their respective obligations thereunder;

(ii) The Agreement and agreements and other documents required to be executed by MCRLP pursuant to the Agreement constitute legal, valid and binding obligations of MCRLP and are enforceable in accordance with their terms; and

(iii) The Contributor Units when issued to the Contributors and the Common Stock of the Company to be issued to the Contributors upon redemption of the Contributor Units will be duly authorized and, when issued by MCRLP or the Company, as the case may be, will be fully paid and non-assessable, free and clear of any mortgage,

pledge, lien, encumbrance, security interest, claim or right of interest of any third party of any nature whatsoever; and

(i) Such other documents as may be reasonably required or appropriate to effectuate the consummation of the transactions contemplated by this Agreement.

12.4. Each party shall be responsible for its own attorneys' fees.

12.5. The Property LLLPs shall be responsible for (i) one-half of the loan assumption costs, if any, pertaining to the Assumed Debt Amount including legal fees and application fees, (ii) all customary prorations and apportionments, (iii) all fees and costs attributable to the transfer of the Security Deposits, (iv) all fees and costs attributable to the assignment of utility contracts and the transfer of warranties, (v) one-half of all reasonable escrow fees and (v) one-half of any and all real estate transfer and recordation taxes that arise from the transactions contemplated in this Agreement.

12.6. MCRLP shall be responsible for the costs of its due diligence investigations, all customary prorations and apportionments and one-half of all reasonable escrow fees and one-half of all real estate transfer and recordation taxes that arise from the transactions contemplated in this Agreement. MCRLP shall be responsible for all title insurance costs but only one-half of the costs associated with the non-imputation endorsement.

13. ADJUSTMENTS.

13.1. The following items with respect to the Properties are to be apportioned as of midnight on the date immediately preceding the Closing:

(a) All paid rents, together with any other sums paid by tenants, under the Leases shall be prorated as of the Closing Date. In the event that, at the time of Closing, there are any past due or delinquent rents owing by any tenants of the Properties, MCRLP shall use commercially reasonable efforts to collect such delinquent rents and shall apply delinquent rents received after Closing (net of any collection fees or expenses) first, to payment of current rent then due, including for such purposes all rentals for the month in which the Closing Date shall occur; second, to rents attributable to any period after the Closing which are past due on the date of receipt; and thereafter, to delinquent rents as of the Closing. The Contributors shall have the right, after Closing, to proceed against tenants for rents allocable to the period of the Property LLLP's ownership of the Property but shall in no event seek to evict such tenants. In the event that any sums paid by tenants under the Leases, including, without limitation, any common area maintenance charges or shares of taxes or insurance premiums, shall be based upon estimates of actual sums due and such sums cannot be reconciled at Closing, the parties shall, on or before June 30, 2006, make between themselves any adjustment required by reason of any difference between such estimated amounts and the actual amounts of such sums. In the event that any sums payable by tenants under the Leases, including, without limitation, percentage rental, shall be payable after the Closing for periods prior to Closing, the parties shall make between themselves at the time of actual payment any adjustment (based upon their respective periods of ownership) required by reason of the payment schedule. Further, in the event that, subsequent to Closing, any Contributor receives any payments of rent or other sums due from tenants under

Leases such Contributor shall properly endorse such payments to MCRLP, and shall promptly forward such payments to MCRLP. The Contributors and MCRLP agree that (i) any Tenant under a GSA Lease pays its Basic Rent in monthly installments in arrears, (ii) inasmuch as such payment is made in arrears, all Basic Rent under the GSA Lease which is attributable to the portion of the month in which the Closing Date occurs which is prior to the Closing Date shall be credited to Seller as an addition to the Purchase Price at Closing, (iii) MCRLP shall be entitled to all Basic Rent under the GSA Lease to the extent it is collected after the Closing Date, and (iv) if any Contributor receives any Basic Rent or other sums under the GSA Lease which has been previously credited to the Contributors under clause (ii) of this sentence or which is otherwise payable to MCRLP under clause (iii) then and in any of such events such Contributor shall promptly deliver the amount of such Basic Rent or other sums to MCRLP.

(b) A cashier's check to the order of MCRLP in the amount of all cash Security Deposits and any prepaid rents, together with interest required to be paid thereon. At the election of the Property LLLPs, such amount may be allotted to MCRLP as a credit against the balance of the Consideration.

(c) Utility charges payable by the Contributors, including, without limitation, electricity, water charges and sewer charges. If there are meters on the Properties, the Contributors will cause readings of all said meters to be performed not more than five (5) days prior to the Closing Date.

(d) Amounts payable under the Service Contracts other than those Service Contracts which MCRLP has elected not to assume.

(e) Real estate taxes due and payable for the calendar year. If the Closing Date, shall occur before the tax rate is fixed, the apportionment of real estate taxes shall be upon the basis of the tax rate for the preceding year applied to the latest assessed valuation. If subsequent to the Closing Date, real estate taxes (by reason of change in either assessment or rate or for any other reason) for any Property should be determined to be higher or lower than those that are apportioned, a new computation shall be made, and the Contributors agree to pay MCRLP any increase shown by such recomputation and vice versa.

(f) The value of fuel stored at any of the Properties, at the Contributors' most recent cost, including any related excise Tax or similar Taxes, on the basis of a reading made within ten (10) days prior to the Closing by the Contributors' supplier.

(g) Amounts incurred or accrued prior to the Closing Date or payable to or with respect to any New Employee or other personnel (i.e., independent contractors of the Property LLLPs or an affiliate of the Property LLLPs) for services performed or otherwise including, without limitation, costs related to accrued vacation time.

13.2. Promptly following request by MCRLP, the Contributors shall deliver to MCRLP a list additional rent, however characterized, under each Lease, including without limitation, real estate taxes, electrical charges, utility costs and operating expenses (collectively, "**Additional Rents**") billed to Tenants for the calendar year in which the Closing occurs (both on a monthly basis and in the aggregate), the basis for which the monthly amounts are being billed and the

amounts incurred by the Contributors on account of the components of Additional Rent for such calendar year. Upon the reconciliation by MCRLP of the Additional Rents billed to Tenants, and the amounts actually incurred for such calendar year, Contributors and MCRLP shall be liable for overpayments of Additional Rents, and shall be entitled to payments from Tenants, as the case may be, on a pro-rata basis based upon each party's period of ownership during such calendar year.

13.3. All amounts due and owing under the Existing Loan Documents other than the outstanding principal balance thereof, including by way of example accrued and unpaid interest, deferred interest, late charges, default interest, prepayment fees or penalties, and any and all other fees and charges, shall be paid by the Contributors on or before the Closing. MCRLP shall reimburse the Contributors for all escrows held by the Existing Lenders as of the Closing Date and credited to the new borrower under the Assumed Debt.

13.4. If, on the Closing Date, any Property or any part thereof shall be or shall have been affected by an assessment or assessments which are or may become payable in annual installments, all the unpaid installments of any such assessment due and payable on or prior to the Closing Date shall be paid and discharged by the Contributors on the Closing Date.

13.5. At the Closing, the parties shall adjust for certain leasing costs in accordance with Section 9.1.

13.6. Except as otherwise provided in this Agreement, the adjustments shall be made in accordance with the customs and practice in respect of real estate

closings in the State of Maryland.

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

13.8. The credits set forth in Sections 13.5 and 13.6 shall be made against the Consideration. Any other amounts payable to the Contributors hereunder shall be treated as distributions made to the Contributors from the relevant Property LLLP immediately prior to the Closing.

13.9. At the Closing, after payment of all obligations and payments required of the Property LLLPs hereunder, all cash on hand in any accounts of any successor entity to any Property LLLP shall be distributed to the Contributors.

14. CONDITIONS PRECEDENT TO CLOSING.

14.1. The obligations of each Contributor and/or Property LLLP, as applicable, to deliver the Exchange Property and to perform the other covenants and obligations to be performed by each Contributor on the Closing Date, shall be subject to the following conditions (all or any of which may be waived, in whole or in part, by such Contributor):

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

(b) MCRLP shall have produced all documents as may be reasonably required or appropriate to effectuate the consummation of the transactions contemplated by this Agreement; and

(c) MCRLP shall have executed and delivered or caused to be executed and delivered to such Contributor all of the documents provided herein for said delivery.

14.2. The obligations of MCRLP to accept the Exchange Property and to perform the other covenants and obligations on the Closing Date shall be subject to the following conditions (all or any of which may be waived, in whole or in part, by MCRLP):

(a) The representations and warranties made by each Contributor herein shall be true and correct in all material respects on the Closing Date with the same force and effect as though such representations and warranties had been made on and as of the Closing Date;

(b) Each Contributor shall have performed all covenants and obligations undertaken by such Contributor herein in all respects and complied with all conditions required by this Agreement to be complied with or performed by it on or before the Closing Date;

(c) Each GP Contributor and the Property LLLP in which such GP Contributor is a partner has delivered or caused to be delivered to each Tenant an Estoppel Certificate in a form annexed hereto as **Schedule 10.1** (See, **Exhibit O** for form GSA Estoppel Certificate) and the provisions of Sections 10.2 and 10.3 shall be met;

(d) Each Contributor and the other Contributors collectively shall assign and transfer the Transferred Interests, if applicable, free from all encumbrances, security interests and liens whatsoever, representing, in the aggregate, all of the partnership interests in each Property LLLP;

(e) As of the Closing Date, the Properties shall be free from all encumbrances, security interests and liens whatsoever, other than Assumed Debt and Permitted Encumbrances;

(f) The Title Company shall have issued a standard ALTA non-imputation endorsement;

(g) The Contributors shall have produced all documents as may be reasonably required or appropriate to effectuate the consummation of the transactions contemplated by this Agreement;

(h) The Rent Roll delivered to MCRLP at Closing shall be substantially the same as the Rent Roll delivered to MCRLP during the Inspection Period, other than changes in the ordinary course;

(i) Subject to the rights of either party to extend the Closing Date pursuant to the terms of Section 12.1 above, on or prior to the Closing Date, as the same may be extended as aforesaid, the Contributors and MCRLP have obtained (i) the consent of the Assumed Debt Lenders to MCRLP's assumption of the Assumed Debt and (ii) the release of any Guarantors for matters first arising from and after the Closing Date; and

(j) Each Contributor shall have executed and delivered to MCRLP all of the documents provided for herein for said delivery.

14.3. (a) If any condition precedent to Closing has not been satisfied on or before the Closing Date, then the party whose conditions to Closing have not been satisfied (the "**Unsatisfied Party**") shall give notice to the other party of the condition or conditions that the Unsatisfied Party asserts are not satisfied. If the conditions specified in such notice are not satisfied within ten (10) business days after receipt of such notice, then the party whose condition precedent was not satisfied may terminate this Agreement, whereupon neither party shall have any further rights or obligations hereunder (other than any obligations of either party that expressly survive termination) and, unless the failure was due to MCRLP's default, the Deposit shall be returned to MCRLP. Notwithstanding anything contained herein to the contrary, if any of the conditions precedent to MCRLP's obligation to close, as set forth in Section 14.2, are not satisfied within the ten (10) business day period specified above and the same are reasonably susceptible of being cured, either party shall have the right to extend such period in which to satisfy the unsatisfied condition for a period of up to sixty (60) additional days, by giving notice thereof to MCRLP within such ten (10) business day period. Further, either party shall have the right to waive the unsatisfied condition or conditions, by notice to the other party within five (5) business days after expiration of the applicable satisfaction period, without satisfaction having occurred, in which event the Closing Date shall be the date that is five (5) business days after receipt of such waiver notice. If necessary, the Closing Date shall be extended for the duration of any period of time required to satisfy the condition, but in no event shall the Closing Date be extended beyond Outside Closing Date.

(b) If the transactions contemplated by this Agreement close, the parties shall be deemed to have waived any and all unmet or unsatisfied conditions, provided that such waiver shall not be deemed a waiver of any breach by either party of any of its covenants, representations and warranties hereunder.

15. **ASSIGNMENT.**

15.1. This Agreement may not be assigned by MCRLP to any other entity; provided, however, that at Closing, MCRLP shall have the right to cause each Contributor to direct the assignment of the Exchange Property and other closing instruments to any entity in which MCRLP directly or indirectly owns one hundred percent

(100%) of the equity interests and which is treated for federal income tax purposes as disregarded as an entity separate from MCRLP.

16. **BROKER.**

16.1. Each Property LLLP represents and warrants to MCRLP that the Property LLLPs have not contacted or entered into any agreement with any real estate broker, agent, finder, or any party in connection wit this transaction, except for Eastdil Realty Company, LLC ("**Contributor's Broker**") and that the Contributors have not taken any action which would result in any real estate broker's or finder's fees or commissions being due and payable to any party other than the Contributor's Broker with respect to the Transaction contemplated hereby. The Contributors will be solely responsible for the payment of the Contributor's Broker's

commission in accordance with the provisions of a separate agreement. MCRLP hereby represents and warrants to the Contributors that MCRLP has not contracted or entered into any agreement with any real estate broker, agent, finder, or any party in connection with this transaction and that MCRLP has not taken any action which would result in any real estate brokerage or finder's fees or commissions being due or payable to any party with respect to the transaction contemplated hereby.

16.2. Each Property LLLP and MCRLP hereby indemnifies and agrees to hold each other harmless from any loss, liability, damage, cost, or expense (including, without limitation, reasonable attorneys' fees) paid or incurred by the other party by reason of a breach of the representation and warranty made by such party under this Article 16. Notwithstanding anything to the contrary contained in this Agreement, the indemnities set forth in this Section 16 shall survive the Closing or earlier termination of this Agreement for a period of two (2) years.

16.3. It is understood and agreed that from and after the Closing Date, all obligations and liabilities of the Property LLLPs under Sections 16.1 and 16.2 hereof shall be enforceable against the GP Contributors. The GP Contributors shall be personally liable for such obligations and liabilities and such personal liability shall not be limited to recovery against the Escrow Pool provided in Section 25.4 hereof, nor shall such personal liability be subject to the limitations set forth in Section 25.6 hereof.

17. **CASUALTY LOSS.**

17.1. If, prior to the Closing, all or any portion of any Property is damaged by fire or any other cause whatsoever, the Contributors shall promptly give MCRLP written notice of such damage. Risk of loss for damage to all or any part of the Property by fire or other casualty from the date hereof through the Closing Date will be on the Contributors.

17.2. If the cost for repairing such damage is less than TWO MILLION DOLLARS ($2,000,000) (as determined by the Contributors' independent insurer), then MCRLP shall have the right at Closing to receive the amount of the deductible plus all insurance proceeds received by the Contributors as a result of such loss, or an assignment of the Contributors' rights to such insurance proceeds, and this Agreement shall continue in full force and effect with no reduction in the Consideration, and the Contributors shall have no further liability or obligation to repair such damage or to replace the Property. If the loss is uninsured, then MCRLP shall receive a credit at Closing in the amount of the uninsured loss.

17.3. If the cost for repairing such damage is greater than TWO MILLION DOLLARS ($2,000,000) (as determined by MCRLP's independent insurer), then MCRLP shall have the option, exercisable by written notice delivered to the Contributors within five (5) business days after the Contributors' notice of damage to MCRLP, either (i) to receive the amount of the deductible plus all insurance proceeds received by the Contributors as a result of such loss, or an assignment of the Contributors' rights to such insurance proceeds, and this Agreement shall continue in full force and effect with no reduction in the Consideration, and the Contributors shall have no further liability or obligation to repair such damage or to replace the Property; or (ii) to terminate this Agreement. If MCRLP elects to terminate this Agreement, MCRLP shall give notice thereof to the Contributors and the Escrow Agent, the Deposit shall be promptly

returned to MCRLP, and thereafter neither party will have any further rights or obligations hereunder, except for any obligations that expressly survive termination. If MCRLP fails to notify the Contributors within such five (5) business day period of MCRLP's intention to terminate this Agreement, then MCRLP shall be deemed to have elected option (i), and MCRLP and the Contributors shall proceed to Closing in accordance with the terms and conditions of this Agreement.

18. **CONDEMNATION.**

In the event of a material taking (as defined in this Section 18), MCRLP shall have the right, at its sole option, to either (a) terminate this Agreement by giving the Contributors written notice to such effect within twenty (20) days after its receipt of written notification of any such occurrence, or (b) accept title to the remainder of the Properties without reduction of any consideration given hereunder and eliminate the affected property in its entirety from this transaction. Should MCRLP so terminate this Agreement in accordance with this Section, neither party shall have any further liability or obligations to the other. In the event MCRLP shall accept title to the remainder of the affected property, the Contributors shall, subject to the rights of the holder of any existing mortgage, assign all proceeds of such taking to MCRLP, and same shall be MCRLP's sole property, and MCRLP shall have the sole right to settle any claim in connection with any Property. The term "material taking" shall be defined to mean the institution of any proceedings, judicial, administrative or otherwise which would (a) reasonably be expected to reduce the aggregate useable square footage of any portion of a any building or reduce the aggregate size of any parcel of land by more than ten percent (10%), (b) entitle a Tenant to terminate its Lease, (c) cause access to any Property to be taken or materially diminished (i.e., such taking does not provide access to a publicly dedicated street or is an impediment to traffic flow from and to any Property), or (d) result in parking no longer being in compliance with applicable zoning laws and the Contributors are unable to remedy such noncompliance prior to Closing.

19. **TRANSFER RESTRICTIONS; RIGHT OF FIRST REFUSAL.**

19.1. (a) Except as explicitly set forth herein, each Contributor agrees that the Contributor Units may not be sold, assigned, transferred or in any manner disposed of (collectively, "**Transferred**") or redeemed for shares of Common Stock until after the first anniversary of the Closing Date (the "**Anniversary**").

(b) The Contributor Units may be pledged or encumbered at any time but only upon thirty (30) days prior written notice to MCRLP, provided that the secured party agrees to enter into such agreements with the Contributor and MCRLP as MCRLP reasonably requests in connection with the pledge or encumbrance. Any foreclosure or transfer by such a secured party shall be considered a Transfer, which may not occur until the Anniversary and shall be subject to the provisions of Sections 19.1(a) and 19.2 hereof. Thereafter, the Contributor Units and/or shares of Common Stock underlying the Contributor Units (the "**Underlying Shares**") may only be Transferred (i) privately in accordance with the terms of the OP Agreement and this Article 19, or (ii) in the form of Underlying Shares only, publicly, including pursuant to Rule 144 under the Securities Act, to the extent available (subject to the restrictions of the Securities Act and the rules and regulations promulgated thereunder).

19.2. (a) If Contributor or any permitted transferee thereof (including any Transfer pursuant to a foreclosure or transfer by a secured party as contemplated

by Section 19.1(b) above (a "**Selling Contributor**") receives a bona fide written offer to purchase part or all of its/his Contributor Units or Underlying Shares in a privately negotiated transaction which it/he desires to accept, such Contributor shall not sell, transfer, or otherwise dispose of (the "Proposed Disposition") such Units or Underlying Shares (the "**Disposition Securities**") to a third party (the "**Proposed Purchaser**"), unless, prior to such Proposed Disposition, such Contributor shall have promptly reduced the terms and conditions, if any, of the Proposed Disposition to a reasonably detailed writing and shall have delivered written notice (the "**Disposition Notice**") of such Proposed Disposition to MCRLP. All offers to purchase Contributor Units or Underlying Shares must be for cash. The Disposition Notice shall contain an irrevocable offer to sell all, but not less than all, the Disposition Securities to the Proposed Purchaser upon the same terms (including price) and subject to the same conditions, if any, as those contemplated by the Proposed Disposition, and shall be accompanied by a true and correct copy of the agreement embodying the terms and conditions, if any, of the Proposed Disposition (which shall identify the Proposed Purchaser, the Disposition Securities, the consideration and method of payment contemplated by the Proposed Disposition and all other terms and conditions, if any, of the Proposed Disposition).

(b) Any such Proposed Purchaser must be an "accredited investor" (as such term is defined in Rule 501(a) of Regulation D under the Securities Act) at the time that any Disposition Securities are transferred.

(c) MCRLP shall have the irrevocable right and option (the "**Purchase Option**"), to accept such irrevocable offer to purchase the Disposition Securities which are subject to the Proposed Disposition by delivering to the Selling Contributor written notice of the exercise of its Purchase Option with respect to the Disposition Securities (an "**Exercise Notice**") within five (5) business days after receipt of the Disposition Notice (the '**Notice Period**").

(d) If MCRLP shall have timely delivered its Exercise Notice with respect to the Disposition Securities, all certificates for the Disposition Securities shall be delivered to MCRLP at a closing to be held on the later of the date on which the Proposed Disposition, if accepted, would close or five (5) business days after such Exercise Notice is given, at the offices of Pryor Cashman Sherman & Flynn LLP located at 410 Park Avenue, New York, New York 10022, Attn: Blake Hornick. At such closing, MCRLP shall deliver to the Selling Contributor in immediately available funds the amount of the purchase price set forth in the Disposition Notice due against the simultaneous delivery of certificates representing the Disposition Securities so disposed of, duly endorsed in blank or accompanied by a stock power or powers duly endorsed in blank, and in proper form for transfer, together with any necessary stock-transfer stamps, and such Disposition Securities shall be delivered free and clear of all liens, security interests and encumbrances whatsoever.

(e) If MCRLP (i) notifies the Selling Contributor that it is not exercising its Purchase Option prior to the expiration of the Notice Period or (ii) does not deliver an Exercise Notice prior to the expiration of the Notice Period, MCRLP shall be deemed to have waived its Purchase Option in which event the Selling Contributor may sell the Disposition Securities to the Proposed Purchaser for a period of thirty (30) days after the expiration of the Notice Period (in

which event the transferee shall take free and clear of the restrictions set forth in this Article 19);provided, however, that such Disposition Securities are sold to the Proposed Purchaser at a price not less than that contained in the Disposition Notice and on terms and conditions, if any, not more favorable to the Proposed Purchaser than those contained in the Disposition Notice. If Contributor wishes to sell all or any part of the Disposition Securities on terms more favorable to the Proposed Purchaser than those set forth in the Disposition Notice or does not sell such Disposition Securities on the terms and conditions contained in the Disposition Notice within the aforementioned thirty (30) day period, it/he shall again be obligated to make new offers to the Proposed Purchaser, in accordance with this Section 19, before it/he shall be permitted to consummate a Proposed Disposition of the Disposition Securities, or any part thereof, in a privately negotiated transaction.

19.3. Notwithstanding any other limitations or requirements included in this Section 19, each Contributor shall have the right to (i) Transfer all or any portion of such Contributor's Contributor Units to (A) a spouse, sibling, parent or lineal descendant of such Contributor (each a "**Family Member**") or (B) to a trust, partnership, limited liability company or other entity for the benefit, or directly or indirectly owned by, as the case may be, of the Contributor or any Family Member, on a combination of the foregoing and (ii) pledge or encumber its Contributor Units without complying with Section 19.2, as contemplated by Section 19.1(b) hereof provided that:

(a) any lender shall subsequently comply with the provisions of Sections 19.1(a) and 19.2 in connection with any transfer or other disposition following a collateral sale of such Contributor Units;

(b) the transferring or assigning Contributor shall notify MCRLP, in writing, thirty (30) days in advance of such Transfer and provide such information as MCRLP shall reasonably request;

(c) the transferee shall (i) execute such documents and instruments as MCRLP may reasonably request as necessary or appropriate, including without limitation, a joinder agreement whereby the transferee agrees to be bound by the terms and conditions of this Agreement and the OP Agreement and (ii) provide MCRLP with written assurances, in form and substance satisfactory to MCRLP and its counsel, that such transferee is an "accredited investor" (as such term is defined in Rule 501(a) of Regulation D under the Securities Act); and

(d) any transferee receiving Units shall be subject to the restrictions of Sections 19.1(a) and 19.2 hereof.

19.4. Notwithstanding any other limitations or requirements included in this Section 19, in the event that, pursuant to Section 1.2, one or more Properties is transferred directly to MCRLP by a Property LLLP, any such Property LLLP shall be permitted to distribute to its partners, in liquidation or otherwise any and all Units received pursuant to such transfer. Any Units distributed to a partner pursuant to this Section 19.4 may subsequently be transferred by such partner pursuant to Section 19.3.

20. **REGISTRATION RIGHTS.**

20.1. On or about one (1) year from the later of (i) the Closing Date or (ii) the Outside Closing Date (the '**Anniversary Date**"), the Company shall, at its expense, register with the Securities and Exchange Commission, on a Registration Statement on Form S-3, at its election and in its sole discretion either (i) the initial issuance of the shares of the Company's Common Stock into which the Units may be converted on or after the Anniversary Date, as a primary offering on a shelf registration statement pursuant to Rule 415 under the Securities Act, or (ii) the public resale of the Company's Common Stock into which the Units may be converted on or after the Anniversary Date, as a secondary offering on a resale shelf registration statement pursuant to Rule 415 under the Securities Act. If the Company elects option (ii), it shall, at its expense, use its best efforts to maintain the effectiveness of such shelf registration statement until the earlier of (i) such time as when all of the shares of Common Stock into which the Units may be converted have been disposed of or (ii) two (2) years after the redemption of all of the Units into Common Stock. Notwithstanding anything in this Section 20.1 to the contrary, if at the Anniversary Date, the Company determines, in the good faith judgment of its Board of Directors, with the advice of counsel, that the filing of either such shelf registration statement would require the disclosure of non-public material information the disclosure of which would have a material adverse effect on MCRLP or the Company, or would otherwise adversely affect a material financing, acquisition, disposition, merger or other significant transaction, the Company shall deliver a certificate to such effect signed by its Chief Executive Officer and President, to the holders of the Units, and the Company shall not be required to effect a registration pursuant to this Section 20.1 until thirty (30) days after the date upon which such material information is disclosed to the public or ceases to be material.

21. **DEBT MAINTENANCE.**

21.1. The following terms shall have the following meanings, as used in this Agreement:

“**Accounting Firm**” has the meaning set forth in Section 22.7 below.

“Contributor Debt Amount” means, for each Contributor, the amount set forth opposite such Contributor’s name on **Schedule 21.1** annexed hereto (which amount shall be determined immediately prior to Closing), and collectively, with respect to all of the Contributors, an amount equal to the Assumed Debt Amount.

“**Contributor Guarantee**” has the meaning set forth in Section 21.2(a).

“**Contributor Indemnity”** means, with respect to each Contributor, the guarantee of any Qualified Indebtedness or indemnity of Second Tier Debt made by such Contributor hereunder, and “**Contributor Indemnities**”means, collectively, all such guarantees or indemnities.

“Dissolution Proceeds” means amounts received by creditors in respect of unsecured Partnership Debt upon MCRLP’s dissolution and liquidation.

“First Tier Debt” means the “bottom portion” of unsecured Partnership Debt, such that First Tier Debt will be (i) the last portion of such Partnership Debt to be reduced or eliminated by

refinancings, pay downs or pay offs of Partnership Debt in the ordinary course of business; and (ii) the first portion of the Partnership Debt subject to Indemnities to be discharged by any Dissolution Proceeds.

“First Tier Indemnity” or **“First Tier Indemnities”** means a guarantee or indemnity of First Tier Debt.

“Indemnities” means, at any time, collectively, all of the First Tier Indemnities, the Second Tier Indemnities, and the Third Tier Indemnities then in effect.

“**Make-Whole Payment**” has the meaning set forth in Section 22.4 below.

“Partnership Debt” means any debt (within the meaning of Section 752 of the Code) that MCRLP and/or any of its subsidiaries or affiliates have incurred, and may hereafter incur, which may or may not be secured in whole or in part by property owned directly or indirectly by MCRLP and which may or may not be guaranteed by MCRLP and/or any subsidiary or affiliate of MCRLP that owns or becomes the owner of property.

“**Qualified Indebtedness**” means, with respect to each real property asset, indebtedness provided by any lender and secured by such real property asset of MCRLP or any of its subsidiaries or affiliates that, at the time incurred, did not exceed seventy percent (70%) of the fair market value of the real property asset at such time (as determined in good faith by MCRLP).

“**Refinanced Debt**” has the meaning set forth in Section 21.2(a).

“**Representatives**” means Albert H. Small, Theodore N. Lerner, Ralph Ochsman, Richard Perkins, Gudelsky Brothers, a general partnership, or any successors thereto. Any notice to the Representatives required under this Agreement shall be delivered to such Representatives in accordance with the provisions of Article 26, and any notice so delivered shall be deemed notice to each Contributor. The Contributors’ counsel (as designated in Article 26 of this Agreement) shall promptly provide written notice to MCRLP of the name of any successor representative(s) and each such successor representative’s notice address and telephone and facsimile numbers.

“**Restricted Period**” has the meaning set forth in Section 22.1.

“Second Tier Debt” means the “middle” portion of unsecured Partnership Debt, such that Second Tier Debt will be: (i) the portion of such Partnership Debt that will be reduced or eliminated by refinancings, pay downs or pay offs of Partnership Debt in the ordinary course of business only after Third Tier Debt has been eliminated, but prior to any reduction of First Tier Debt; and (ii) the portion of the Partnership Debt subject to Indemnities that will be discharged by Dissolution Proceeds after all First Tier Debt has been discharged by Dissolution Proceeds.

“Second Tier Indemnity” or **“Second Tier Indemnities”** means an indemnity or guarantee of Second Tier Debt. MCRLP and/or the Company will be able to designate a guarantee or indemnity as a Second Tier Indemnity if the guarantee or indemnity arises in

connection with a significant transaction (as determined in accordance with MCRLP and/or the Company policy), or a transaction involving more than one property.

“Third Tier Debt” means the “top” portion of unsecured Partnership Debt, such that Third Tier Debt will be (i) the first portion of such Partnership Debt to be reduced or eliminated by refinancings, pay downs or pay offs of Partnership Debt in the ordinary course of business; and (ii) the last portion of Partnership Debt that is a subject of Indemnities to be discharged by any Dissolution Proceeds.

“Third Tier Indemnity” or **“Third Tier Indemnities”** means an indemnity or guarantee of Third Tier Debt. The Contributor Indemnities constitute Third Tier Indemnities.

Solely for purposes of this Article 21 and Article 22, (i) a ‘**Contributor**” includes a Contributor as otherwise defined for purposes of this Agreement, but also any Property LLLP which contributes a Property to MCRLP pursuant to Section 1.2, and, subject to Section 21.5, any person to whom a Contributor (as defined in this paragraph) may transfer a Contributor Unit pursuant to Section 19.3 or Section 19.4, and (ii) for purposes of Section 22, “**Property**” includes any Exchange Property.

22.2. (a) During the Restricted Period (as hereinafter defined), MCRLP shall make available and permit each Contributor to guarantee the “bottom portion” of the Assumed Debt up to an amount equal to the Contributor’s Contributor Debt Amount. If MCRLP shall refinance any Assumed Debt guaranteed by the Contributors (“**Refinanced Debt**” and together with Assumed Debt “**Capital Office Debt**”) and such Refinanced Debt shall be Qualified Indebtedness, then, during the Restricted Period, MCRLP shall permit each Contributor to guarantee the “bottom portion” of such Refinanced Debt up to an amount equal to the Contributor’s Contributor Debt Amount. In the event that Mack-Cali shall, in its sole discretion, at any time repay, in whole or in part, any Capital Office Debt or other Partnership Debt that one or more Contributors guaranteed or indemnified and, immediately after such repayment, the amount of the remaining outstanding balance of such debt, if any, would be less than the amount guaranteed or indemnified or the debt remaining, if any, would not constitute Qualified Indebtedness, then, during the Restricted Period, MCRLP shall at its option and in its sole and absolute discretion permit each Contributor either to: (i) guarantee the “bottom portion” of other secured Partnership Debt that is Qualified Indebtedness up to an amount equal to the Contributor’s Contributor Debt Amount; provided, however, that the aggregate amount guaranteed by the Contributors with respect to such Partnership Debt does not exceed one-third of the fair market value of the property securing such Partnership Debt (as determined in good faith by MCRLP as of the time such guarantee is entered into) (a “**Contributor Guarantee**”); or (ii) so long as the condition in the next sentence below is satisfied, provide a Second Tier Indemnity of MCRLP and/or the Company for an amount of Second Tier Debt up to the Contributor’s Contributor Debt Amount. Notwithstanding anything herein to the contrary, MCRLP may elect in accordance with this Section 21.2(a) or Section 21.2(b) to permit a Contributor to provide a Second Tier Indemnity only if at the time such Second Tier Indemnity is entered

into, and at any subsequent time any First or Second Tier Indemnity is entered into, (i) total unsecured Partnership Debt shall not exceed seventy percent (70%) of the excess of the aggregate fair market value of all of the assets of MCRLP (as determined in good faith by MCRLP), over the aggregate amount of any Partnership Debt secured by such assets, and (ii) the

aggregate of all First Tier Indemnities and Second Tier Indemnities shall not exceed thirty percent (30%) of the excess of the aggregate fair market value of the assets of MCRLP (as determined in good faith by MCRLP), over the aggregate amount of any Partnership Debt secured by such assets; and provided further that MCRLP may, in its sole discretion, (i) require a Contributor which has provided a Contributor Guarantee or a Second Tier Indemnity, as the case may be, to release all or a portion of such Contributor Guarantee or Second Tier Indemnity, provided that MCRLP immediately permits such Contributor to provide a Second Tier Indemnity meeting the requirements of this Section 21.2(a) or Contributor Guarantee, respectively, in the same amount of such Contributor Guarantee or Second Tier Indemnity being released. In no event shall the aggregate amount of (i) Partnership Debt permitted to be guaranteed by a Contributor pursuant to Section 21.2(a) and (ii) the amount of any Second Tier Indemnity of such Contributor exceed, at any single time, such Contributor's Contributor Debt Amount.

(b) Notwithstanding anything herein to the contrary, the Contributors acknowledge and agree that MCRLP may at any time and at its option elect to require that: (i) any guarantee by a Contributor of any Capital Office Debt, upon repayment, in whole or in part, of the Capitol Office Debt as described in Section 21.2(a), be substituted for a Contributor Guarantee up to the Contributor's Contributor Debt Amount; (ii) any Contributor Guarantee be substituted (at MCRLP's option) for either (A) any other Contributor Guarantee up to the Contributor's Contributor Debt Amount or (B) a Second Tier Indemnity meeting the requirements of Section 21.2(a) up to the Contributor's Contributor Debt Amount; or (iii) a Second Tier Indemnity meeting the requirements of Section 21.2(a) be substituted for a Contributor Guarantee up to the Contributor's Contributor Debt Amount; provided, however, that

(i) if either (a) a Contributor guarantees Refinanced Debt or provides a Contributor Guarantee, in either case pursuant to Section 21.2(a), or (b) MCRLP elects to substitute either (A) a Contributor Guarantee or (B) Second Tier Indemnity, with a Contributor Guarantee pursuant to this Section 21.2(b), MCRLP shall provide the Representatives with a side letter in the form of **Exhibit U**;

(ii) if (a) a Contributor provides a Second Tier Indemnity pursuant to Section 21.2(a), or (b) MCRLP elects to substitute a Contributor Guarantee with a Second Tier Indemnity pursuant to this Section 21.2(b), MCRLP and the Company shall provide the Representatives with a letter in the form of **Exhibit V**; or

(iii) if any First or Second Tier Indemnity is entered into after the date of this Agreement, MCRLP and the Company shall provide the Representatives with a letter in the form of **Exhibit W**. Any letter required to be provided pursuant to this Section 21.2(b) shall be provided to the Representatives, and shall be effective, on the date any such First or Second Tier Indemnity is entered into or substituted.

(c) If a Contributor shall guarantee, or provide an indemnity with respect to, Partnership Debt as described in this Section 21.2, MCRLP and/or the Company shall permit such Contributor to execute a guaranty agreement substantially in the form of the guaranty agreement that has been provided by Contributors' tax counsel (a copy of such form guaranty agreement is annexed hereto as **Exhibit S**), or MCRLP and/or the Company and such Contributor agree to enter into an indemnification agreement substantially in the form annexed

hereto as **Exhibit K**. If, in accordance with Sections 21.2(a) or 21.2(b), MCRLP intends to (i) refinance any Assumed Debt that one or more Contributors has guaranteed with Refinanced Debt or (ii) repay, in whole or in part, or substitute any Capital Office Debt or other Partnership Debt that one or more Contributors has guaranteed or indemnified and, immediately thereafter, the amount of the remaining outstanding balance of such debt would be less than the amount guaranteed or indemnified or would not constitute Qualified Indebtedness, then MCRLP shall provide written notice to the Representatives, together with an opportunity for each such Contributor to guarantee or indemnify other Partnership Debt in accordance with Sections 21.2(a) and 21.2(b). The notice described in the immediately preceding sentence shall be deemed to have been satisfied so long as MCRLP delivers such notice to the Representatives at least thirty (30) calendar days prior to any such refinancing of Assumed Debt or repayment, in whole or in part, of any Partnership Debt. Such written notice shall be delivered by MCRLP to the Representatives and shall describe the Capital Office Debt or Partnership Debt which shall be subject to a guarantee, if applicable, and shall contain the form of guarantee agreement or indemnification agreement, as applicable, to be executed by the Contributors and returned to MCRLP within such thirty (30) day period ending on the date of refinancing or repayment of Capital Office Debt or Partnership Debt (the "**Consent Period**"). Any Contributor that has received such notice and fails to execute and deliver such guarantee or indemnity to MCRLP within the Consent Period (a "**Contributor Default**") shall be deemed to have elected not to execute such indemnity or guarantee and shall hold MCRLP harmless from any and all damages resulting therefrom, including, without limitation, any taxable income or gain that such Contributor shall be required to recognize as a result of a reduction in liabilities that are allocated to such Contributor under Section 752 of the Code and the Treasury Regulations thereunder.

(d) In connection with the guarantee of any Partnership Debt, MCRLP and/or the Company and each Contributor agree that such guarantee agreement shall satisfy the following conditions: (i) the executed guarantee agreement must be delivered to the lender and (ii) the execution of the guarantee by the Contributors must be acknowledged by the lender as an inducement to it to make a new loan, to continue an existing loan (which continuation is not otherwise required), or the grant of a material consent under an existing loan (which consent is not otherwise required to be granted) or, alternatively, the guarantee must be with respect to a loan that, under the terms thereof, (A) is governed by New York law and either the loan is secured by property located in New York, the lender has a significant place of business in New York (with any bona fide branch or office of the lender through which the loan is made, negotiated, or administered being deemed a "significant place of business" for the purposes hereof), or the lender obtained in connection with such loan an opinion of counsel to the effect that such provisions regarding New York law are enforceable, or (B) is governed by the laws of another state that has a statutory provision or applicable controlling judicial decisions that are comparable to Sections 5-1103 and 5-1401 of the New York General Obligations Law and the conditions set forth in clause (A) with respect to New York would be satisfied with respect to such other state. Notwithstanding anything herein to the contrary and provided that the conditions in the immediately preceding sentence have been satisfied, the Contributors agree that if it is determined by any court or Taxing authority that the guarantee shall not be respected neither MCRLP nor the Company shall have any obligation (x) for any damages, including, without limitation, any adverse tax consequences, incurred by any Contributor or (y) to make a Make-Whole Payment.

(e) Each Contributor shall, if and to the extent reasonably requested by the Company from time to time, establish to the reasonable satisfaction of the Company that the guarantee of the "bottom portion" of the Assumed Debt, Refinanced Debt or any other Partnership Debt or the indemnification of Second Tier Debt is necessary to prevent such Contributor from recognizing any income or gain as a result of a reduction in liabilities that are allocated to such Contributor under Section 752 of the Code and the Treasury Regulations thereunder.

(f) Except in the event of a Contributor Default, if, at any time during the Restricted Period, MCRLP shall fail to make available to or permit any Contributor to guarantee or indemnify any Partnership Debt described in Section 21.2(a), MCRLP shall be liable to such Contributor to the extent that such Contributor recognizes taxable income or gain as a result of MCRLP's breach of its obligations under Section 21.2 and MCRLP shall pay to such Contributor an amount equal to the Make-Whole Payment

as determined in accordance with Section 22.4.

(g) Upon the expiration of the Restricted Period, and notwithstanding anything herein to the contrary, (x) the Contributors shall have no right to guarantee or indemnify MCRLP and/or the Company for any Partnership Debt and (y) none of MCRLP, the Company and/or any of their subsidiaries or affiliates shall be under any obligation (either express or implied) to have or maintain (or cause to have or maintain), at any such time, any Partnership Debt available for Contributor Indemnities, and MCRLP and/or the Company reserves the right at any such time and in their sole discretion to refinance, pay off or pay down (or cause to be refinanced, paid off or paid down) any portion of the Partnership Debt, even if such refinancing, pay off or pay down results in the Contributor and/or Unit Holders being required to recognize income or gain for tax purposes.

21.3. Each Contributor hereby acknowledges and agrees as follows:

(a) Subject only to Section 21.2, MCRLP and/or the Company (in their sole discretion) reserve the right, at any time in the future, to make additional commitments, in connection with the issuance of additional Units in exchange for other properties in tax deferred transactions, to permit guarantees or indemnities of Partnership Debt which are designated by MCRLP and/or the Company (in their sole discretion) as: (i) First Tier Indemnities, in which case such guarantees or indemnities would be pari passu in all respects with any other then outstanding First Tier Indemnities; (ii) Second Tier Indemnities, in which case such guarantees or indemnities would be pari passu in all respects with any other then outstanding Second Tier Indemnities; and (iii) Third Tier Indemnities, in which case such guarantees or indemnities would be pari passu in all respects with any other then outstanding Third Tier Indemnities (including any then outstanding Contributor Indemnities). Thus, subject only to its obligations under Section 21.2, MCRLP and/or the Company may, at any time and in their sole discretion permit new partners of MCRLP to guarantee a portion or portions of Partnership Debt or indemnify MCRLP and/or the Company for a portion or portions of the Partnership Debt, and to designate the portion or portions of the Partnership Debt (e.g., First Tier Debt, Second Tier Debt, Third Tier Debt) which will be guaranteed or for which MCRLP and/or the Company will be indemnified, thereby making no Partnership Debt available for any Contributor to guarantee or indemnify, or altering the priority or level of then available Partnership Debt, in terms of risk and amount, that any Contributor may guarantee or indemnify.

(b) MCRLP and/or the Company have prior and present commitments to permit other persons to guarantee or indemnify MCRLP and/or the Company for portions of the Partnership Debt including, but not limited to, First Tier Debt in the amount of approximately $508,000,000 (which, subject to Section 21.2, may be increased or decreased from time to time in the Company's discretion for past, present and future commitments). The amount of First Tier Debt, at any time, shall equal the amount of the outstanding First Tier Indemnities at such time (which may be increased or decreased from time to time in the Company's discretion for past, present or future commitments). The amount of Second Tier Debt, at any time, shall equal the amount of the outstanding Second Tier Indemnities at such time, (which may be increased or decreased from time to time in the Company's discretion for past, present and future commitments). The amount of Third Tier Debt, at any time, shall equal the amount of the outstanding Third Tier Indemnities at such time, (which may be increased or decreased from time to time in the Company's discretion for past, present or future commitments). The amount of First Tier Indemnities, Second Tier Indemnities and Third Tier Indemnities (and thus the amount of First Tier Debt, Second Tier Debt and Third Tier Debt), at any time, is, subject to Section 21.2, subject to change.

21.4. The parties hereto hereby acknowledge that the provisions of this Article 21 are intended to reflect the policy established by MCRLP and the Company regarding guarantees and indemnities (and their relative priorities) with respect to Partnership Debt. In connection with this policy, each Contributor hereby acknowledges and agrees as follows:

(a) In the event that MCRLP, the Company and/or any of their subsidiaries or affiliates, in the ordinary course of business, refinances, pays down or pays off any portion of unsecured Partnership Debt (which, subject to Section 21.2, MCRLP, the Company and/or any of their subsidiaries or affiliates may do at any time and in their sole discretion), such that the total outstanding unsecured Partnership Debt is, at any time, less than the aggregate amount of the then outstanding guarantees and indemnities, the then outstanding Second Tier Indemnities (including the Contributor Indemnities) will be the second guarantees and indemnities (i.e., after the Third Tier Indemnities and before the First Tier Indemnities) to be reduced (and possibly eliminated), subject to Section 21.2, pari passu. At any time, and subject to Section 21.2, only the amount of outstanding unsecured Partnership Debt in excess of the sum of the then outstanding First Tier Indemnities will be available for the Second Tier Indemnities. In the event that there is a reduction (and possible elimination) of Second Tier Indemnities (including the Contributor Indemnities) during the Restricted Period, then unless MCRLP makes available to the affected Contributor the opportunity to enter into a Contributor Guarantee meeting the requirements of Section 21.2(a) and 21.2(b), MCRLP shall be in violation of Section 21.2.

(b) Upon the dissolution and liquidation of MCRLP, any Dissolution Proceeds will be deemed to discharge, first, the First Tier Debt, second the Second Tier Debt, and then the Third Tier Debt. As a result, the Second Tier Indemnities (including the Contributor Indemnities) will be the second guarantees and indemnities (i.e., after the First Tier Indemnities and before the Third Tier Indemnities) to be discharged upon the realization by creditors of Dissolution Proceeds, such that, if, upon the dissolution and liquidation of MCRLP, total Dissolution Proceeds are less than the then total outstanding Partnership Debt subject to Indemnities, those persons then having Second Tier Indemnity obligations (including the Contributors, if the

Contributor Indemnities are then in effect) will be required to pay out on such obligations prior to those persons then having First Tier Indemnity obligations.

21.5. Notwithstanding anything in this Article 21 to the contrary, upon the expiration of the Restricted Period, except to the extent that Second Tier Debt is otherwise available and MCRLP and/or the Company willfully precludes any Contributor from exercising it/his rights under Section 21.2, it is hereby expressly understood and agreed by the Contributors that the Contributors shall have no recourse against either MCRLP, the Company or any of their subsidiaries or affiliates, and neither MCRLP, the Company nor any of their subsidiaries or affiliates shall incur any liability whatsoever to the Contributors by virtue of this Article 21; provided, however, that nothing in this Section 21.5 shall limit any remedies of the Contributors for any breach by MCRLP or the Company of its obligations under this Agreement.

21.6. In the event and to the extent that any Contributor: (i) obtains a tax-free step-up in the basis of any of its Contributor Units for federal income tax purposes (e.g., in the event of death); (ii) sells, transfers or otherwise disposes of any of its Contributor Units in a taxable transaction; (iii) receives a Make-Whole Payment from MCRLP and/or the Company pursuant to Section 22.4 hereof; or (iv) allocations are made pursuant to Section 704(c) of the Code that reduces the amount of any Built-in-Gain (as defined in Section 22.4 hereof), then the Contributor Debt Amount shall be appropriately reduced.

21.7. The provisions of this Article 21 shall survive the Closing for the applicable period of the statute of limitations following the expiration of the Restricted Period.

22. SALE OF THE PROPERTY.

22.1. (a) For the period ending on the tenth (10th) anniversary of the Closing Date, (the "**Restricted Period**"), none of MCRLP, the Company or any of their subsidiaries or affiliates may dispose of or transfer, in any manner, any Property except: (i) in an entirely tax-free like-kind exchange which satisfies the requirements of Code Section 1031 and the Treasury Regulations promulgated thereunder; (ii) if a sale or disposition of such Property would not result in recognition of all or any part of the Built-in Gain (as hereinafter defined) by any Contributor; (iii) in accordance with Section 22.2; or (iv) if MCRLP pays to each Contributor an amount which, after the payment of all federal, state and local income Taxes payable with respect to such amount, would be equal to the federal, state, and local income Taxes payable by such

Contributor resulting from the recognition of the Built-in Gain triggered by such sale (as determined in accordance with Section 22.4).

(b) If any Property is transferred pursuant to clauses (i) through (iii) of Section 22.1(a) above in a transaction in which gain or loss is not required to be recognized for federal income tax purposes in whole or in part, the direct and indirect interest of MCRLP (adjusted, as appropriate, taking into account the principles of Section 21.5) in such Property or any property received in exchange thereof, as appropriate, thereafter shall also be considered a Property subject to all of the restrictions of this Article 22 for the balance of the Restricted Period (and if the acquiring entity's disposition of the Property would cause a Contributor to be required to recognize Built-in Gain as a result thereof, the transferred Property shall continue to be

considered a Property for purposes of this Article 22 (adjusted, as appropriate, taking into account the principles of Section 21.5)).

22.2. Notwithstanding Section 22.1 above, each Contributor agrees that during the Restricted Period, the Property may be disposed of at any time (without any liability to MCRLP, the Company or any of their subsidiaries or affiliates) in connection with either of:

(a) the sale, transfer or disposition of all or substantially all of the properties owned by MCRLP, which, in MCRLP's sole judgment, is determined to be in the best interests of the Company and its public stockholders; provided, however, that MCRLP and the Company shall use commercially reasonable efforts to structure any such transaction to (i) avoid or defer the recognition of any taxable income or gain or (ii) minimize any adverse tax consequences, in either case to the Contributors, provided that if and to the extent that such transaction is structured to (i) avoid or defer the recognition of any taxable income or gain or (ii) minimize any adverse tax consequences, in either case to any direct or indirect partner or group of partners of MCRLP in connection with such transaction, such transaction shall be structured to provide equivalent and proportionate treatment to the Contributors (taken into account in the aggregate and as a group); and provided further that any failure of the Company or MCRLP to treat the Contributors in the manner provided for in this Section 22.2(a) shall be considered a breach of its obligations under Section 22.1; and

(b) a sale (including without limitation a transfer to a secured lender in lieu of foreclosure) which the Board of Directors of the Company, in its sole, good faith judgment, determines is reasonably necessary (i) to satisfy any actual material monetary default on any unsecured debt, judgment or liability of MCRLP, the Company or any of their subsidiaries or affiliates when they become due (at maturity or otherwise) or (ii) to cure or satisfy any actual material monetary default on any mortgage secured by the Property; provided, however, that no such sales shall be made under clause (b) unless MCRLP is unable to settle or refinance any such debts, judgments or liabilities, or cure or satisfy any such defaults, after making commercially reasonable efforts to do so under then prevailing market conditions. In making any sale pursuant to this clause (b), MCRLP covenants and agrees that it shall not unreasonably discriminate against the Properties (as compared to any other properties held by MCRLP) and shall use commercially reasonable efforts (i) to ensure that the Contributors as a group are treated fairly, equitably, and, in any event, in a manner not less favorable than any other direct or indirect partner or groups of partners of MCRLP, (ii) to ensure that, to the extent reasonably practicable, any such disposition is effected in such a manner as any other direct or indirect partner or groups of partners of MCRLP, in the aggregate as a group recognize under Code Section 704(c) as a result of such disposal the same portion of such income and gain that the Contributors in the aggregate recognize as a result of such disposal, expressed as a percentage of the aggregate income and gain that any other direct or indirect partner or groups of partners of MCRLP (each taken into account in the aggregate and as a group) or the Contributors in the aggregate, respectively, would recognize under Code Section 704(c) as a result of a hypothetical, fully taxable sale of all of the assets of MCRLP at the time of such disposal, and (iii) to otherwise minimize any adverse tax consequences to the Contributors. In the case of any disposition of any of the Properties pursuant to this Section 22.2(b), holders of the Units may attempt to obtain title to the Property in question so long as any equity in the Property is not lost or jeopardized. Moreover, in the event of an anticipated transfer of any of the Property to a secured lender in lieu

of foreclosure, or foreclosure, MCRLP shall use commercially reasonable efforts to provide the Contributors with the right to cure the underlying default including the right to loan MCRLP the funds necessary to cure the default on an unsecured basis, as well as the right to limit such funds to MCRLP and to receive security for any such loan from MCRLP (or its appropriate subsidiary or affiliate) in the form of a second mortgage secured solely by such Property (but only if the lender or lenders holding any prior mortgage or mortgages on the Property expressly consent in writing to the grant of the second mortgage, provided that neither such loan, whether secured or unsecured by the such Contributors nor the granting of any such second mortgage to such holders violates any covenant in any loan agreement of MCRLP, the Company or any of their subsidiaries or affiliates). The availability of the rights of the Contributors set forth in the preceding sentence shall not in any event mitigate the obligation of MCRLP and the Company to make the Make Whole Payment otherwise required under Article 21 or Article 22, it being understood that no Contributor shall be obligated to avail itself of the rights set forth in this Section 22.2(b).

22.3. After the expiration of the Restricted Period, the restrictions contemplated by this Article 22 shall terminate in their entirety, and the Property may be sold, transferred or otherwise disposed of at any time and in any manner that the fee owner (whether MCRLP or some other person or entity) may so choose.

22.4. Any event in Article 21 or this Article 22 that triggers the obligation of MCRLP to make a Make-Whole Payment (as defined in the next sentence) is called a "**Triggering Event**" MCRLP shall pay to each Contributor an amount (the "**Make-Whole Payment**") equal to the aggregate federal, state and local income taxes, if any, incurred by the Contributor as a result of a Triggering Event. Any such federal, state and local income taxes shall be deemed to be the amount of Built-in Gain required to be recognized by any Contributor multiplied by the then highest federal, state and/or local income tax rates applicable to such Built-in Gain for the year in which such Built-in Gain is recognized, grossed up to include any federal, state and local income taxes incurred by the Contributor by reason of the receipt of the Make-Whole Payment. No effect shall be given, in determining the amount of the Make-Whole Payment, to a Contributor's taxable income, tax deductions, tax credits, tax carry forwards nor to any other of their tax benefits or tax attributes (except that state and local Taxes paid on account of the Make-Whole Payment shall be deducted in determining federal income Taxes for purposes of determining the Make-Whole Payment). For purposes of this Agreement, the term "**Built-in Gain**" shall mean the amount of taxable income and gain that would have been recognized by each Contributor on the Closing Date if the Exchange Property had been sold in a taxable transaction for an amount equal to the value of the Consideration on the Closing Date.

22.5. The Make-Whole Payment shall be made within a reasonable period of time after the Triggering Event, but in no event later than: (i) April 10 of the year in which the Triggering Event occurs if the Triggering Event occurs prior to April 1 of such year; (ii) June 10 of the year in which the Triggering Event occurs if the Triggering Event occurs after March 31 but prior to June 1 of such year; (iii) September 10 of the year in which the Triggering Event occurs if the Triggering Event occurs after May 31 but prior to September 1 of such year; and (iv) January 10 of the year immediately following the year in which the Triggering Event occurs if the Triggering Event occurs after August 31 of such year. In addition to any other rights available under law or equity, in the event that MCRLP fails to pay any amounts owed pursuant to Article

21 or this Article 22 when due, the Contributor to whom such payment is owed shall be deemed to have loaned such amount to MCRLP. Any amounts payable to a Contributor shall be increased by an amount equal to the greater of (x) interest accrued on such amount at the Prime Rate from the date such amount is due until such amount is paid in full and (y) actual interest and penalties accrued by the relevant Taxing authorities with respect to such amounts plus any penalties actually imposed thereon by the relevant Taxing authorities. The Make-Whole Payment shall be in addition to, and shall not in any manner reduce, the amounts distributable or payable to the Contributors pursuant to the other provisions of this Agreement and the OP Agreement (calculated as if there had been no Make-Whole Payment).

22.6. MCRLP shall use the traditional method in the manner set forth in Treasury Regulations Section 1.704-3(b) with respect to the contributions of the Properties pursuant to this Agreement and in connection with any revaluation of the same, except that a limited curative allocation pursuant to Treasury Regulation Section 1.704-3(c) may be made by MCRLP; provided, however, that notwithstanding anything contained in this Agreement or elsewhere, for any taxable year of MCRLP, no Contributor (or, to the extent that Section 1.2 is implicated, no Property LLLP), may be allocated pursuant to this Section 22.6 any income if, and to the extent that, such Contributor or Property LLLP would be allocated (either pursuant to this Section 22.6 or otherwise) an amount of income of MCRLP with respect to each Unit held by such Contributor or Property LLLP in excess of the return of capital component of the dividends paid by the Company with respect to a share of common stock of the Company in respect of such taxable year.

22.7. The parties agree that the sole and exclusive rights and remedies to which the Contributors may be entitled at law or in equity in connection with any Triggering Event shall be for payment of the Make-Whole Payment pursuant to Article 21 or Article 22 of this Agreement, and no Contributor shall be entitled to enjoin or otherwise object to any transactions that would result in a taxable event or pursue any other claim with respect to a Triggering Event. If any Contributor notifies MCRLP of a claim that MCRLP owes a Make-Whole Payment, the Company, on behalf of MCRLP, and the Contributor shall negotiate in good faith to resolve any disagreements regarding any such Triggering Event. If any such disagreement cannot be resolved by the parties within thirty (30) days after the receipt by MCRLP of the notice in accordance with the preceding sentence, the Company, on behalf of MCRLP, and the Contributor shall jointly retain a nationally recognized independent public accounting firm (an "**Accounting Firm**") to act as an arbitrator to resolve as expeditiously as possible all points of any such disagreement (including, without limitation, whether a Triggering Event has occurred and, if so, the amount of the applicable Make-Whole Payment that the Contributor is entitled to as a result thereof, determined as set forth in Section 21.2(a)). If the parties cannot agree on an Accounting Firm, each of the Company, on behalf of MCRLP, and the Contributor shall retain an Accounting Firm, and the Accounting Firms selected shall jointly retain a third Accounting Firm. If the two Accounting Firms cannot agree upon a third Accounting Firm within thirty (30) days, such matter shall be referred to a court of competent jurisdiction to select the third Accounting Firm. The Accounting Firms shall be instructed to resolve as expeditiously as possible all points of any such disagreement (including, without limitation, whether a Triggering Event has occurred and, if so, the amount of the applicable Make-Whole Payment that the Contributor is entitled to as a result thereof, determined as set forth in Section 22.5). All determinations made by the Accounting Firm or the Accounting Firms, as the case may be, with

respect to the resolution of whether a Triggering Event has occurred shall be final, conclusive and binding on MCRLP and the Contributor. The fees and expenses of any Accounting Firms incurred in connection with any such determination shall be shared equally by MCRLP and the Contributor.

22.8. The provisions of this Article 22 shall survive the Closing for the applicable period of the statute of limitations following the expiration of the Restricted Period.

22.9. Procedural Matters.

(a) Tax Treatment of Transaction. Each of the parties hereby agrees (I) that, if and to the extent Section 1.2 is implicated, the transactions contemplated by this Agreement are to be treated for federal income tax purposes, as an "assets over form" merger, as prescribed by Treasury Regulations Sections 1.708-1(c)(3)(i); 1.708-1(c)(4); and 1.708-1(c)(5), Example 4; (II) that such party will treat the transactions contemplated by this Agreement as described in clause (I) for federal income tax purposes, and will take no position inconsistent with such treatment; and (III) that each such party will treat, for federal income tax purposes, the contribution of any Transferred Interest to the MCRLP by each Contributor receiving cash pursuant to Section 2.1(b) herein as a sale of the Transferred Interest(s) contributed by such Contributor and will take no position inconsistent with such treatment. The parties agree and acknowledge (and will not take any position inconsistent therewith) that no consideration (whether actual consideration or deemed consideration under Section 707(a) of the Code or otherwise) other than Contributor Units and Assumed Debt has been or will be given by MCRLP or the Company to the Contributors in connection with the Transaction, except and only to the extent that a Contributor elects to or, pursuant to Section 2.1(c)(ii) of this Agreement is required to, receive cash for a portion or all of the Exchange Property being transferred to MCRLP. The parties agree to treat all liabilities of the Capitol Office Owners as "qualified liabilities" within the meaning of Treasury Regulation Section 1.707-5(a)(6). The Contributors represent to MCRLP for this purpose that, to the best of their knowledge, all such liabilities of the Capital Office Owners to be assumed by MCRLP at the time of the Closing constitute "qualified liabilities" within the meaning of Treasury Regulation Section 1.707-5(a)(6). MCRLP and the Company shall not, at any time during or with respect to the Restricted Period, take any contrary or inconsistent position in any federal or state income tax returns (including, without limitation, information returns, such as, for instance, Schedules K-1 to IRS Form 1065, provided to partners in MCRLP and returns of subsidiaries of MCRLP) or any dealings involving the Internal Revenue Service (including, without limitation, any audit, administrative appeal or any judicial proceeding involving the income tax returns of MCRLP or the Tax treatment of any holder of a partnership interest of MCRLP).

(b) Allocation Methods to be Followed. All Tax returns prepared by MCRLP during the Restricted Period that allocate liabilities of MCRLP for purposes of Section 752 and the Treasury Regulations thereunder shall treat each Contributor as being allocated for federal income tax purposes an amount of recourse debt (in addition to any nonrecourse debt otherwise allocable to such Contributor in accordance with the OP Agreement and Treasury Regulations Section 1.752-3 and any other recourse liabilities allocable to such Contributor by reason of guarantees of indebtedness entered into pursuant to other agreements with MCRLP) pursuant to Treasury Regulation Section 1.752-2 equal to such Contributor's Contributor Debt Amount, as

set forth on **Schedule 21.1**, and as may be reduced pursuant to the terms of this Agreement, and MCRLP and the Company shall not, during or with respect to the Restricted Period, take any contrary or inconsistent position in any federal or state income tax returns (including, without limitation, information returns, such as, for instance, Schedules K-1 to IRS Form 1065, provided to partners in MCRLP and returns of subsidiaries of MCRLP) or any dealings involving the Internal Revenue Service (including, without limitation, any audit, administrative appeal or any judicial proceeding involving the income tax returns of MCRLP or the Tax treatment of any holder of partnership interests in MCRLP). All "excess" nonrecourse liabilities of MCRLP secured by a Protected Property allocable pursuant to Treasury Regulation Section 1.752-3(a)(3) shall be allocated first to the Contributors in an amount equal to the amount by which their share of the "built-in gain" (as determined under Section 704(c) of the Code) with respect to such Protected Property exceeds the gain described in Treasury Regulation Section 1.752-3(a)(2) with respect to such Protected Property.

(c) Notice of Tax Audits. If any claim, demand, assessment (including a notice of proposed assessment) or other assertion is made with respect to Taxes against the Contributors or MCRLP the calculation of which involves a specific matter covered in this Agreement ("**Tax Claim**") or if the Company or MCRLP receives any notice from any jurisdiction with respect to any current or future audit, examination, investigation or other proceeding ("**Proceeding**") involving the Contributors or MCRLP or that otherwise involves a specific matter covered in this Agreement that could directly or indirectly affect the Contributors (adversely or otherwise), then the Company or MCRLP, as applicable shall promptly notify the Representatives of such Tax Claim or Tax Proceeding.

(d) Control of Tax Proceedings. The Company, as the general partner of MCRLP shall have the right to control the defense, settlement or compromise of any Proceeding or Tax Claim; provided, however, that the Company shall not consent to the entry of any judgment or enter into any settlement with respect to such Tax Claim or Tax Proceeding without the prior written consent of at least one of the Representatives, which shall not be unreasonably withheld (unless, and only to the extent, that any Taxes required to be paid by the Contributors as a result thereof would be required to be reimbursed by MCRLP and the Company under Article 21 or Article 22 of this Agreement and MCRLP and the Company agree in connection with such settlement or consent, to make such required payments); provided further that MCRLP shall keep the Representatives duly informed of the progress thereof to the extent that such Proceeding or Tax Claim could directly or indirectly affect (adversely or otherwise) the Contributors and that the Representatives shall have the right to review and comment on any and all submissions made to the IRS, a court, or other governmental body with respect to such Tax Claim or Tax Proceeding and that MCRLP will consider such comments in good faith. As a condition to withholding their consent to a settlement

pursuant to the preceding sentence, the Representatives (i) must have a reasonable basis to believe that such settlement would have a material adverse impact on one or more Contributors with respect to a matter covered by this Agreement and that such impact would be different from the impact that would result for other holders of MCRLP Units who are not Contributors (which the Representatives, upon request from MCRLP, shall describe in reasonable detail in writing), (ii) the Representatives must believe, based upon the advice of Hogan & Hartson L.L.P. (or another comparable law firm) or a nationally recognized accounting firm, that it is more likely than not that the position asserted by the Representatives would prevail if it were to be asserted in a judicial proceeding (and upon request of MCRLP, the

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Representatives shall provide to MCRLP a letter from such counsel or accountants confirming such advice), and (iii) the Representatives shall offer to assume the subsequent costs of defending and asserting the position asserted by the Representatives and indemnify and hold harmless MCRLP and the Company from any taxes and related interest and penalties to MCRLP or the Company resulting from a subsequent judgment in excess of such amounts that would have been imposed pursuant to the rejected settlement. (but not any other costs associated with such proceeding or any other issues involved therein); provided that the foregoing shall not apply with respect to, or otherwise restrict or limit in any matter, the exercise by any of the Contributors of any rights or privileges provided for in Sections 6221-6234 of the Code and the Treasury Regulations thereunder or in the Partnership Agreement in connection with any examination of federal or state income tax matters related to the Contributors or MCRLP.

23. **PUBLICATION; CONFIDENTIALITY.**

23.1. Upon the execution of this Agreement, MCRLP and the Company shall have the right to make such public announcements or filings as may be required by (i) the Securities Act, (ii) the Exchange Act, (iii) the rules and listing standards of the New York Stock Exchange, Inc., (iv) any other law of a jurisdiction to which MCRLP and the Company are subject, or (v) any oral questions, interrogatories, requests for information, subpoena, civil investigative demand, or similar process required by applicable rules, laws or regulations by any court, law or administrative authority to which MCRLP and the Company are subject. MCRLP and the Company also shall have the right to make such public announcements or filings as they may deem reasonably prudent, and shall be entitled to make such filings or announcements upon advice of counsel as may be otherwise be deemed necessary. In this connection, it should be noted that the Company has determined that the entry into this Agreement will need to be disclosed within four (4) business days of its execution on a Current Report on Form 8-K under Item 1.01 thereof and that the Agreement will be filed as an exhibit thereto or be filed as an exhibit to the Company's next following periodic report filed pursuant to the Exchange Act.

23.2. Except as provided in Section 23.1 above, neither MCRLP nor the Contributors shall disclose, and each shall direct its respective representatives, employees, agents and consultants not to disclose, to any person or entity the fact that MCRLP and the Contributors have entered into this Agreement nor any of the terms, conditions or other facts with respect to this Agreement. Notwithstanding the foregoing, either party may disclose those terms and conditions which are required to be disclosed pursuant to law or in order to comply with this Agreement; provided, however, that the disclosing party shall use its best efforts to limit the disclosure to the information necessary, shall advise any party to whom disclosure is made that said terms and conditions are subject to a confidentiality requirement and shall obtain the agreement of said party to keep any information disclosed to it as confidential. In the event of a breach of the provisions of this Section 23.2, either party shall be entitled to all of its rights and remedies at law or in equity.

23.3. Contributor shall not disclose to any third party any information that is not public information concerning the Company, MCRLP or any transaction or potential transaction Contributor may become aware of involving the Company or MCRLP without MCRLP's prior written consent.

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24. **TAX MATTERS.**

24.1. Subject to Section 24.2, the Contributors will pay or provide for payment of all Taxes due and payable on or after the Closing with respect to each Property LLLP and/or each Property. The Contributors will prepare and timely file all Tax returns and reports required to be filed on or after the Closing with respect to Taxes for which they are liable under Section 24.2. If MCRLP or its designee shall acquire one or more Property LLLPs, such Tax returns shall be prepared in a manner consistent with the reporting of all items of income or loss on prior returns of each such Property LLLP (and any predecessor thereof) and the Contributors shall obtain MCRLP's approval prior to filing such tax returns, which approval shall not be unreasonably withheld, conditioned or delayed. The Contributors will provide MCRLP with a copy of such Tax returns or reports no later than ten (10) days after filing. MCRLP will file all Tax returns or reports required to be filed with respect to the Properties and/or the Property LLLPs after the Closing Date for all taxable periods beginning before the Closing Date and ending after the Closing Date and such Taxes shall be allocated between the Contributors and MCRLP in accordance with their respective periods of ownership of the Properties and/or the Property LLLPs. Notwithstanding anything herein to the contrary, the provisions of this Section 24.1 shall survive the Closing Date, until the applicable period of any statute of limitation on assessments of any of such Taxes has expired.

24.2. Except as provided in this Section 24.2, the Contributors shall pay any and all Taxes including, without limitation, Taxes imposed with respect to its business and the ownership or operation of the Properties and/or the Property LLLPs for all taxable periods (or portions thereof) ending on or prior to the Closing, imposed upon MCRLP based, in whole or in part, upon the failure to comply with the bulk sales laws, in any case other than Taxes for which a Property LLLP (or any successor thereto) has established reserves or for which a Property LLLP has otherwise made provision. MCRLP shall be liable and shall pay all Taxes with respect to its business and the ownership or operation of the Properties or the Property LLLPs (or any successor thereto) for all taxable periods (or portions thereof) ending after the Closing; provided, however, that MCRLP will not be liable for Taxes with respect to a Property LLLP (or any successor thereto) to the extent that Section 1.2 is implicated with respect to such Property LLLP. The Contributors or MCRLP, as the case may be, shall be responsible for preparing and filing (with the cooperation of the other) any and all Tax returns and reports for Taxes for which they are liable pursuant to this Section 24.2.

24.3. MCRLP is hereby authorized by the Contributors, in MCRLP's sole discretion, to file any applicable proceeding in respect of the property tax roll for the reduction of the assessed valuation of any Property. The net refund of Taxes, if any, for any tax year for which the Contributors or MCRLP shall be entitled to share in the refund shall be divided between the Contributors and MCRLP in accordance with the apportionment of Taxes pursuant to the provisions hereof; provided, however, that any amounts for which MCRLP would have an obligation to refund such Taxes to a Tenant of any Property shall be apportioned to MCRLP to meet such obligation to refund such Taxes to any such Tenant. All expenses in connection therewith, including counsel fees, shall be borne by the Contributors and MCRLP in proportion to their ownership period of the asset in question. The Contributors and MCRLP each agree to grant to the other a limited power of attorney or other authorization necessary to carry out the intention of this Section 24.3.

24.4. "**Taxes**" mean all federal, state, county, local, foreign and other taxes of any kind whatsoever (including, without limitation, income, profits, premium, estimated, excise, sales, use, occupancy, gross receipts, franchise, ad valorem, severance, capital levy, production, transfer, license, stamp, environmental, withholding, employment, unemployment compensation, payroll related and property taxes, import duties and other governmental charges or assessments), whether or not measured in whole or in part by net income, and including deficiencies, interest, additions to tax or interest, and penalties with respect thereto, and including expenses associated with contesting any proposed adjustment related to any of the foregoing.

24.5. In the event it is determined by the applicable Governmental Authority that, notwithstanding the fact that the parties intend that the transactions contemplated herein should be treated as a sale of Transferred Interests and not as a sale of direct interests in real property, that applicable Maryland state and/or county real property transfer or recordation taxes are payable in connection with this transaction, then each of the parties shall have a right to protest such determination, at their sole cost and expense and with the reasonable cooperation of the other party(ies); provided, however, in the event that a final determination is made that any such Taxes are payable, each of (i) the Contributors and (ii) MCRLP shall bear fifty percent (50%) of the Taxes so determined to be payable and, in any event, any real property transfer taxes otherwise resulting from the transactions contemplated herein. The terms of this Section 24.5 shall survive the Closing for the applicable period of the statute of limitations.

25. **DEFAULT REMEDIES; INDEMNITY.**

25.1. In the event all conditions precedent have been satisfied but MCRLP fails to perform on the Closing Date, MCRLP's sole liability and Contributor's sole recourse shall be limited to the receipt and retention of the Deposit. Contributor agrees that retention of the Deposit constitutes fixed and liquidated damages resulting from MCRLP's default, and Contributor waives any other claim, at law or in equity, either against MCRLP or against any person, known or unknown, disclosed or undisclosed.

25.2. In the event MCRLP defaults in the performance of any obligation or agreement to be performed by it under this Agreement after the Closing Date, and such default is not cured within thirty (30) days after written notice of default is given by the GP Contributors, or any one of them, to MCRLP, the GP Contributors shall be entitled to enforce against MCRLP any and all rights and remedies at law or in equity; provided, however, MCRLP's maximum aggregate liability on account of a breach of any of its obligations hereunder other than its obligations under Section 21 hereof shall not exceed the sum of THREE MILLION DOLLARS ($3,000,000.00) provided, further, however, that the aforesaid limit upon MCRLP's liability shall not apply to any obligation of MCRLP under Section 21 or Section 22 hereof.

25.3. (a) In the event of a breach any of the representations or warranties made by the GP Contributors and the Property LLLPs under this Agreement or in any document, agreement or estoppel executed and delivered by them pursuant to this Agreement, or in the event the GP Contributors or the Property LLLPs default in the performance of any obligation or agreement to be performed by them hereunder, MCRLP shall be entitled to enforce against the Contributors any and all rights and remedies available at law or in equity, including, without

limitation, an action seeking specific performance, subject, however, to the provisions of Section 25.3(b) hereof.

(b) The following limitations shall apply with respect to the rights and remedies available to MCRLP under this Agreement:

(i) If MCRLP discovers the breach of a representation or warranty by the Contributors or the Property LLLPs, or any one of them, prior to the Closing Date, the provisions of Section 7.7 hereof shall govern, to the extent applicable.

(ii) With respect to any breach of the representations and warranties set forth in Section 7.1 hereof or with respect to any breach of the covenants set forth in Section 8 hereof that are discovered by MCRLP after the Closing Date, the maximum aggregate liability of all the Contributors shall not exceed the sum of THREE MILLION DOLLARS ($3,000,000.00) and recourse for the recovery of damages on account of any breach shall be limited to the Escrow Pool (as defined below) established pursuant to Section 25.4 hereof.

(iii) It is specifically understood and agreed that there shall be no limit on the amount of damages that MCRLP shall be entitled to recover from the GP Contributors on account of a breach of any of the representations, warranties or indemnities set forth in Sections 7.2 or 7.3 hereof, except that the liability of any GP Contributor on account of a breach of any of the representations or warranties set forth in Section 7.3 shall be limited to the value of the Units and the cash consideration received by such GP Contributor in this transaction. It is further understood and agreed that in the event of a breach of any of the representations, warranties or indemnities set forth in Sections 7.2 or 7.3, MCRLP shall be entitled, at its option, to seek recourse for the damages resulting from such breach from the Escrow Pool established pursuant to Section 25.4 hereof, but MCRLP shall be under no obligation to proceed against the Escrow Pool for the satisfaction of such damages, nor shall the amount of damages recoverable by MCRLP be limited to the amount of the Escrow Pool

(iv) MCRLP shall not be entitled to seek any damages suffered by it on account of a breach of any representation or warranty set forth herein unless the damages exceed the sum of ONE HUNDRED THOUSAND DOLLARS ($100,000.00), but once this threshold is reached, then MCRLP shall be entitled to seek recovery of all the damages, subject to any other limitations otherwise provided herein.

25.4. As security for the obligations of the Contributors hereunder, Units comprising a part of the Consideration having a value of not less than THREE MILLION DOLLARS ($3,000,000.00) shall be deposited in escrow at the Closing with Goulston & Storrs ("**Escrow Holder**") (such Units shall constitute the "**Escrow Pool**") to be held and applied in accordance with the terms of this Agreement and the Escrow Agreement attached hereto as **Exhibit R**. In the event MCRLP shall be entitled to recover damages from the Contributors on account of any breach or default hereunder, MCRLP shall be entitled to receive and retain Units having a value equal to the amount of such damages, subject to any limitations set forth herein on the amount of such damages. For purposes of this Section 25.4, the value of the Units to be received and

retained by MCRLP shall be calculated with reference to the average closing price as reported on the New York Stock Exchange for the Company's Common Stock over the twenty (20) consecutive trading days ending two (2) trading days prior to the date on which MCRLP delivers written notice to Contributors' counsel (as designated in Article 26 of this Agreement) of its claim to recover damages. It is understood and agreed that recourse to the Escrow Pool shall be MCRLP's sole remedy with respect to a breach or default of any of the representations or warranties set forth in Section 7.1 hereof or any of the agreements set forth in Section 8 hereof, but that recourse to the Escrow Pool on account of a breach of any of the representations or warranties set forth in Sections 7.2 or 7.3, or a breach of any other provisions of this Agreement, is optional on the part of MCRLP. The Escrow Pool, to the extent not used to satisfy damages of MCRLP, shall be distributed to the Distributors at such time all the representations and warranties set forth in Section 7.1 shall cease to survive.

25.5. This Article 25 shall survive the Closing for the applicable period of the statute of limitations.

25.6. Notwithstanding anything to the contrary contained herein, except to the extent otherwise provided in Sections 9.4, 16.3 and 25.3 (b)(iii) hereof, no Contributor shall have any personal liability for any indemnity obligation or for any breach of any representation or warranty contained herein, it being understood that, except as provided in Sections 9.4, 16.3 and 25.3(b)(iii), the liability of each Contributor shall be limited to the value of the Units and cash consideration received by such Contributor under this Agreement or, to the extent Section 25.3(b)(ii) is applicable, to the Units deposited by such Contributor into the Escrow Pool.

26. **NOTICE.**

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

If to MCRLP: c/o Mack-Cali Realty Corporation
11 Commerce Drive
Cranford, New Jersey 07016
with two (2)
separate copies
of the notice sent
to the attention of:

Mitchell E. Hersh
President and Chief Executive Officer
(908) 272-2009 (Tele)
(908) 272-0214 (Fax)
and
Roger W. Thomas
Executive Vice President and General Counsel

(908) 272-2612 (Tele)
(908) 272-0485 (Fax)

with a copy to: Goulston & Storrs
2001 K Street, NW
Suite 1100
Washington, D.C. 20007
Attn: Sheldon J. Weisel
(202) 721-1135 (Tele)
(202) 263-0535 (Fax)

Seyfarth Shaw LLP
1270 Avenue of the Americas
Suite 2500
New York, New York 10020
Attn: John P. Napoli
(212) 218-5620 (Tele)
(212) 218-5527 (Fax)

If to a Contributor: To the address for such Contributor set forth on **Exhibit A** annexed hereto.

with a copy to: Grossberg, Yochelson, Fox & Beyda
2000 L Street, NW
Suite 675
Washington, D.C. 20036
Attn: C. Richard Beyda
(202) 296-9696 (Tele)
(202) 296-7777 (Fax)

If to a Representative: To the address for such Contributor set forth on **Exhibit A** annexed hereto.

with a copy to: Hogan & Hartson L.L.P.
555 Thirteenth Street, N.W.
Washington, D.C. 20004
Attn: Prentiss E. Feagles
(202) 637-5781 (Tele)
(202) 637-5910 (Fax)

or to such other address as either party may from time to time designate by written notice to the other. Notices given by (i) overnight delivery service as aforesaid shall be deemed received and effective upon actual receipt provided a delivery receipt is obtained and (ii) telecopy or fax

machine shall be deemed given at the time and on the date of machine transmittal provided same is sent prior to 5:00 p.m. on a business day (if sent later, then notice shall be deemed given on the next business day). Notices may be given by counsel for the parties described above, and such notices shall be deemed given by said party, for all purposes hereunder.

27. **EMPLOYEE MATTERS.**

27.1. With respect to the Mack-Cali plans, programs and arrangements listed on **Schedule 27.1** and any vacation, sick time or other compensation policy of the Property LLLPs, which takes into account an employee's length of service, Mack-Cali shall grant all New Employees on and after the Closing Date credit for all service with the Property LLLPs and any affiliates thereof and their respective predecessors prior to the Closing Date for purposes for which such service was recognized by the Property LLLPs, and any affiliates thereof under the plans or programs listed on **Schedule 27.1**, including without limitation the Mack-Cali 401(k) Plan. Mack-Cali shall have no liability to any current or former employees of the Property LLLPs, or any affiliate thereof who are not New Employees, including without limitation any liabilities which may arise as a result of the consummation of the transactions contemplated by this Agreement, under any plans or programs listed on **Schedule 27.1**, or arising under applicable federal or state law including without limitation under the Worker Adjustment and Retraining Notification Act (WARN) and Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The provisions of this Section 27.1 shall survive the Closing.

27.2. Upon commencement of employment, New Employees shall be covered by the employee welfare plans maintained by Mack-Cali, including without limitation, medical and health plans as described in this Section. Upon commencement of participation by New Employees in the Mack-Cali medical and health plans, Mack-Cali shall (i) credit all New Employees on and after the Closing Date with any employee payments made under any medical or health plans of any Property LLLP which have

been paid in partial or full satisfaction of deductible requirements under such medical or health plans for purposes of satisfying deductible requirements under the corresponding Mack-Cali medical and health plans, and (ii) waive any preexisting condition exclusion and actively-at-work requirements (other than for New Employees not actively-at-work due to a disability which is expected to last more than five (5) days) under the Mack-Cali plans and programs set forth on **Schedule 27.1**. The Property LLLPs shall provide Mack-Cali or shall cause its insurance carrier to provide Mack-Cali with the applicable payment information as soon as practicable following the Closing Date. Mack-Cali may, at its option, for a period which ends no later than the December 31 following the Closing Date continue to provide to New Employees medical and health benefits substantially similar to and on the same terms and conditions as some or all of such benefits previously provided to New Employees prior to the Closing Date by their respective former employers.

27.3. The New Employees will be hired directly by Mack-Cali and their employment with any Property LLLP or any affiliate thereof shall terminate and their employment with Mack-Cali shall begin as of the Closing Date. Mack-Cali shall not be liable to any independent contractor of the Property LLLP or any affiliate thereof or to any New Mack-Cali Employee or to any Property LLLP or any affiliate thereof for any compensation, benefits or other liabilities related to any employment or services performed, or otherwise, which were incurred or accrued prior to the Closing Date, except for vacation time and any wages for which an adjustment

pursuant to Section 13.1(g) of this Agreement is being made. The Property LLLPs shall not be liable to any New Employees or other personnel (i.e., independent contractors of the Property LLLPs or any affiliate thereof) for vacation time and wages pursuant to which MCRLP receives a credit under Section 13.1(g).

27.4. Mack-Cali shall not be required to assume with respect to any New Mack-Cali Employee any agreement related to employment, compensation or benefits. Mack-Cali shall cause its 401(k) Plan to accept transfers of account balances from the Mack 401(k) Plan by way of direct rollover. Except as otherwise provided herein with respect to New Employees, all liabilities with respect to current or former employees of the Property LLLPs or any affiliate thereof, whether incurred under a plan or program listed on **Schedule 27.1** or otherwise, are the sole responsibility of the Property LLLPs or any affiliate thereof. The provisions of this Section 27.4 shall survive the Closing.

27.5. Mack-Cali will credit New Employees with any unused vacation time as of the Closing Date.

28. **MISCELLANEOUS.**

28.1. This Agreement and the other Transaction Documents constitutes the entire agreement between the parties and incorporates and supersedes all prior negotiations and discussions between the parties with respect to the subject matter hereof. This Agreement shall be binding upon and inure solely to the benefit of each party hereto and their successors and assigns, and nothing in the Agreement express or implied, is intended to confer upon any other person any rights or remedies of any nature whatsoever under or by reason of this Agreement.

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

28.3. This Agreement shall be interpreted and governed by the laws of the State of Maryland and shall be binding upon the parties hereto and their respective successors and assigns. The parties hereto hereby submit, and waive any objections, to the jurisdiction of the courts of the State of Maryland and of the courts of The United States of America situated in the State of Maryland.

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

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

28.6. Prior to and after the Closing, each party shall, from time to time, execute, acknowledge and deliver such further instruments, in recordable form, if necessary, and perform such additional acts, as the other party may reasonably request in order to effectuate the intent of this Agreement, within thirty (30) days of the request. Except with respect to Contributors' admission to MCRLP as limited partners as contemplated herein, nothing contained in this Agreement shall be deemed to create any rights or obligations of partnership, joint venture or

similar association between Contributor and MCRLP This Agreement shall be given a fair and reasonable construction in accordance with the intentions of the parties hereto, and without regard to or aid of canons requiring construction against the Contributors, MCRLP or the party whose counsel drafted this Agreement. The provisions of this Section shall survive the Closing.

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

28.8. All references herein to any Section, Exhibit or Schedule shall be to the Sections of this Agreement and to the Exhibits and Schedules annexed hereto unless the context clearly dictates otherwise. All of the Exhibits annexed hereto are, by this reference, incorporated herein.

28.9. Whenever used herein, the singular number shall include the plural, the plural shall include the singular, and the use of any gender shall be applicable to all genders.

28.10. In the event of any litigation or alternative dispute resolution between MCRLP and Contributors in connection with this Agreement or the transaction contemplated herein, the non-prevailing party in such litigation or alternative dispute resolution shall be responsible for payment of all expenses and reasonable attorneys' fess incurred by the prevailing party. The provisions of this Section 28.10 shall survive the Closing.

28.11. Upon written request by MCRLP, the Contributors agree to engage an accounting firm (the "**Accounting Firm**") that is registered with the Public Company Accounting Oversight Board and which Accounting Firm is reasonably acceptable to MCRLP to prepare audited financial statements for any Property LLLP and the Contributors that comply with Regulation 210.3-14 (Instruction for Real Estate Operations to be Acquired) of Regulation S-X (the "**3-14 Financial Statements**"). MCRLP hereby agrees to pay for all reasonable third party fees and expenses incurred by the Contributors in connection with the preparation of such 3-14 Financial Statements. MCRLP shall pay to the Contributors any such fees and expenses within thirty (30) days of the Contributors' request for payment. The Contributors' request for payment shall be accompanied by statements or invoices evidencing the fees and expenses incurred in connection with the preparation of the 3-14 Financial Statements. MCRLP's obligations under this Section 28.11 shall survive Closing. The Contributors agree to use their commercially reasonable efforts to cause the Accounting Firm to deliver the 3-14 Financial Statements by March 15, 2006. The Contributors agree to advise MCRLP within a reasonable period of time of the estimated cost for the preparation of the 3-14 Financial Statements; provided, however, that such estimate shall not be binding in any respect on the Contributors.

[BALANCE OF PAGE INTENTIONALLY BLANK; SIGNATURE PAGES FOLLOW.]

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

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

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

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

TENTH SPRINGHILL LAKE ASSOCIATES L.L.L.P., a Maryland limited liability limited partnership

By: /s/ ALBERT H. SMALL
Name: Albert H. Small
Title: General Partner

ELEVENTH SPRINGHILL LAKE ASSOCIATES L.L.L.P., a Maryland limited liability limited partnership

By: /s/ ALBERT H. SMALL
Name: Albert H. Small
Title: General Partner

TWELFTH SPRINGHILL LAKE ASSOCIATES L.L.L.P., a Maryland limited liability limited partnership

By: /s/ ALBERT H. SMALL
Name: Albert H. Small
Title: General Partner

FOURTEENTH SPRINGHILL LAKE ASSOCIATES L.L.L.P., a Maryland limited liability limited partnership

By: /s/ ALBERT H. SMALL
Name: Albert H. Small
Title: General Partner

GREENBELT ASSOCIATES, a Maryland general partnership

By: /s/ ALBERT H. SMALL
Name: Albert H. Small
Title: General Partner

SIXTEENTH SPRINGHILL LAKE ASSOCIATES L.L.L.P., a Maryland limited liability limited partnership

By: /s/ ALBERT H. SMALL
Name: Albert H. Small
Title: General Partner

GP CONTRIBUTORS:

/s/ ALBERT H. SMALL
Albert H. Small, as a GP Contributor

/s/ THEODORE N. LERNER
Theodore N. Lerner, as a GP Contributor

/s/ RALPH OCHSMAN
Ralph Ochsman, as a GP Contributor

/s/ RICHARD PERKINS
Richard Perkins, as a GP Contributor

GUDELSKY BROTHERS, a general partnership, as a GP Contributor

By: /s/ JACK C. MERRIMAN
Name: Jack C. Merriman
Title: Partner

IN WITNESS WHEREOF, the undersigned party has executed this Agreement as of the day and year first above written solely with regard to its rights and obligations under Section 20.1 of this Agreement.

MACK-CALI REALTY CORPORATION, a Maryland corporation

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

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EXHIBIT E Description of Properties
EXHIBIT F Description of Option Properties

EXHIBIT G Ownership of Properties
EXHIBIT H Ownership of Option Properties
EXHIBIT I Assumed Debt (as of November 1, 2005)
EXHIBIT J-1 Existing Loan Documents
EXHIBIT K Form of Limited Agreement of Indemnity
EXHIBIT L Form of Certificate for Units
EXHIBIT M Option Agreement
EXHIBIT N Form of Non-Imputation Indemnities and Affidavits
EXHIBIT O Form of Estoppel Certificate for GSA Leases
EXHIBIT P Form of Assignment of Transferred Interest
EXHIBIT Q Certificate of Non-Foreign Status
EXHIBIT R Escrow Agreement
EXHIBIT S Form of Guaranty
EXHIBIT T Property Financials
EXHIBIT U Form of Letter (Section 21.2(B)(I))
EXHIBIT V Form of Letter (Section 21.2(B)(II))
EXHIBIT W Form of Letter (Section 21.2(b)(III))

Exhibit 21.1

Subsidiary	State of Incorporation or Organization
2 PARAGON REALTY L.L.C.	DE
3 ODELL REALTY L.L.C.	NY
3 PARAGON REALTY L.L.C.	DE
4 GATEHALL REALTY L.L.C.	NJ
4 SENTRY HOLDING L.L.C.	DE
4 SENTRY REALTY L.L.C.	DE
5 WOOD HOLLOW REALTY, L.L.C.	NJ
5/6 SKYLINE REALTY L.L.C.	NY
6 PARSIPPANY L.L.C.	NJ
9 CAMPUS REALTY L.L.C.	NJ
11 COMMERCE DRIVE ASSOCIATES L.L.C.	NJ
12 SKYLINE ASSOCIATES L.L.C.	NY
14/16 SKYLINE REALTY L.L.C.	NY
14 COMMERCE REALTY L.L.C.	NJ
20 COMMERCE DRIVE ASSOCIATES L.L.C.	NJ
25 COMMERCE REALTY, L.L.C.	NJ
78/PINSON PARTNERS L.L.C.	NJ
100 WILLOWBROOK REALTY L.L.C.	DE
120 PASSAIC STREET L.L.C.	NJ
201 WILLOWBROOK FUNDING L.L.C.	NJ
225 CORPORATE REALTY L.L.C.	NY
232 STRAWBRIDGE REALTY L.L.C.	NJ
300 HORIZON REALTY L.L.C.	NJ
300 TICE REALTY ASSOCIATES L.L.C.	NJ
400 CHESTNUT REALTY L.L.C.	NJ
400 RELLA REALTY ASSOCIATES L.L.C.	NY
461 FROM REALTY L.L.C.	NJ
500 COLUMBIA TURNPIKE ASSOCIATES L.L.C.	NJ
500 WEST PUTNAM L.L.C.	CT
600 HORIZON CENTER L.L.C.	NJ
600 PARSIPPANY ASSOCIATES L.L.C.	NJ
795 FOLSOM REALTY ASSOCIATES L.P.	CA
1000 BRIDGEPORT REALTY L.L.C.	CT
1266 SOUNDVIEW REALTY L.L.C.	CT
1717 REALTY ASSOCIATES L.L.C.	NJ
AIRPORT PROPERTIES ASSOCIATES L.L.C.	NJ
BMP MOORESTOWN REALTY L.L.C.	NJ
BMP SOUTH REALTY L.L.C.	NJ
BRIDGE PLAZA REALTY ASSOCIATES L.L.C.	NJ
C.W. ASSOCIATES L.L.C.	NJ
CAL-HARBOR II & III URBAN RENEWAL ASSOCIATES L.P.	NJ
CAL-HARBOR IV URBAN RENEWAL ASSOCIATES L.P.	NJ
CAL-HARBOR V LEASING ASSOCIATES L.L.C.	NJ
CAL-HARBOR V URBAN RENEWAL ASSOCIATES L.P.	NJ
CAL-HARBOR VI URBAN RENEWAL ASSOCIATES L.P.	NJ
CAL-HARBOR VII LEASING ASSOCIATES L.L.C.	NJ
CAL-HARBOR VII URBAN RENEWAL ASSOCIATES L.P.	NJ
CAL-HARBOR SO. PIER URBAN RENEWAL ASSOCIATES L.P.	NJ
CAL-TREE REALTY ASSOCIATES L.P.	PA
CALI HARBORSIDE (FEE) ASSOCIATES L.P.	NJ
CALI HARBORSIDE PLAZA I (FEE) ASSOCIATES L.P.	NJ
CAMPUS CONSERVATION AND MANAGEMENT, INC.	NJ
CENTURY PLAZA ASSOCIATES L.L.C.	NJ
CLEARBROOK ROAD ASSOCIATES L.L.C.	NY
COLLEGE ROAD REALTY L.L.C.	NJ
COMMERCENTER REALTY ASSOCIATES L.L.C.	NJ
CROSS WESTCHESTER REALTY ASSOCIATES L.L.C.	NY
CWLT ROSELAND EXCHANGE L.L.C.	NJ
D.B.C. REALTY L.L.C.	NJ
ELMSFORD REALTY ASSOCIATES L.L.C.	NY
EMPIRE STATE VEHICLE LEASING L.L.C.	NY
FIVE SENTRY REALTY ASSOCIATES L.P.	PA
GARDEN STATE VEHICLE LEASING L.L.C.	NJ
HARBORSIDE HOSPITALITY CORP.	NJ
HORIZON CENTER REALTY ASSOCIATES L.L.C.	NJ
JUMPING BROOK REALTY ASSOCIATES L.L.C.	NJ
KEMBLE PLAZA II REALTY L.L.C.	NJ
KEYSTONE VEHICLE LEASING L.L.C.	PA
KNIGHTSBRIDGE REALTY L.L.C.	NJ
LINWOOD REALTY L.L.C.	NJ
LITTLETON REALTY ASSOCIATES L.L.C.	NJ

M-C CALIFORNIA SERVICES, INC.	DE
M-C CAPITOL ASSOCIATES L.L.C.	DE
M-C HARSIMUS PARTNERS L.L.C.	NJ
M-C PENN MANAGEMENT TRUST	MD
M-C PROPERTIES CO. REALTY L.L.C.	NJ
M-C RED BANK REALTY L.L.C.	NJ
M-C ROCKLAND PARTNERS L.P.	NY
MACK-CALI ADVANTAGE SERVICES CORPORATION	DE
MACK-CALI AIRPORT REALTY ASSOCIATES L.P.	PA
MACK-CALI B PROPERTIES, L.L.C.	NJ

MACK-CALI BRIDGEWATER CO., L.P.	NJ
MACK-CALI BUILDING V ASSOCIATES L.L.C.	NJ
MACK-CALI BUSINESS CAMPUS ASSOCIATES, INC.	NJ
MACK-CALI CALIFORNIA DEVELOPMENT ASSOCIATES L.P.	CA
MACK-CALI CALIFORNIA PARTNERS L.P.	CA
MACK-CALI CAMPUS REALTY L.L.C.	NJ
MACK-CALI CHESTNUT RIDGE, L.L.C.	NJ
MACK-CALI CW REALTY ASSOCIATES L.L.C.	NY
MACK-CALI D.C. MANAGEMENT CORP	DE
MACK-CALI E-COMMERCE L.L.C.	DE
MACK-CALI EAST LAKEMONT L.L.C.	NJ
MACK-CALI F PROPERTIES L.P.	NJ
MACK-CALI GLENDALE LIMITED PARTNERSHIP	AZ
MACK-CALI HAMILTON, L.L.C.	NJ
MACK-CALI HOLMDEL L.L.C.	DE
MACK-CALI JOHNSON ROAD L.L.C.	NJ
MACK-CALI MATAWAN L.L.C.	NJ
MACK-CALI MEADOWLANDS CORPORATION	DE
MACK-CALI MEADOWLANDS ENTERTAINMENT L.L.C.	NJ
MACK-CALI MEADOWLANDS SPECIAL L.L.C.	NJ
MACK-CALI MID-WEST REALTY ASSOCIATES L.L.C.	NY
MACK-CALI MORRIS REALTY L.L.C.	NJ
MACK-CALI PENNSYLVANIA REALTY ASSOCIATES L.P.	PA
MACK-CALI PLAZA I L.L.C.	NJ
MACK-CALI PROPERTY TRUST	MD
MACK-CALI REALTY ACQUISITION CORP.	DE
MACK-CALI REALTY CONSTRUCTION CORPORATION	NJ
MACK-CALI REALTY L.P.	DE
MACK-CALI RIVERSIDE REALTY L.L.C.	NJ
MACK-CALI SERVICES, INC.	NJ
MACK-CALI SHORT HILLS L.L.C.	NJ

MACK-CALI SO. WEST REALTY ASSOCIATES L.L.C.	NY
MACK-CALI SPRINGING L.L.C.	DE
MACK-CALI SUB I, INC.	DE
MACK-CALI SUB II, INC.	DE
MACK-CALI SUB III, INC.	DE
MACK-CALI SUB VI, INC.	DE
MACK-CALI SUB IX, INC.	DE
MACK-CALI SUB X, INC.	DE
MACK-CALI SUB XI, INC.	DE
MACK-CALI SUB XIV, INC.	DE
MACK-CALI SUB XV, TRUST	MD
MACK-CALI SUB XVII, INC.	DE
MACK-CALI SUB XXI, INC.	DE
MACK-CALI SUB XXII, INC.	DE
MACK-CALI SUB XXIII, INC.	DE
MACK-CALI TAXTER ASSOCIATES L.L.C.	NY
MACK-CALI TEXAS PROPERTY L.P.	TX
MACK-CALI TRS HOLDING CORPORATION	DE
MACK-CALI WILLOWBROOK COMPANY L.L.C.	NJ
MACK-CALI WOODBRIDGE L.L.C.	NJ
MACK-CALI WP REALTY ASSOCIATES L.L.C.	NY
MACK-CALI-R COMPANY NO. 1 L.P.	NJ
MAIN-MARTINE MAINTENANCE CORP.	NY
MANHASSET ASSOCIATES L.L.C.	NY
MAPLE 4 CAMPUS REALTY L.L.C.	NJ
MAPLE 6 CAMPUS REALTY L.L.C.	NJ
MC HUDSON HOLDING L.L.C.	NJ
MC HUDSON REALTY L.L.C.	NJ

MC ONE RIVER GENERAL L.L.C.	NJ

MC ONE RIVER LIMITED L.L.C.	NJ
MCPT TRS HOLDING CORPORATION	DE
MCPT TRUST	DE
MCRC TRUST	DE
MC-SJP PINSON DEVELOPMENT, L.L.C.	DE
MID-WEST MAINTENANCE CORP.	NY
MID-WESTCHESTER REALTY ASSOCIATES L.L.C.	NY
MONMOUTH/ATLANTIC REALTY ASSOCIATES L.L.C.	NJ
MONUMENT 150 REALTY L.L.C.	DE
MONUMENT HOLDING L.L.C.	DE
MOORESTOWN REALTY ASSOCIATES L.L.C.	NJ
MOUNT AIRY REALTY ASSOCIATES L.L.C.	NJ
MOUNTAINVIEW REALTY L.L.C.	NJ
OFFICE ASSOCIATES L.L.C.	NJ
ONE RIVER ASSOCIATES	NJ
ONE SYLVAN REALTY, L.L.C.	NJ
PA UTILIPRO SOLUTIONS TRUST	MD
PALLADIUM REALTY L.L.C.	NJ
PARSIPPANY 4/5 REALTY L.L.C.	NJ
PARSIPPANY CAMPUS REALTY ASSOCIATES L.L.C.	NJ
PHELAN REALTY ASSOCIATES L.P.	CA
PLAZA VIII & IX ASSOCIATES L.L.C.	NJ
PRINCETON CORPORATE CENTER REALTY ASSOCIATES L.L.C.	NJ
PRINCETON JUNCTION METRO OFFICE CENTER ASSOCIATES, INC.	NJ
PRINCETON OVERLOOK REALTY L.L.C.	NJ
RAMLAND REALTY ASSOCIATES L.L.C.	NY

ROSELAND II L.L.C.	NJ
ROSELAND OWNERS ASSOCIATES L.L.C.	NJ
SENTRY PARK WEST L.L.C.	PA
SIX COMMERCE DRIVE ASSOCIATES L.L.C.	NJ
SKYLINE REALTY L.L.C.	NY
SO. WESTCHESTER REALTY ASSOCIATES L.L.C.	NY
SOUTH-WEST MAINTENANCE CORP.	NY
STEVENS AIRPORT REALTY ASSOCIATES L.P.	PA
SYLVAN/CAMPUS REALTY L.L.C.	NJ
TALLEY MAINTENANCE CORP.	NY
TALLEYRAND REALTY ASSOCIATES L.L.C.	NY
TERRI REALTY ASSOCIATES L.L.C.	NJ
THE HORIZON CENTER PROPERTY OWNERS ASSOCIATION, INC.	NJ
THE MACK-CALI FOUNDATION	NY
TRIAD REALTY ASSOCIATES L.L.C.	DE
TRIAD REALTY HOLDINGS L.L.C.	DE
U.S. UTILIPRO SOLUTIONS L.L.C.	DE
UTILIPRO SOLUTIONS, INC.	NJ
VAUGHN PARTNERS L.L.C.	NJ
VAUGHN PRINCETON ASSOCIATES L.L.C.	NJ
WEST AVENUE REALTY ASSOCIATES L.L.C.	CT
WEST-AVE. MAINTENANCE CORP.	CT
WESTAGE REALTY L.L.C.	NY
WHITE PLAINS REALTY ASSOCIATES L.L.C.	NY

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-117047, 333-57194, 333-19101, 33-96542, 33-09081, 333-09875, 333-25475, 33-44433, 333-44441, 333-57103, 333-69029, 333-71133 and 333-80077) and in the Registration Statements on Form S-8 (Nos. 333-116437, 333-100244, 333-52478, 333-80081, 333-18275, 333-91822, 333-19831, 333-32661 and 333-44443) of Mack-Cali Realty Corporation of our report dated February 22, 2006 relating to the financial statements, financial statement schedule, management's assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
New York, New York
February 22, 2006

Exhibit 31.1

MACK-CALI REALTY CORPORATION
Certification

I, Mitchell E. Hersh, President and Chief Executive Officer of Mack-Cali Realty Corporation, certify that:

1. I have reviewed this annual report on Form 10-K of Mack-Cali Realty Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 22, 2006

By: /s/ Mitchell E. Hersh
Mitchell E. Hersh
President and
Chief Executive Officer

Exhibit 31.2

MACK-CALI REALTY CORPORATION
Certification

I, Barry Lefkowitz, Chief Financial Officer of Mack-Cali Realty Corporation, certify that:

1. I have reviewed this annual report on Form 10-K of Mack-Cali Realty Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 22, 2006

By: /s/ Barry Lefkowitz
Barry Lefkowitz
Executive Vice President and
Chief Financial Officer

EXHIBIT 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of Mack-Cali Realty Corporation (the “Company”) for the year ended December 31, 2005, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Mitchell E. Hersh, as President and Chief Executive Officer of the Company, and Barry Lefkowitz, as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 22, 2006

By: /s/ Mitchell E. Hersh
Mitchell E. Hersh
President and
Chief Executive Officer

Date: February 22, 2006

By: /s/ Barry Lefkowitz
Barry Lefkowitz
Executive Vice President and
Chief Financial Officer

This certification accompanies each Report pursuant to § 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of §18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by § 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.