

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 1999

OR

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

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

Mack-Cali Realty Corporation

(Exact name of registrant as specified in its charter)

Maryland

22-3305147

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification Number)

11 Commerce Drive, Cranford, New Jersey 07016-3501

(Address or principal executive office)
(Zip Code)

(908) 272-8000

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last
report)

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

As of July 30, 1999, there were 59,260,534 shares of \$0.01 par value common
stock outstanding.

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MACK-CALI REALTY CORPORATION

FORM 10-Q

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MACK-CALI REALTY CORPORATION

Part I - Financial Information

Item I. Financial Statements

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

The aforementioned financial statements should be read in conjunction with the notes to the aforementioned financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements and notes thereto included in the company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998.

The results of operations for the three and six month periods ended June 30, 1999 are not necessarily indicative of the results to be expected for the entire fiscal year or any other period.

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

<TABLE>
<CAPTION>

	June 30, 1999	December 31, 1998
ASSETS		
<S>	<C>	<C>
Rental property		
Land and leasehold interests	\$ 523,250	\$ 510,534
Buildings and improvements	2,934,780	2,887,115
Tenant improvements	83,030	64,464
Furniture, fixtures and equipment	5,795	5,686
	3,546,855	3,467,799
Less - accumulated depreciation and amortization	(220,152)	(177,934)
	3,326,703	3,289,865
Cash and cash equivalents	11,519	5,809
Investments in unconsolidated joint ventures	86,380	66,508
Unbilled rents receivable	48,435	41,038
Deferred charges and other assets, net	52,703	39,020

Restricted cash	6,160	6,026
Accounts receivable, net of allowance for doubtful accounts of \$346 and \$670	6,698	3,928

Total assets	\$ 3,538,598	\$ 3,452,194
=====		
LIABILITIES AND STOCKHOLDERS' EQUITY		

Senior Unsecured Notes	\$ 597,344	\$ --
Revolving credit facilities	148,600	671,600
Mortgages and loans payable	749,041	749,331
Dividends and distributions payable	40,926	40,564
Accounts payable and accrued expenses	39,644	33,253
Rents received in advance and security deposits	31,117	29,980
Accrued interest payable	14,729	2,246

Total liabilities	1,621,401	1,526,974

Minority interest of unitholders in Operating Partnership	458,544	501,313

Commitments and contingencies		
Stockholders' equity:		
Preferred stock, 5,000,000 shares authorized, none issued	--	--
Common stock, \$0.01 par value, 190,000,000 shares authorized, 58,915,684 and 57,266,137 shares outstanding	589	573
Additional paid-in capital	1,563,187	1,514,648
Dividends in excess of net earnings	(105,123)	(91,314)

Total stockholders' equity	1,458,653	1,423,907

Total liabilities and stockholders' equity	\$ 3,538,598	\$ 3,452,194
=====		

</TABLE>

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

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

REVENUES	Three Months Ended June 30,		Six Months Ended June 30,	
	1999	1998	1999	1998

<S>	<C>	<C>	<C>	<C>
Base rents	\$ 116,499	\$ 105,861	\$ 232,579	\$ 198,777
Escalations and recoveries from tenants	16,366	12,358	31,226	22,715
Parking and other	3,061	2,836	6,961	4,818
Interest income	215	916	470	1,459
Equity in earnings of unconsolidated joint ventures	834	70	628	95

Total revenues	136,975	122,041	271,864	227,864

EXPENSES				

Real estate taxes	14,208	11,854	28,051	21,926
Utilities	9,829	9,115	19,421	17,417
Operating services	17,227	15,629	34,143	28,321
General and administrative	5,770	6,394	13,904	12,591
Depreciation and amortization	22,465	19,093	44,434	35,324
Interest expense	25,697	21,786	49,319	40,265
Non-recurring charges	16,458	--	16,458	--

Total expenses	111,654	83,871	205,730	155,844

Income before minority interest and extraordinary item	25,321	38,170	66,134	72,020
Minority interest	6,635	7,782	15,384	15,089

Income before extraordinary item	18,686	30,388	50,750	56,931
Extraordinary item - loss on early retirement of debt (net of minority interest's share of \$297 in 1998)	--	(2,373)	--	(2,373)

Net income	\$ 18,686	\$ 28,015	\$ 50,750	\$ 54,558
Basic earnings per share:				
Income before extraordinary item	\$ 0.32	\$ 0.53	\$ 0.87	\$ 1.05
Extraordinary item - loss on early retirement of debt	--	(0.04)	--	(0.04)
Net income	\$ 0.32	\$ 0.49	\$ 0.87	\$ 1.01
Diluted earnings per share:				
Income before extraordinary item	\$ 0.32	\$ 0.53	\$ 0.87	\$ 1.04
Extraordinary item - loss on early retirement of debt	--	(0.04)	--	(0.04)
Net income	\$ 0.32	\$ 0.49	\$ 0.87	\$ 1.00
Dividends declared per common share	\$ 0.55	\$ 0.50	\$ 1.10	\$ 1.00
Basic weighted average shares outstanding	58,510	57,019	58,337	54,207
Diluted weighted average shares outstanding	67,486	64,626	67,385	61,671

</TABLE>

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

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

<TABLE>
<CAPTION>

	Common Stock		Additional	Dividends in	Total
	Shares	Par Value	Paid-In	Excess of	Stockholders'
			Capital	Net Earnings	Equity
Balance at January 1, 1999	57,266	\$573	\$1,514,648	\$ (91,314)	\$1,423,907
Net income	--	--	--	50,750	50,750
Dividends	--	--	--	(64,559)	(64,559)
Redemption of common units for shares of common stock	1,634	16	48,271	--	48,287
Proceeds from stock options exercised	41	--	933	--	933
Proceeds from dividend reinvestment and stock purchase plan	1	--	10	--	10
Repurchase of common stock	(26)	--	(713)	--	(713)
Deferred compensation plan for directors	--	--	38	--	38
Balance at June 30, 1999	58,916	\$589	\$1,563,187	\$ (105,123)	\$1,458,653

</TABLE>

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

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

<TABLE>
<CAPTION>

	Six Months Ended June 30,	
	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 50,750	\$ 54,558
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	44,434	35,324
Amortization of deferred financing costs	1,518	654
Equity in earnings of unconsolidated joint ventures	(628)	(95)
Minority interest	15,384	15,089
Extraordinary item - loss on early retirement of debt	--	2,373
Changes in operating assets and liabilities:		
Increase in unbilled rents receivable	(7,397)	(6,339)

Increase in deferred charges and other assets, net	(10,794)	(4,569)
Increase in accounts receivable, net	(2,770)	(1,793)
Increase in accounts payable and accrued expenses	5,891	366
Increase in rents received in advance and security deposits	1,137	8,425
Increase (decrease) in accrued interest payable	12,483	(1,476)

Net cash provided by operating activities	\$ 110,008	\$ 102,517
=====		
CASH FLOWS FROM INVESTING ACTIVITIES		

Additions to rental property	\$ (71,107)	\$ (625,434)
Issuance of mortgage note receivable	--	(20,000)
Repayment of mortgage note receivable	--	20,000
Investments in unconsolidated joint ventures	(29,941)	(39,031)
Distributions from unconsolidated joint ventures	10,634	1,000
(Increase) decrease in restricted cash	(134)	1,361

Net cash used in investing activities	\$ (90,548)	\$ (662,104)
=====		
CASH FLOWS FROM FINANCING ACTIVITIES		

Proceeds from Senior Unsecured Notes	\$ 597,252	\$ --
Proceeds from revolving credit facilities	130,900	1,307,452
Proceeds from mortgages and loans payable	45,500	--
Repayments of revolving credit facilities	(653,900)	(880,111)
Repayments of mortgages and loans payable	(45,819)	(69,704)
Repurchase of common stock	(713)	--
Redemption of common units	--	(3,163)
Payment of financing costs	(6,592)	(7,492)
Net proceeds from common stock offerings	--	284,453
Proceeds from stock options exercised	933	5,271
Proceeds from dividend reinvestment and stock purchase plan	10	--
Payment of dividends and distributions	(81,321)	(63,228)

Net cash (used in) provided by financing activities	\$ (13,750)	\$ 573,478
=====		
Net increase in cash and cash equivalents	\$ 5,710	\$ 13,891
Cash and cash equivalents, beginning of period	\$ 5,809	\$ 2,704

Cash and cash equivalents, end of period	\$ 11,519	\$ 16,595
=====		

</TABLE>

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, and subsidiaries (the "Company"), is a fully-integrated, self-administered, self-managed real estate investment trust ("REIT") providing leasing, management, acquisition, development, construction and tenant-related services for its properties. As of June 30, 1999, the Company owned or had interests in 254 properties plus developable land (collectively, the "Properties"). The Properties aggregate approximately 28.1 million square feet, and are comprised of 160 office buildings and 81 office/flex buildings totaling approximately 27.7 million square feet (which included four office buildings and one office/flex building, aggregating 1.0 million 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 multi-family residential complexes consisting of 453 units, two stand-alone retail properties and three land leases. The Properties are located in 12 states, primarily in the Northeast, plus the District of Columbia.

Basis of Presentation

The accompanying consolidated financial statements include all accounts of the Company and its majority-owned subsidiaries, which consist principally of

Mack-Cali Realty, L.P. (the "Operating Partnership"). See Investments in Unconsolidated Joint Ventures in Note 2 for the Company's treatment of unconsolidated joint venture interests. All significant intercompany accounts and transactions have been eliminated.

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

2. SIGNIFICANT ACCOUNTING POLICIES

Rental

Property

Rental properties are stated at cost less accumulated depreciation and amortization. Costs directly related to the acquisition and development of rental properties are capitalized. Capitalized development costs include interest, property taxes, insurance and other project costs incurred during the period of construction. Ordinary repairs and maintenance are expensed as incurred; major replacements and betterments, which improve or extend the life of the asset, are capitalized and depreciated over their estimated useful lives. Fully-depreciated assets are removed from the accounts.

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

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

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

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Investments in Unconsolidated Joint Ventures

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

Cash and Cash Equivalents

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

Deferred Financing Costs

Costs incurred in obtaining financing are capitalized and amortized on a straight-line basis, which approximates the effective interest method, over the term of the related indebtedness. Amortization of such costs is included in interest expense and was \$917 and \$400 for the three months ended June 30, 1999 and 1998, respectively, and \$1,518 and \$654 for the six months ended June 30, 1999 and 1998, 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 Operating Partnership provide leasing services to the Properties and receive compensation based on space leased. The portion of such compensation which is capitalized and amortized, approximated \$743 and \$659 for the three months ended June 30, 1999 and 1998, respectively, and \$1,401 and \$1,236 for the six months ended June 30, 1999 and 1998, respectively.

Revenue
Recognition

Base rental revenue is recognized on a straight-line basis over the terms of the respective leases. Unbilled rents receivable represents the amount by which straight-line rental revenue exceeds rents currently billed in accordance with the lease agreements. Parking revenue includes income from parking spaces leased to tenants. Rental income on residential property under operating leases having terms generally of one year or less is recognized when earned.

Reimbursements are received from tenants for certain costs as provided in the lease agreements. These costs generally include real estate taxes, utilities, insurance, common area maintenance and other recoverable costs. See Note 13.

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 federal income tax to the extent it distributes at least 95 percent of its REIT taxable income to its shareholders and satisfies certain other requirements. REITs are subject to a number of organizational and operational requirements. If the Company fails to qualify as a REIT in any taxable year, the Company will be subject to federal income tax (including any applicable alternative minimum tax) on its taxable income at regular corporate tax rates. The Company is subject to certain state and local taxes.

Interest Rate
Contracts

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

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

Earnings
Per Share

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

Dividends and
Distributions
Payable

The dividends and distributions payable at June 30, 1999 represents dividends payable to shareholders of record on July 6, 1999 (59,109,277 shares), distributions payable to minority interest common unitholders (8,299,690 common units) on that same date and preferred distributions to preferred unitholders (229,304 preferred units) for the second quarter 1999. The second quarter 1999 dividends and common unit distributions of \$0.55 per share and per common unit (pro-rated for units issued during the quarter), as well as the second quarter preferred unit distribution of \$16.875 per preferred unit, were approved by the Board of Directors on June 10, 1999 and paid on July 23, 1999.

Underwriting
Commissions
and Costs

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

Stock Options

The Company accounts for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations ("APB No. 25"). Under APB No. 25, compensation cost is measured as the excess, if any, of the quoted market price of the Company's stock at the date of grant over the exercise price of the option granted. Compensation cost for stock options, if any, is recognized ratably over the vesting period. The Company's policy is to grant options with an exercise price equal to the quoted closing market price of the Company's stock on the business day preceding the grant date. Accordingly, no compensation cost has been recognized for the Company's stock option plans. See Note 14.

Extraordinary
Item

Extraordinary item represents the effect resulting from the early settlement of certain debt obligations, including related deferred financing costs, prepayment penalties, yield maintenance payments and other related items.

Non-Recurring
Charges

The Company considers non-recurring charges as costs incurred specific to significant non-recurring events that impact the comparative measurement of the Company's performance.

3. ACQUISITIONS/TRANSACTIONS

OPERATING PROPERTY ACQUISITIONS

The Company acquired the following operating properties during the six months ended June 30, 1999:

<TABLE>
<CAPTION>

Acquisition Investment by Company (a)			# of Bldgs.	Rentable Square Feet
Date	Property/Portfolio Name	Location		
<S>	<C>	<C>	<C>	<C>
Office				
3/05/99	Pacifica Portfolio - Phase III(b)	Colorado Springs, El Paso County, CO	2	94,737
\$ 5,709				
Total Office Property Acquisitions:			2	94,737
\$ 5,709				

</TABLE>

The Company acquired the following operating properties during the year ended December 31, 1998:

<TABLE>
<CAPTION>

Acquisition Investment by Company (a)			# of Bldgs.	Rentable Square Feet
Date	Property/Portfolio Name	Location		
<S>	<C>	<C>	<C>	<C>
Office				
2/05/98	500 West Putnam Avenue(c)	Greenwich, Fairfield County, CT	1	121,250

\$ 20,125				
2/25/98	10 Mountainview Road	Upper Saddle River, Bergen County, NJ	1	192,000
24,754				
3/12/98	1250 Capital of Texas Highway South	Austin, Travis County, TX	1	270,703
37,266				
3/27/98	Prudential Business Campus(d)	Parsippany, Morris County, NJ	5	703,451
130,437				
3/27/98	Pacifica Portfolio- Phase I(b) (e)	Denver & Colorado Springs, CO	10	620,017
74,966				
3/30/98	Morris County Financial Center	Parsippany, Morris County, NJ	2	301,940
52,763				
5/13/98	3600 South Yosemite	Denver, Denver County, CO	1	133,743
13,555				
5/22/98	500 College Road East(f)	Princeton, Mercer County, NJ	1	158,235
21,334				
6/01/98	1709 New York Ave./1400 L Street N.W.	Washington, D.C.	2	325,000
90,385				
6/03/98	400 South Colorado Boulevard	Denver, Denver County, CO	1	125,415
12,147				
6/08/98	Pacifica Portfolio - Phase II(b) (e) (g)	Denver & Colorado Springs, CO	6	514,427
85,910				
7/16/98	4200 Parliament Drive(h)	Lanham, Prince George's County, MD	1	122,000
15,807				
9/10/98	40 Richards Avenue(e)	Norwalk, Fairfield County, CT	1	145,487
19,587				
9/15/98	Seven Skyline Drive(i)	Hawthorne, Westchester County, NY	1	109,000
13,379				

Total Office Property Acquisitions: 34 3,842,668
\$612,415

Office/flex

1/30/98	McGarvey Portfolio(j)	Moorestown, Burlington County, NJ	17	748,660
\$ 47,526				
7/14/98	1510 Lancer Road(k)	Moorestown, Burlington County, NJ	1	88,000
3,700				

Total Office/flex Property Acquisitions: 18 836,660
\$ 51,226

Total Operating Property Acquisitions: 52 4,679,328
\$ 663,641
=====

</TABLE>

PROPERTIES PLACED IN SERVICE

The Company placed in service the following properties through the completion of development during the six months ended June 30, 1999:

<TABLE>
<CAPTION>

Date Placed	Investment by	Property Name	Location	# of Bldgs.	Rentable Square Feet
	in Service				
	Company (a)				
<S>		<C>	<C>	<C>	<C>
<C>					
Office/flex					

3/01/99		One Center Court	Totowa, Passaic County, NJ	1	38,961
\$ 2,140					

Total Office/flex Properties Placed in Service:				1	38,961
\$ 2,140					

Land Lease

2/01/99	Horizon Center Business Park(l)	Hamilton Township, Mercer County, NJ	N/A	27.7 acres
\$ 1,007				

 Total Land Lease Transactions: 27.7 acres
 \$ 1,007

 Total Properties Placed in Service: 1 38,961
 \$ 3,147
 =====

<TABLE>

See footnotes to these schedules on subsequent page.

The Company placed in service the following properties through the completion of development or redevelopment during the year ended December 31, 1998:

<TABLE>
 <CAPTION>

Date Placed Investment by in Service Company (a)	Property Name	Location	# of Bldgs	Rentable Square Feet
<S> <C> Office	<C>	<C>	<C>	<C>
1/15/98	224 Strawbridge Drive	Moorestown, Burlington County, NJ	1	74,000
\$ 7,796				
8/01/98	228 Strawbridge Drive	Moorestown, Burlington County, NJ	1	74,000
7,986				
Total Office Properties Placed in Service:			2	148,000
\$ 15,782				

Office/flex				
Date Placed Investment by in Service Company (a)	Property Name	Location	# of Bldgs	Rentable Square Feet
6/08/98	Two Center Court	Totowa, Passaic County, NJ	1	30,600
\$ 2,231				
10/23/98	650 West Avenue	Stamford, Fairfield County, CT	1	40,000
4,952				
Total Office/flex Properties Placed in Service:			2	70,600
\$ 7,183				

 Total Properties Placed in Service: 4 218,600
 \$ 22,965
 =====

<TABLE>

- (a) Unless otherwise noted, transactions were funded by the Company primarily with funds made available through draws on the Company's credit facilities.
- (b) The Company may be required to pay additional consideration due to earn-out provisions in the agreement. William L. Mack, a director and equity holder of the Company, was an indirect owner of an interest in certain of the buildings contained in the Pacifica portfolio.
- (c) The acquisition was funded with cash as well as the assumption of mortgage debt (estimated fair value of approximately \$12,104, with annual effective interest rate of 6.52 percent).
- (d) The acquisition was funded primarily from proceeds received from the sale of 2,705,628 shares of common stock (see Note 14). Also included in the acquisition, but excluded from this schedule, is (i) Nine Campus Drive, which the Company has a 50 percent interest through an unconsolidated joint venture (see Note 4), and (ii) developable land adjacent to the acquired portfolio (see "1998 Redevelopment Properties/Developable Land Acquisitions").
- (e) The acquisition was funded with cash and the issuance of common units to the seller (see Note 10).
- (f) The property was acquired subject to a ground lease, which is prepaid

through 2031, and has two 10-year renewal options, at rent levels as defined in the lease agreement.

- (g) Also included in the acquisition, but excluded from this schedule, is developable land adjacent to the acquired portfolio (see "1998 Redevelopment Properties/Developable Land Acquisitions").
- (h) Includes land adjacent to the operating property, which may be sub-divided for future development.
- (i) The property was acquired through the exercise of a purchase option obtained in connection with the Company's acquisition of 65 properties from Robert Martin Company, LLC in January 1997. The acquisition was funded with cash, net of the repayment by the seller of the remaining balance of a note receivable.
- (j) The acquisition was funded with cash as well as the assumption of mortgage debt (aggregate estimated fair value of approximately \$8,354, with a weighted average annual effective interest rate of 6.24 percent). The Company is under contract to acquire an additional four office/flex properties and has a right of first refusal to acquire six additional office/flex properties.
- (k) The property was acquired through the exercise of a purchase option obtained in the acquisition of the McGarvey portfolio in January 1998.
- (l) On February 1, 1999, the Company entered into a ground lease agreement to lease 27.7 acres of developable land located at the Company's Horizon Center Business Park, located in Hamilton Township, Mercer County, New Jersey on which Home Depot is developing a 134,000 square-foot retail store.

- - - - -
1999 REDEVELOPMENT PROPERTIES/DEVELOPABLE LAND TRANSACTIONS

On February 26, 1999, the Company acquired approximately 2.3 acres of vacant land adjacent to one of the Company's operating properties located in San Antonio, Bexar County, Texas for approximately \$1,524, which was made available from the Company's cash reserves.

On March 15, 1999, the Company entered into a joint venture with SJP 106 Allen Road to form MC-SJP Pinson Development, LLC, which acquired vacant land located in Bernards Township, Somerset County, New Jersey. The venture has commenced construction of a 135,000 square-foot office building on this site. The Company provided a construction loan with a total commitment of \$22,859 (aggregate borrowings of \$4,987 as of June 30, 1999) to the venture. Upon completion of the building, the Company's construction loan will convert to an equity interest in the venture. The Company accounts for its investment in the joint venture on a consolidated basis.

On May 4, 1999, the Company acquired, from an entity whose principals include Timothy M. Jones, Martin S. Berger and Robert F. Weinberg, each of whom are affiliated with the Company as the President of the Company, a current member of the Board of Directors and a former member of the Board of Directors in the Company, approximately 2.5 acres of vacant land in the Stamford Executive Park, located in Stamford, Fairfield County, Connecticut. The Company acquired the land for approximately \$2,181. \$1,681 of the purchase price was funded from the Company's cash reserves with an additional \$500 due three years from the closing date contingent upon certain conditions per the acquisition contract and subject to interest over the term.

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On June 1, 1999, the Company acquired 795 Folsom Street, a 183,445 square-foot office building located in San Francisco, San Francisco County, California. The building was acquired for approximately \$34,282, which was made available from drawing on one of the Company's credit facilities. The Company is currently redeveloping the property for lease-up and operation.

1998 REDEVELOPMENT PROPERTIES/DEVELOPABLE LAND TRANSACTIONS

On January 23, 1998, the Company acquired, from an entity whose principals include Timothy M. Jones, Martin S. Berger and Robert F. Weinberg, each of whom are affiliated with the Company as the President of the Company, a current member of the Board of Directors and a former member of the Board of Directors in the Company, approximately 10 acres of vacant land in the Stamford Executive Park, located in Stamford, Fairfield County, Connecticut for approximately \$1,341, which was funded from the Company's cash reserves. In October 1998, the Company completed and placed in service a 40,000 square-foot office/flex property on the acquired land (see "Properties Placed in Service").

On February 2, 1998, the Company acquired 2115 Linwood Avenue, a 68,000 square-foot vacant office building located in Fort Lee, Bergen County, New Jersey. The building was acquired for approximately \$5,164, which was made available from drawing on one of the Company's credit facilities. The Company is currently redeveloping the property for future lease-up and operation.

On March 27, 1998, as part of the purchase of the Prudential Business Campus

(see "Operating Property Acquisitions"), the Company acquired approximately 95 acres of vacant land adjacent to the operating properties for approximately \$27,500.

On June 8, 1998, as part of the Pacifica portfolio-phase II acquisition (see "Operating Property Acquisitions"), the Company acquired vacant land adjacent to the operating properties for approximately \$2,006.

On September 4, 1998, the Company acquired approximately 128 acres of vacant land located at the Company's Horizon Center Business Park, Hamilton Township, Mercer County, New Jersey, through the exercise of a purchase option obtained in the Company's acquisition of the Horizon Center Business Park in November 1995. The land was acquired for approximately \$1,698, which was funded from the Company's cash reserves. Subsequently in February 1999, the Company leased 27.7 acres of the acquired land to Home Depot (see "Properties Placed in Service").

On November 10, 1998, the Company acquired approximately 10.1 acres of land located at Three Vaughn Drive, Princeton, Mercer County, New Jersey. The Company acquired the land for approximately \$2,146, which was funded from the Company's cash reserves.

On December 3, 1998, the Company acquired, from an entity whose principals include Timothy M. Jones, Martin S. Berger and Robert F. Weinberg, each of whom are affiliated with the Company as the President of the Company, a current member of the Board of Directors and a former member of the Board of Directors in the Company, approximately 2.7 acres of land located at 12 Skyline Drive, Hawthorne, Westchester County, New York. The Company acquired the land for approximately \$1,540, which was funded from the Company's cash reserves. The Company is currently constructing a 47,000 square-foot office/flex property on the land parcel.

SUBSEQUENT ACQUISITION

On July 21, 1999, the Company acquired 1201 Connecticut Avenue, NW, a 169,000 square-foot office property, located in Washington, D.C., for approximately \$32,200, which was made available from drawing on one of the Company's credit facilities.

4. INVESTMENTS IN UNCONSOLIDATED JOINT VENTURES

PRU-BETA 3 (Nine Campus Drive)

On March 27, 1998, the Company acquired a 50 percent interest in an existing joint venture with The Prudential Insurance Company of America ("Prudential"), known as Pru-Beta 3, which owns and operates Nine Campus Drive, a 156,495 square-foot office building, located in the Prudential Business Campus office complex in Parsippany, Morris County, New Jersey (see Note 3). The Company performs management and leasing services for the property owned by the joint venture and received \$75 and \$43 in fees for such services in the six months ended June 30, 1999 and 1998, respectively.

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HPMC (Continental Grand II/Summit Ridge/Lava Ridge)

On April 23, 1998, the Company entered into a joint venture agreement with HCG Development, L.L.C. and Summit Partners I, L.L.C. to form HPMC Development Partners, L.P. and, on July 21, 1998, entered into a second joint venture HPMC Development Partners II, L.P. (formerly known as HPMC Lava Ridge Partners, L.P.), with these same parties. HPMC Development Partners, L.P.'s efforts have focused on two development projects, commonly referred to as Continental Grand II and Summit Ridge. Continental Grand II is a 4.2 acre site located in El Segundo, Los Angeles County, California, acquired by the venture upon which it has commenced construction of a 237,000 square-foot office property. Summit Ridge is a 7.3 acre site located in San Diego, San Diego County, California, acquired by the venture upon which it has commenced construction of a 132,000 square-foot office/flex property. HPMC Development Partners II, L.P. has commenced construction of three two-story buildings aggregating 183,200 square-feet of office space on a 12.1 acre site located in Roseville, Placer County, California and is currently in negotiations with the City of Daly City, California, to purchase a parcel of land for future development into office space, a hotel and other retail establishments. Among other things, the partnership agreements provide for a preferred return on the Company's invested capital in each venture, in addition to 50 percent of such venture's profit above the preferred returns, as defined in each agreement.

G&G MARTCO (Convention Plaza)

On April 30, 1998, the Company acquired a 49.9 percent interest in an existing joint venture, known as G&G Martco, which owns Convention Plaza, a 305,618 square-foot office building, located in San Francisco, San Francisco County, California. A portion of its initial investment was financed through the issuance of common units (see Note 10), as well as funds drawn from the Company's credit facilities. Subsequently, on June 4, 1999, the Company acquired

an additional 0.1 percent interest in G&G Martco through the issuance of common units (see Note 10). The Company performs management and leasing services for the property owned by the joint venture and received \$108 and none in fees for such services in the six months ended June 30, 1999 and 1998, respectively.

AMERICAN FINANCIAL EXCHANGE L.L.C.

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

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

On August 20, 1998, the Company entered into a joint venture agreement with S.B. New York Realty Corp. to form Ramland Realty Associates L.L.C. The venture was formed to own, manage and operate One Ramland Road, a 232,000 square-foot office/flex building plus adjacent developable land, located in Orangeburg, Rockland County, New York. The office/flex building is being redeveloped for future lease-up and operation. The Company holds a 50 percent interest in the joint venture.

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

On September 18, 1998, the Company entered into a joint venture agreement with Prudential to form Ashford Loop Associates L.P. The venture was formed to own, manage and operate 1001 South Dairy Ashford, a 130,000 square-foot office building acquired on September 18, 1998 and 2100 West Loop South, a 168,000 square-foot office building acquired on November 25, 1998, both located in Houston, Harris County, Texas. The Company holds a 20 percent interest in the joint venture. The joint venture may be required to pay additional consideration due to earn-out provisions in the acquisition contracts. During the six months ended June 30, 1999, the venture paid \$2,317 (\$463 representing the Company's share) in accordance with the earn-out provisions in the acquisition contracts. The Company performs management and leasing services for the properties owned by the joint venture and received \$63 and none in fees for such services in the six months ended June 30, 1999 and 1998, respectively.

ARCAP INVESTORS, L.L.C.

On March 18, 1999, the Company invested in ARCap Investors, L.L.C., a joint venture with several participants, which was formed to invest in sub-investment grade tranches of commercial mortgage-backed securities ("CMBS"). The Company has agreed to invest \$20,000 in the venture. William L. Mack, a director and equity holder of the Company, is a principal of the managing member of the venture. During the six months ended June 30, 1999, the venture purchased approximately \$221,539 face value of CMBS bonds for an aggregate cost of \$107,981.

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 June 30, 1999 and December 31, 1998:

<TABLE>
<CAPTION>

	June 30, 1999						
Combined			G&G	American	Ramland	Ashford	
Total	Pru-Beta 3	HPMC	Martco	Financial Exchange	Realty	Loop	ARCap
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
<C>							
Assets:							
Rental property, net	\$22,301	\$ 50,252	\$ 13,150	\$ 10,678	\$ 15,606	\$ 21,309	\$ -
- \$ 133,296							
Other assets	3,598	1,283	3,287	495	273	1,365	
147,781	158,082						

Total assets	\$25,899	\$ 51,535	\$ 16,437	\$ 11,173	\$ 15,879	\$ 22,674	\$
147,781 \$ 291,378							
=====							
Liabilities and partners'/							
members' capital:							
Mortgages and loans payable	\$ --	\$ 24,042	\$ 42,671	\$ --	\$ --	\$ --	\$
73,840 \$ 140,553							
Other liabilities	486	5,035	1,368	1	2,661	354	
554 10,459							
Partners'/members' capital	25,413	22,458	(27,602)	11,172	13,218	22,320	
73,387 140,366							

Total liabilities and	\$25,899	\$ 51,535	\$ 16,437	\$ 11,173	\$ 15,879	\$ 22,674	\$
partners'/members' capital							
147,781 \$ 291,378							
=====							
Company's net investment							
in unconsolidated							
joint ventures							
	\$17,381	\$ 19,839	\$ 8,956	\$ 11,221	\$ 6,923	\$ 4,808	\$
17,252 \$ 86,380							

<CAPTION>

December 31, 1998							
Combined	Pru-Beta 3	HPMC	G&G Martco	American Financial Exchange	Ramland Realty	Ashford Loop	ARCap
Total							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
<C>							
Assets:							
Rental property, net	\$22,711	\$ 30,278	\$ 11,099	\$ 10,621	\$ 8,467	\$ 19,166	-
- \$ 102,342							
Other assets	3,995	1,097	4,058	389	1,101	378	
-- 11,018							

Total assets	\$26,706	\$ 31,375	\$ 15,157	\$ 11,010	\$ 9,568	\$ 19,544	-
- \$ 113,360							
=====							
Liabilities and partners'/							
members' capital:							
Mortgages and loans payable	\$ --	\$ 632	\$ 39,762	\$ --	\$ --	\$ --	
-- \$ 40,394							
Other liabilities	484	3,522	2,096	79	6	509	
-- 6,696							
Partners'/members' capital	26,222	27,221	(26,701)	10,931	9,562	19,035	-
- 66,270							

Total liabilities and	\$26,706	\$ 31,375	\$ 15,157	\$ 11,010	\$ 9,568	\$ 19,544	-
- \$ 113,360							
=====							
Company's net investment							
in unconsolidated							
joint ventures							
	\$17,980	\$ 17,578	\$ 10,964	\$ 10,983	\$ 4,851	\$ 4,152	-
- \$ 66,508							

</TABLE>

The following is a summary of the results of operations of the unconsolidated joint ventures for the period in which the Company had investment interests during the three and six month periods ended June 30, 1999 and 1998:

<TABLE>
<CAPTION>

Three Months Ended June 30, 1999

Combined			G&G	American Financial	Ramland	Ashford	
Total	Pru-Beta 3	HPMC	Martco	Exchange	Realty	Loop	ARCap
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
<C>							
Total revenues	\$ 1,239	--	\$ 2,160	\$ 229	--	\$ 1,071	\$
2,528 \$ 7,227							
Operating and other expenses	(371)	--	(699)	(61)	--	(575)	
(1,622) (3,328)							
Depreciation and amortization	(307)	--	(230)	(23)	--	(108)	-
- (668)							
Interest expense	--	--	(738)	--	--	--	
(519) (1,257)							

Net income	\$ 561	--	\$ 493	\$ 145	--	\$ 388	\$
387 \$ 1,974							

Company's equity							
in earnings of unconsolidated							
joint ventures	\$ 242	--	\$ 89	\$ 145	--	\$ 78	\$
280 \$ 834							

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<TABLE>
<CAPTION>

Three Months Ended June 30, 1998

Combined			G&G	American Financial	Ramland	Ashford	
Total	Pru-Beta 3	HPMC	Martco	Exchange	Realty	Loop	ARCap
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
<C>							
Total revenues	\$ 1,105	--	\$ 671	--	--	--	
-- \$ 1,776							
Operating and other expenses	(346)	--	(306)	--	--	--	
-- (652)							
Depreciation and amortization	(344)	--	(135)	--	--	--	
-- (479)							
Interest expense	--	--	(505)	--	--	--	
-- (505)							

Net income (loss)	\$ 415	--	\$ (275)	--	--	--	
-- \$ 140							

Company's equity in earnings							
(loss) of unconsolidated							
joint ventures	\$ 207	--	\$ (137)	--	--	--	
-- \$ 70							

<CAPTION>

Six Months Ended June 30, 1999

Combined			G&G	American Financial	Ramland	Ashford	
Total	Pru-Beta 3	HPMC	Martco	Exchange	Realty	Loop	ARCap
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
<C>							
Total revenues	\$ 2,470	--	\$ 4,150	\$ 417	--	\$ 1,988	\$
2,775 \$ 11,800							

Operating and other expenses (2,012) (5,325)	(745)	--	(1,390)	(130)	--	(1,048)	
Depreciation and amortization - (1,350)	(625)	--	(463)	(46)	--	(216)	-
Interest expense (544) (1,992)	--	--	(1,448)	--	--	--	

Net income 219 \$ 3,133	\$ 1,100	--	\$ 849	\$ 241	--	\$ 724	\$
=====							
Company's equity in earnings (loss) of unconsolidated joint ventures 224 \$ 628	\$ 356	--	\$ (277)	\$ 191	--	\$ 134	\$

<CAPTION>

Six Months Ended June 30, 1998

Combined	Pru-Beta 3	HPMC	G&G Martco	American Financial Exchange	Ramland Realty	Ashford Loop	ARCap
Total							

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
<C>							
Total revenues -- \$ 1,806	\$ 1,135	--	\$ 671	--	--	--	
Operating and other expenses -- (658)	(352)	--	(306)	--	--	--	
Depreciation and amortization -- (479)	(344)	--	(135)	--	--	--	
Interest expense -- (505)	--	--	(505)	--	--	--	

Net income (loss) -- \$ 164	\$ 439	--	\$ (275)	--	--	--	
=====							
Company's equity in earnings (loss) of unconsolidated joint ventures -- \$ 95	\$ 232	--	\$ (137)	--	--	--	

</TABLE>

5. DEFERRED CHARGES AND OTHER ASSETS

	June 30, 1999	December 31, 1998
Deferred leasing costs	\$ 44,977	\$ 35,151
Deferred financing costs	16,825	9,962

Accumulated amortization	61,802 (15,761)	45,113 (13,527)

Deferred charges, net	46,041	31,586
Prepaid expenses and other assets	6,662	7,434

Total deferred charges and other assets, net	\$ 52,703	\$ 39,020

6. RESTRICTED CASH

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

	June 30, 1999	December 31, 1998
--	------------------	----------------------

Security deposits	\$5,986	\$5,696
Escrow and other reserve funds	174	330

Total restricted cash	\$6,160	\$6,026
=====		

7. SENIOR UNSECURED NOTES

On March 16, 1999, the Operating Partnership issued \$600,000 of senior unsecured notes ("Senior Unsecured Notes") under a shelf registration statement which was declared effective by the SEC in September 1998. Interest on the Senior Unsecured Notes is payable semi-annually in arrears. The Senior Unsecured Notes are redeemable at any time at the option of the Company, subject to certain conditions including yield maintenance. The total proceeds from the issuance (net of selling commissions and discount) of approximately \$593,500 were used to pay down outstanding borrowings under the 1998 Unsecured Facility, as defined below, and to pay off certain mortgage loans. The Senior Unsecured Notes were issued at a discount of approximately \$2,748, which is being amortized over the terms of the respective tranches as an adjustment to interest expense. Including amortization of offering costs, the weighted average effective annual interest rate for the Senior Unsecured Notes is approximately 7.38 percent.

A summary of the terms of the Senior Unsecured Notes outstanding as of June 30, 1999 is presented below:

	Amount	Effective Rate(1)
7.00% Senior Unsecured Notes, due March 15, 2004	\$299,624	7.27%
7.25% Senior Unsecured Notes, due March 15, 2009	\$297,720	7.49%

Total Senior Unsecured Notes	\$597,344	7.38%
=====		

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

In August 1999, the Operating Partnership issued an additional \$185,283 of unsecured corporate debt with an interest rate of 7.18 percent payable monthly and maturity date of December 31, 2003. The Company used the proceeds to retire the TIAA Mortgage as defined below (see Note 9).

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

8. REVOLVING CREDIT FACILITIES

ORIGINAL UNSECURED FACILITY

The Original Unsecured Facility ("Original Unsecured Facility") was repaid in full and retired in connection with the Company obtaining the 1998 Unsecured Facility in April 1998, as defined below. On account of prepayment fees, loan origination fees, legal fees, and other costs incurred in the retirement of the Original Unsecured Facility, an extraordinary loss of \$2,203, net of minority interest's share of the loss (\$275), was recorded for the year ended December 31, 1998.

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1998 UNSECURED FACILITY

In April 1998, the Company repaid in full and terminated the Original Unsecured Facility and obtained a new unsecured revolving credit facility ("1998 Unsecured Facility") with a current borrowing capacity of \$1,000,000 from a group of 28 lenders. The interest rate is based on the Company's achievement of investment grade unsecured debt ratings and is currently 90 basis points over London Inter-Bank Offered Rate ("LIBOR") (5.05 percent at June 30, 1999). The 1998 Unsecured Facility matures in April 2001.

The terms of the 1998 Unsecured Facility include certain restrictions and covenants which limit, among other things, the payment of dividends (as discussed below), the incurrence of additional indebtedness, the incurrence of liens and the disposition of assets, and which require compliance with financial ratios relating to the maximum leverage ratio, the maximum amount of secured indebtedness, the minimum amount of tangible net worth, the minimum amount of debt service coverage, the minimum amount of fixed charge coverage, the maximum amount of unsecured indebtedness, the minimum amount of unencumbered property

debt service coverage and certain investment limitations. The dividend restriction referred to above provides that, except to enable the Company to continue to qualify as a REIT under the Code, the Company will not during any four consecutive fiscal quarters make distributions with respect to common stock or other equity interests in an aggregate amount in excess of 90 percent of funds from operations for such period, subject to certain other adjustments. The 1998 Unsecured Facility also requires a 17.5 basis point fee on the unused balance payable quarterly in arrears.

PRUDENTIAL FACILITY

The Company has a revolving credit facility ("Prudential Facility") from Prudential Securities Corp. ("PSC") in the amount of \$100,000, which currently bears interest at 110 basis points over one-month LIBOR, with a maturity date of June 30, 2000. The Prudential Facility is a recourse liability of the Operating Partnership and is secured by the Company's equity interest in Harborside. The Prudential Facility limits the ability of the Operating Partnership to make any distributions during any fiscal quarter in an amount in excess of 100 percent of the Operating Partnership's available funds from operations for the immediately preceding fiscal quarter (except to the extent such excess distributions or dividends are attributable to gains from the sale of the Operating Partnership's assets or are required for the Company to maintain its status as a REIT under the Code); provided, however, that the Operating Partnership may make distributions and pay dividends in excess of 100 percent of available funds from operations for the preceding fiscal quarter for not more than three consecutive quarters. In addition to the foregoing, the Prudential Facility limits the liens placed upon the subject property and certain collateral, the use of proceeds from the Prudential Facility, and the maintenance of ownership of the subject property and assets derived from said ownership.

SUMMARY

As of June 30, 1999, the Company had outstanding borrowings of \$148,600 under its revolving credit facilities (with aggregate borrowing capacity of \$1,100,000). The outstanding borrowings were comprised of \$148,600 from the 1998 Unsecured Facility, with no outstanding borrowings on its Prudential Facility.

9. MORTGAGES AND LOANS PAYABLE

	June 30, 1999	December 31, 1998
Portfolio Mortgages	\$335,283	\$335,283
Property Mortgages	413,758	414,048
Total Mortgages and Loans Payable	\$749,041	\$749,331

PORTFOLIO MORTGAGES

TIAA Mortgage

The Company has a \$185,283 non-recourse mortgage loan with Teachers Insurance and Annuity Association of America, with interest only payable monthly at a fixed annual rate of 7.18 percent ("TIAA Mortgage"). The TIAA Mortgage is secured and cross collateralized by 43 properties and matures in December 2003. The Company has the option to convert, without any yield maintenance obligation or prepayment premium, the TIAA Mortgage to unsecured public debt as a result of the achievement of an investment grade credit rating. The TIAA Mortgage is prepayable in whole or in part subject to certain provisions, including yield maintenance.

Using the proceeds from the issuance of \$185,283 of unsecured corporate debt in August 1999 (see Note 7), the Company repaid in full and retired the TIAA Mortgage.

\$150,000 Prudential Mortgage Loan

On April 30, 1998, the Company obtained a \$150,000, interest-only, non-recourse mortgage loan from Prudential ("\$150,000 Prudential Mortgage Loan"). The loan, which is secured by 12 properties, has an effective annual interest rate of 7.10 percent and a seven-year term. The Company has the option to convert the mortgage loan to unsecured debt as a result of the achievement of an investment grade credit rating. The mortgage loan is prepayable in whole or in part subject to certain provisions, including yield maintenance.

Certain mortgages and loans payable were repaid and retired in connection with the Company obtaining the \$150,000 Prudential Mortgage Loan. On account of prepayment fees, loan origination fees, legal fees, and other costs incurred in the retirement of certain mortgages and loans payable in April 1998, an extraordinary loss of \$170, net of minority interest's share of the loss (\$22),

was recorded in the year ended December 31, 1998.

PROPERTY MORTGAGES

Property mortgages are comprised of various non-recourse loans which are collateralized by certain of the Company's rental properties. Payments on property mortgages are generally due in monthly installments of principal and interest, or interest only.

A summary of the Company's property mortgages as of June 30, 1999 and December 31, 1998 is as follows:

<TABLE>
<CAPTION>

Property Name	Lender	Interest Rate	Principal Balance at		Date of Maturity
			June 30, 1999	December 31, 1998	
<S>	<C>	<C>	<C>	<C>	<C>
Mack-Cali Centre VI	CIGNA	7.600%	\$ --	\$ 29,223	03/31/99
Mack-Cali Airport	CIGNA	7.600%	--	6,849	03/31/99
Mack-Cali Murray Hill	Horace Mann	7.850%	--	8,027	05/01/99
Mack-Cali Manhasset	IDA Financing	TENR	8,000	8,000	12/01/99
201 Commerce Drive	Sun Life Assurance Co.	6.240%	1,090	1,121	09/01/00
3 & 5 Terri Lane	First Union National Bank	6.220%	4,455	4,476	10/31/00
101 & 225 Executive Drive	Sun Life Assurance Co.	6.270%	2,465	2,553	06/01/01
Mack-Cali Morris Plains	Corestates Bank	7.510%	2,261	2,292	12/31/01
Harborside Financial Center(1)	Contingent Obligation(1)	6.764%	6,358	6,150	11/04/02
Mack-Cali Willowbrook	CIGNA	8.670%	10,560	10,918	10/01/03
1717 Route 208, Fair Lawn	Prudential Insurance Co.	8.250%	17,348	17,586	10/01/03
400 Chestnut Ridge	Prudential Insurance Co.	9.440%	14,781	14,983	07/01/04
Mack-Cali Centre VI	Principal Life Insurance Co.	6.865%	35,000	--	04/01/05
Mack-Cali Bridgewater I	New York Life Ins. Co.	7.000%	23,000	23,000	09/10/05
Mack-Cali Woodbridge II	New York Life Ins. Co.	7.500%	17,500	17,500	09/10/05
Mack-Cali Short Hills	Prudential Insurance Co.	7.740%	27,110	27,696	10/01/05
500 West Putnam Avenue	New York Life Ins. Co.	6.520%	11,127	11,471	10/10/05
Harborside - Plaza I	U.S. West Pension Trust	6.990%	49,949	48,148	01/01/06
Harborside - Plaza II and III	Northwestern Mutual Life Ins.	7.320%	100,051	101,852	01/01/06
Mack-Cali Airport	Allstate Life Insurance Co.	7.050%	10,500	--	04/01/07
Kemble Plaza II	Mitsubishi Tr & Bk Co.	LIBOR+0.65%	40,025	40,025	01/31/08
Kemble Plaza I	Mitsubishi Tr & Bk Co.	LIBOR+0.65%	32,178	32,178	01/31/09
Total Property Mortgages			\$413,758	\$414,048	

</TABLE>

(1) As part of the Harborside acquisition in November 1996, the Company agreed to make payments (with an estimated net present value of approximately \$5,252 at acquisition date) to the seller for development rights ("Contingent Obligation") if and when the Company commences construction on the acquired site during the next several years. However, the agreement provides, among other things, that even if the Company does not commence construction, the seller may nevertheless require the Company to acquire these rights during the six-month period after the end of the sixth year. After such period, the seller's option lapses, but any development in years 7 through 30 will require a payment, on an increasing scale, for the development rights. The Company is currently in the pre-development phase of a long-range plan to develop the Harborside site on a multi-property, multi-use basis.

INTEREST RATE CONTRACTS

On May 24, 1995, the Company entered into an interest rate swap agreement with a commercial bank. The swap agreement fixes the Company's one-month LIBOR base to 6.285 percent per annum on a notional amount of \$24,000. The swap agreement expires on August 15, 1999.

On January 23, 1996, the Company entered into an interest rate swap agreement with a commercial bank. The swap agreement fixed the Company's one-month LIBOR base to 5.265 percent per annum on a notional amount of \$26,000. The swap agreement expired in January 1999.

On October 1, 1998, the Company entered into a forward treasury rate lock agreement with a commercial bank. The agreement locked an interest rate of 4.089 percent per annum for the three-year U.S. Treasury Note effective November 4, 1999, on a notional amount of \$50,000. The agreement will be used to fix the Index Rate on \$50,000 of the Harborside- Plaza I mortgage, for which the Company's interest rate re-sets for three years beginning November 4, 1999 to the three-year U.S. Treasury Note plus 110 basis points (see "Property Mortgages: Harborside-Plaza I").

In connection with the issuance of the Senior Unsecured Notes, the Company entered into and settled forward treasury rate lock agreements in March 1999. These agreements were settled at a cost of approximately \$517, which is being amortized to interest expense over the terms of the respective tranches.

The Company is exposed to credit loss in the event of non-performance by the other parties to the interest rate contracts. However, the Company does not anticipate non-performance by any of the counterparties. The Company is also exposed to market risk from the movement in interest rates pertaining to the forward treasury rate lock agreement.

SCHEDULED PRINCIPAL PAYMENTS

Scheduled principal payments and related weighted average annual interest rates for the Company's Senior Unsecured Notes, revolving credit facilities and mortgages and loans payable as of June 30, 1999 are as follows:

<TABLE>
<CAPTION>

Year	Scheduled Amortization	Principal Maturities	Total	Weighted Avg. Interest Rate of Future Repayments (a)
<S>	<C>	<C>	<C>	<C>
July through December 1999	\$ 1,503	\$ 8,000	\$ 9,503	6.26%
2000	3,336	5,419	8,755	6.77%
2001	3,583	152,811	156,394	6.01%
2002	3,823	7,814	11,637	7.09%
2003	4,180	206,971	211,151	7.31%
Thereafter	4,721	1,092,824	1,097,545	7.19%
Totals/Weighted Average	\$ 21,146	\$1,473,839	\$1,494,985	7.08%

</TABLE>

- (a) Assumes LIBOR rate at June 30, 1999 of 5.05 percent in calculating revolving credit facility and other variable rate debt interest rates.

CASH PAID FOR INTEREST & INTEREST CAPITALIZED

Cash paid for interest for the six months ended June 30, 1999 and 1998, was \$38,216 and \$61,440, respectively. Interest capitalized by the Company for the six months ended June 30, 1999 and 1998 was \$3,019 and \$1,293, respectively.

SUMMARY OF INDEBTEDNESS

As of June 30, 1999, the Company's total indebtedness of \$1,494,985 (weighted average interest rate of 7.08 percent) was comprised of \$228,803 of credit facility borrowings and other variable rate mortgage debt (average rate of 5.84 percent), fixed rate debt of \$1,259,824 (average rate of 7.31 percent), and a Contingent Obligation of \$6,358.

10. MINORITY INTEREST

Minority interest in the accompanying consolidated financial statements relates to common units in the Operating Partnership, in addition to preferred units ("Preferred Units") and warrants to purchase common units ("Unit Warrants") issued in connection with the Company's December 1997 acquisition of 54 office properties ("Mack Properties") from the Mack Company and Patriot American Office Group ("Mack Transaction"), held by parties other than the Company.

PREFERRED UNITS

In connection with the Mack Transaction in December 1997, the Company issued 15,237 Series A Preferred Units and 215,325 Series B Preferred Units, with an aggregate value of \$236,491. The Preferred Units have a stated value of \$1,000 per unit and are 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 Preferred Unit (representing 6.75 percent of the Preferred Unit stated value of \$1,000 on an annualized basis) is an amount equal to the greater of (i) \$16.875 or (ii) the quarterly distribution attributable to a Preferred Unit determined as if such unit had been converted into common units, subject to adjustment for customary anti-dilution rights. Each of the Series A Preferred Units may be converted at any time into common units at a conversion price of \$34.65 per unit, and, after the one year anniversary of the date of the Series A Preferred Units' initial issuance, common units received pursuant to such conversion may be redeemed into common stock. Each of the Series B Preferred Units may be converted at any time into

common units at a conversion price of \$34.65 per unit, and, after the three year anniversary of the date of the Series B Preferred Units' initial issuance, common units received pursuant to such conversion may be redeemed into common stock. Each of the common units are redeemable for an equal number of shares of common stock.

During 1998, the Company issued 19,694 additional Preferred Units (11,895 of Series A and 7,799 of Series B), convertible into 568,369 common units and valued at approximately \$20,200, in connection with the achievement of certain performance goals at the Mack Properties in redemption of an equivalent number of contingent Preferred Units.

During the six months ended June 30, 1999, 20,952 Series A Preferred Units were converted into 604,675 common units.

As of June 30, 1999, there was 229,304 Preferred Units outstanding (convertible into 6,617,721 common units).

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. When a unitholder redeems a common unit, minority interest is reduced and the Company's investment in the Operating Partnership is increased.

During 1998, the Operating Partnership redeemed a total of 82,880 common units in exchange for an aggregate of \$3,163 in cash. Additionally, the Operating Partnership redeemed an aggregate of 29,300 common units for an equivalent number of shares of common stock in the Company.

On March 26, 1998, in connection with the Pacifica portfolio-phase I acquisition, the Company issued 100,175 common units, valued at approximately \$3,779.

On April 30, 1998, in connection with the acquisition of a 49.9 percent interest in the G&G Martco joint venture (see Note 4), the Company issued 218,105 common units, valued at approximately \$8,334.

On June 8, 1998, in connection with the Pacifica portfolio-phase II acquisition, the Company issued 585,263 common units, valued at approximately \$20,753.

On July 20, 1998, in connection with the expansion of one of the Mack Properties, the Company issued 52,245 common units, valued at approximately \$1,632.

On September 10, 1998, in connection with the acquisition of 40 Richards Avenue, the Company issued 414,114 common units, valued at approximately \$12,615.

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During 1998, the Company also issued 1,731,386 common units, valued at approximately \$58,936, in connection with the achievement of certain performance goals at the Mack Properties in redemption of an equivalent number of contingent common units.

On June 4, 1999, in connection with the acquisition of a 0.1 percent interest in G&G Martco joint venture (see Note 4), the Company issued 437 common units, valued at approximately \$17.

During the six months ended June 30, 1999, the Operating Partnership redeemed an aggregate of 1,634,164 common units for an equivalent number of shares of common stock in the Company.

During the six months ended June 30, 1999, the Company also issued 242,157 common units, valued at approximately \$7,241, in connection with the achievement of certain performance goals at the Mack Properties in redemption of an equivalent number of contingent common units.

As of June 30, 1999, there were 8,299,690 common units outstanding.

CONTINGENT COMMON & PREFERRED UNITS

In connection with the Mack Transaction in December 1997, 2,006,432 contingent common units, 11,895 Series A contingent Preferred Units and 7,799 Series B contingent Preferred Units were issued as contingent non-participating units ("Contingent Units"). Such Contingent Units have no voting, distribution or

other rights until such time as they are redeemed into common units, Series A Preferred Units, and Series B Preferred Units, respectively. Redemption of such Contingent Units shall occur upon the achievement of certain performance goals relating to certain of the Mack Properties, specifically the achievement of certain leasing activity. When Contingent Units are redeemed for common and Preferred Units, an adjustment to the purchase price of certain of the Mack Properties is recorded, based on the value of the units issued.

On account of certain of the performance goals at the Mack Properties having been achieved during 1998, the Company redeemed 1,731,386 contingent common units and 19,694 contingent Preferred Units and issued an equivalent number of common and Preferred Units, as indicated above.

On account of certain of the performance goals at the Mack Properties having been achieved during the six months ended June 30, 1999, the Company redeemed 242,157 contingent common units and issued an equivalent number of common units, as indicated above. There were no contingent Preferred Units outstanding and 32,889 contingent common units outstanding as of June 30, 1999.

UNIT WARRANTS

The Company has 2,000,000 Unit Warrants outstanding. The Unit Warrants are exercisable at \$37.80 per common unit and expire on December 11, 2002.

MINORITY INTEREST OWNERSHIP

As of June 30, 1999 and December 31, 1998, the minority interest common unitholders owned 12.3 percent (20.2 percent, including the effect of the conversion of Preferred Units into common units) and 13.7 percent (22.2 percent including the effect of the conversion of Preferred Units into common units) of the Operating Partnership, respectively (excluding any effect for the exercise of Unit Warrants).

11. EMPLOYEE BENEFIT PLAN

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

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12. COMMITMENTS AND CONTINGENCIES

TAX ABATEMENT AGREEMENTS

Grove Street Property

Pursuant to an agreement with the City of Jersey City, New Jersey, as amended, expiring in 2004, the Company is required to make payments in lieu of property taxes ("PILOT") on its property at 95 Christopher Columbus Drive, Jersey City, Hudson County, New Jersey. Such PILOT, as defined, is \$1,267 per annum through May 31, 1999 and \$1,584 per annum through May 31, 2004.

Harborside Financial Center Property

Pursuant to an agreement with the City of Jersey City, New Jersey obtained by the former owner of the Harborside property in 1988 and assumed by the Company as part of the acquisition of the property in November 1996, the Company is required to make PILOT payments on its Harborside property. The agreement, which commenced in 1990, is for a term of 15 years. Such PILOT is equal to two percent of Total Project Costs, as defined, in year one and increases by \$75 per annum through year fifteen. Total Project Costs, as defined, are \$145,644. Such PILOT totaled \$1,302 and \$1,239 for the six months ended June 30, 1999 and 1998, respectively.

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 June 30, 1999, are as follows:

Year	Amount
July 1, 1999 to December 31, 1999	\$ 213
2000	425
2001	427
2002	427
2003	427
Thereafter	21,934

Total \$23,853
=====

OTHER

On April 19, 1999, the Company announced the following changes in the membership of its Board of Directors and the identities, titles and responsibilities of its executive officers: (i) Thomas A. Rizk resigned from the Board of Directors, the Executive Committee of the Board of Directors, his position as Chief Executive Officer and as an employee of the Company; (ii) Mitchell E. Hersh was appointed Chief Executive Officer of the Company simultaneous with his resignation from his positions as President and Chief Operating Officer of the Company; (iii) Timothy M. Jones was appointed President of the Company simultaneous with his resignation from his positions as Executive Vice President and Chief Investment Officer of the Company; and (iv) Brant Cali was appointed to the Board of Directors of the Company to fill the remainder of Thomas A. Rizk's term as a Class III Director and was appointed Chief Operating Officer of the Company, also remaining as an Executive Vice President and Assistant Secretary of the Company.

Pursuant to the terms of Mr. Rizk's employment agreement entered into with the Company in December 1997 and an agreement entered into simultaneous with his resigning from the Company, Mr. Rizk received a payment of approximately \$14,490 in April 1999 and will receive \$500 annually over the next three years. All costs associated with Mr. Rizk's resignation are included in non-recurring charges for the three and six month periods ended June 30, 1999.

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

13. TENANT LEASES

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

14. STOCKHOLDERS' EQUITY

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

COMMON STOCK

On February 25, 1998, the Company completed an underwritten public offer and sale of 2,500,000 shares of its common stock and used the net proceeds, which totaled approximately \$92,194 (after offering costs) to pay down a portion of its outstanding borrowings under the Company's credit facilities and fund the acquisition of 10 Mountainview Road (see Note 3).

On March 18, 1998, in connection with the acquisition of Prudential Business Campus, the Company completed an offer and sale of 2,705,628 shares of its common stock using the net proceeds of approximately \$99,899 (after offering costs) in the funding of such acquisition (see Note 3).

On March 27, 1998, the Company completed an underwritten public offer and sale of 650,407 shares of its common stock and used the net proceeds, which totaled approximately \$23,690 (after offering costs) to pay down a portion of its outstanding borrowings under the Company's credit facilities.

On April 29, 1998, the Company completed an underwritten offer and sale of 994,228 shares of its common stock and used the net proceeds, which totaled approximately \$34,570 (after offering costs), primarily to pay down a portion of its outstanding borrowings under the Company's credit facilities.

On May 29, 1998, the Company completed an underwritten offer and sale of 984,615

shares of its common stock and used the net proceeds, which totaled approximately \$34,100 (after offering costs), primarily to pay down a portion of its outstanding borrowings under the Company's credit facilities.

On December 31, 1998, the Company completed an offer and sale of 132,710 shares of its common stock, using the net proceeds of approximately \$3,940 for general corporate purposes.

On August 6, 1998, the Board of Directors of the Company authorized a share repurchase program ("Repurchase Program") under which the Company was permitted to purchase up to \$100,000 of the Company's outstanding common stock. Purchases could be made from time to time in open market transactions at prevailing prices or through privately negotiated transactions.

For the year ended December 31, 1998, the Company purchased, for constructive retirement, 854,700 shares of its outstanding common stock for an aggregate cost of approximately \$25,058. Concurrent with these purchases, the Company sold to the Operating Partnership 854,700 common units for approximately \$25,058.

For the six months ended June 30, 1999, the Company purchased, for constructive retirement, 26,000 shares of its outstanding common stock for an aggregate cost of approximately \$713. Concurrent with these purchases, the Company sold to the Operating Partnership 26,000 common units for approximately \$713.

DIVIDEND REINVESTMENT AND STOCK PURCHASE PLAN

The Company filed a registration statement with the SEC for the Company's dividend reinvestment and stock purchase plan ("Plan") which was declared effective in February 1999. The Plan commenced on March 1, 1999.

During the six months ended June 30, 1999, 320 shares were issued and proceeds of approximately \$10 were received from stock purchases and/or dividend reinvestments under the Plan.

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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 to be 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 ("the 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 will be attached to each share of common stock. The Rights will generally be 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 1994, and as subsequently amended, the Company established the Mack-Cali Employee Stock Option Plan ("Employee Plan") and the Mack-Cali Director Stock Option Plan ("Director Plan") under which a total of 5,380,188 shares (subject to adjustment) of the Company's common stock have been reserved for issuance (4,980,188 shares under the Employee Plan and 400,000 shares under the Director Plan). Stock options granted under the Employee Plan in 1994 and 1995 become exercisable over a three-year period and those options granted under the Employee Plan in 1996, 1997 and 1998 become exercisable over a five-year period. All stock options granted under the Director Plan become exercisable in one year. All options were granted at the fair market value at the dates of grant and have terms of ten years. As of June 30, 1999 and December 31, 1998, the stock options outstanding had a weighted average remaining contractual life of approximately 7.6 and 8.5 years, respectively.

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

	Shares Under Options	Weighted Average Exercise Price

Outstanding at January 1, 1998	3,287,290	\$31.47
Granted	1,048,620	\$35.90
Exercised	(267,660)	\$20.47
Lapsed or canceled	(128,268)	\$36.61

Outstanding at December 31, 1998	3,939,982	\$33.22
Granted	37,000	\$31.63
Exercised	(41,063)	\$22.87
Lapsed or canceled	(289,434)	\$37.38
Outstanding at June 30, 1999	3,646,485	\$32.99
Options exercisable at December 31, 1998	1,334,137	\$27.84
Options exercisable at June 30, 1999	1,904,177	\$30.49
Available for grant at December 31, 1998	709,223	
Available for grant at June 30, 1999	961,657	

STOCK WARRANTS

The Company has outstanding a total of 400,000 warrants to purchase an equal number of shares of common stock ("Stock Warrants") at \$33 per share (the market price at date of grant). Such warrants generally vest equally over a three-year period through January 31, 2000 and expire on January 31, 2007.

The Company also has outstanding a total of 514,976 Stock Warrants to purchase an equal number of shares of common stock at \$38.75 per share (the market price at date of grant). Such warrants vest equally over a five-year period through December 12, 2002 and expire on December 12, 2007.

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As of June 30, 1999 and December 31, 1998, there were 914,976 Stock Warrants outstanding. As of June 30, 1999 and December 31, 1998, there were 585,989 and 565,991 Stock Warrants exercisable, respectively. No Stock Warrants have been exercised or canceled.

EXECUTIVE STOCK COMPENSATION

Effective July 1, 1999, the Company entered into amended and restated employment contracts with six of its key executive officers which provided for, among other things, compensation in the form of stock awards ("Restricted Stock Awards") and associated tax obligation payments. In connection with the Restricted Stock Awards, the executive officers are to receive up to a total of 193,593 shares of the Company's common stock vesting over a five-year period contingent upon the Company meeting certain performance and/or stock price appreciation objectives.

DEFERRED STOCK COMPENSATION PLAN FOR DIRECTORS

The Deferred Compensation Plan for Directors ("Deferred Compensation Plan") commenced January 1, 1999 and is a plan which 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 six months ended June 30, 1999, 1,309 deferred stock units were earned.

EARNINGS PER SHARE

FASB No. 128 requires a dual presentation of basic and diluted EPS on the face of the income statement for all companies with complex capital structures even where the effect of such dilution is not material. Basic EPS excludes dilution and is computed by dividing net income available to common stockholders by the weighted average number of shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock.

The following information presents the Company's results for the three and six month periods ended June 30, 1999 and 1998 in accordance with FASB No. 128.

	Three Months Ended June 30,			
	1999	1998		
	Basic EPS	Diluted EPS	Basic EPS	Diluted EPS
Net income	\$18,686	\$18,686	\$28,015	\$28,015
Add: Net income attributable to potentially dilutive securities	--	2,766	--	3,500

Adjusted net income	\$18,686	\$21,452	\$28,015	\$31,515
=====				
Weighted average shares	58,510	67,486	57,019	64,626

Per Share	\$ 0.32	\$ 0.32	\$ 0.49	\$ 0.49
=====				

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	Six Months Ended June 30,			
	1999		1998	
	----		----	
	Basic EPS	Diluted EPS	Basic EPS	Diluted EPS

Net income	\$50,750	\$50,750	\$54,558	\$54,558
Add: Net income attributable to potentially dilutive securities	--	7,646	--	6,896

Adjusted net income	\$50,750	\$58,396	\$54,558	\$61,454
=====				
Weighted average shares	58,337	67,386	54,207	61,671

Per Share	\$ 0.87	\$ 0.87	\$ 1.01	\$ 1.00
=====				

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	1999		1998	
	-----		-----	
Basic EPS Shares:	58,510	57,019	58,337	54,207
Add: Operating Partnership units	8,663	7,126	8,755	6,848
Stock options	313	444	293	529
Stock Warrants	--	37	--	87

Diluted EPS Shares:	67,486	64,626	67,385	61,671
=====				

Preferred Units and Contingent Units outstanding in 1999 and 1998 were not included in the computation of diluted EPS as such units were anti-dilutive during the period.

Pursuant to the Repurchase Program, during 1998, the Company purchased for constructive retirement, 854,700 shares of its outstanding common stock for approximately \$25,058. Additionally, during the six months ended June 30, 1999, the Company purchased for constructive retirement, 26,000 shares of its outstanding common stock for approximately \$713.

15. SEGMENT REPORTING

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

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

Selected results of operations for the three and six month periods ended June 30, 1999 and 1998 and selected asset information as of June 30, 1999 and December 31, 1998 regarding the Company's operating segment are as follows:

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<TABLE>
<CAPTION>

	Total Segment	Corporate & Other (e)	Total Company

<S>	<C>	<C>	<C>
Total contract revenues (a):			
Three months ended:			
June 30, 1999	\$ 132,575	\$ 567	\$ 133,142 (f)
June 30, 1998	116,878	2,021	118,899 (g)
Six months ended:			
June 30, 1999	\$ 264,344	\$ 142	264,486 (h)
June 30, 1998	218,479	3,040	221,519 (i)

Total operating and interest expenses (b):			
Three months ended:			
June 30, 1999	\$ 28,110	\$ 61,079	\$ 89,189
June 30, 1998	38,750	26,028	64,778
Six months ended:			
June 30, 1999	\$ 71,265	\$ 90,031	\$ 161,296
June 30, 1998	71,696	48,824	120,520
Net operating income (c):			
Three months ended:			
June 30, 1999	\$ 104,465	\$ (60,512)	\$ 43,953 (f)
June 30, 1998	78,128	(24,007)	54,121 (g)
Six months ended:			
June 30, 1999	\$ 193,079	\$ (89,889)	\$ 103,190 (h)
June 30, 1998	146,783	(45,784)	100,999 (i)
Total assets:			
June 30, 1999	\$3,512,260	\$ 26,338	\$3,538,598
December 31, 1998	3,430,865	21,329	3,452,194
Total long-lived assets (d):			
June 30, 1999	\$3,457,321	\$ 4,196	\$3,461,517
December 31, 1998	3,393,313	4,098	3,397,411

</TABLE>

-
- (a) Total contract revenues represents all revenues during the period (including the Company's share of net income from unconsolidated joint ventures), excluding adjustments for straight-lining of rents and the Company's share of straight-line rent adjustments from unconsolidated joint ventures. All interest income is excluded from segment amounts and is classified in Corporate and Other for all periods.
- (b) Total operating and interest expenses represents the sum of real estate taxes, utilities, operating services, general and administrative and interest expense. All interest expense (including for property-level mortgages) is excluded from segment amounts and is classified in Corporate and Other for all periods.
- (c) Net operating income represents total contract revenues [as defined in Note (a)] less total operating and interest expenses [as defined in Note (b)] for the period.
- (d) Long-lived assets is comprised of total rental property, unbilled rents receivable and investments in unconsolidated joint ventures.
- (e) Corporate & Other represents all corporate-level items (including interest income, interest expense and non-property general and administrative expense) as well as intercompany eliminations necessary to reconcile to consolidated Company totals.
- (f) Excludes \$3,859 of adjustments for straight-lining of rents and \$(26) for the Company's share of straight-line rent adjustments from unconsolidated joint ventures.
- (g) Excludes \$3,136 of adjustments for straight-lining of rents and \$6 for the Company's share of straight-line rent adjustments from unconsolidated joint ventures.
- (h) Excludes \$7,422 of adjustments for straight-lining of rents and \$(44) for the Company's share of straight-line rent adjustments from unconsolidated joint ventures.
- (i) Excludes \$6,339 of adjustments for straight-lining of rents and \$6 for the Company's share of straight-line rent adjustments from unconsolidated joint ventures.

16. IMPACT OF RECENTLY-ISSUED ACCOUNTING STANDARDS

In April 1998, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants issued Statement of Position 98-5, "Reporting on the Cost of Start-Up Activities" ("SOP 98-5"), which is effective for fiscal years beginning after December 15, 1998. SOP 98-5 requires costs of start-up and organizational activities be expensed as incurred. The adoption of SOP 98-5 did not have a material effect on the Company's financial statements.

In June 1998, the FASB issued Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities ("FASB No. 133"). FASB No. 133 is effective for all fiscal quarters of all fiscal years beginning after June 15, 1999. In June 1999, the FASB delayed the implementation date of FASB No. 133 by one year (January 1, 2001 for the Company). FASB No. 133 requires that all derivative instruments be recorded on the balance sheet at their fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction. Management of the Company anticipates that, due to its limited use of derivative instruments, the adoption of FASB No. 133 will not have a significant effect on the Company's results of operations or its

financial position.

17. PRO FORMA FINANCIAL INFORMATION

The following pro forma financial information for the six months ended June 30, 1999 and 1998 are presented as if all acquisitions and common stock offerings completed during the six months ended June 30, 1999 and the year ended December 31, 1998 had occurred on January 1, 1998. In management's opinion, all adjustments necessary to reflect the effects of these transactions have been made.

This pro forma financial information is not necessarily indicative of what the actual results of operations of the Company would have been assuming such transactions had been completed as of January 1, 1998, nor do they represent the results of operations of future periods.

	Six Months Ended June 30,	
	1999	1998
Total revenues	\$271,864	\$252,675
Operating and other expenses	81,615	74,327
General and administrative	13,904	13,746
Depreciation and amortization	44,434	39,211
Interest expense	49,319	50,090
Non-recurring charges	16,458	--
Income before minority interest	66,134	75,301
Minority interest	15,384	12,613
Net income	\$ 50,750	\$ 62,688
Basic earnings per common share	\$ 0.87	\$ 1.08
Diluted earnings per common share	\$ 0.87	\$ 1.01
Basic weighted average shares outstanding	58,337	57,861
Diluted weighted average shares outstanding	67,385	66,441

MACK-CALI REALTY CORPORATION AND SUBSIDIARIES

Item 2:

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

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

The following comparisons for the three and six month periods ended June 30, 1999 ("1999"), as compared to the three and six month periods ended June 30, 1998 ("1998") make reference to the following: (i) the effect of the "Same-Store Properties," which represents all in-service properties owned by the Company at March 31, 1998 (for the three-month period comparisons), and which represents all in-service properties owned by the Company at December 31, 1997 (for the six-month period comparisons) and (ii) the effect of the "Acquired Properties," which represents all properties acquired or placed in service by the Company from April 1, 1998 through June 30, 1999 (for the three-month period comparisons) and which represents all properties acquired or placed in service by the Company from January 1, 1998 through June 30, 1999 (for the six-month period comparisons).

Three Months Ended June 30, 1999 Compared to Three Months Ended June 30, 1998

<TABLE>
<CAPTION>

(in thousands)	Quarter Ended June 30,		Dollar Change	Percent Change(%)
	1999	1998		
<S>	<C>	<C>	<C>	<C>
Revenue from rental operations:				
Base rents	\$ 116,499	\$ 105,861	\$ 10,638	10.0%
Escalations and recoveries from tenants	16,366	12,358	4,008	32.4
Parking and other	3,061	2,836	225	7.9
Sub-total	135,926	121,055	14,871	12.3

Interest income	215	916	(701)	(76.5)
Equity in earnings of unconsolidated joint ventures	834	70	764	1,091.4

Total revenues	136,975	122,041	14,934	12.2

Property expenses:				
Real estate taxes	14,208	11,854	2,354	19.9
Utilities	9,829	9,115	714	7.8
Operating services	17,227	15,629	1,598	10.2

Sub-total	41,264	36,598	4,666	12.7
General and administrative	5,770	6,394	(624)	(9.8)
Depreciation and amortization	22,465	19,093	3,372	17.7
Interest expense	25,697	21,786	3,911	18.0
Non-recurring charges	16,458	--	16,458	--

Total expenses	111,654	83,871	27,783	33.1

Income before minority interest and extraordinary item	25,321	38,170	(12,849)	(33.7)
Minority interest	(6,635)	(7,782)	1,147	(14.7)

Income before extraordinary item	18,686	30,388	(11,702)	(38.5)

Extraordinary item - loss on early retirement of debt (net of minority interest's share of \$297 in 1998)	--	(2,373)	2,373	100.0

Net income	\$ 18,686	\$ 28,015	\$ (9,329)	(33.3)%

</TABLE>

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

<TABLE>
<CAPTION>

	Total Company		Acquired Properties		Same-Store Properties	
	Dollar Change	Percent Change	Dollar Change	Percent Change	Dollar Change	Percent Change

<S>	<C>	<C>	<C>	<C>	<C>	<C>
Revenue from rental operations:						
Base rents	\$10,638	10.0%	\$ 7,529	7.1%	\$ 3,109	2.9%
Escalations and recoveries from tenants	4,008	32.4	994	8.0	3,014	24.4
Parking and other	225	7.9	96	3.4	129	4.5

Total	\$14,871	12.3%	\$ 8,619	7.1%	\$ 6,252	5.2%
=====						
Property expenses:						
Real estate taxes	\$ 2,354	19.9%	\$ 959	8.1%	\$ 1,395	11.8%
Utilities	714	7.8	645	7.0	69	0.8
Operating services	1,598	10.2	1,255	8.0	343	2.2

Total	\$ 4,666	12.7%	\$ 2,859	7.8%	\$ 1,807	4.9%
=====						

OTHER DATA:

Number of wholly-owned properties	249	22	227
Square feet (in thousands)	27,152	2,161	24,991

</TABLE>

Base rents for the Same-Store Properties increased \$3.1 million, or 2.9 percent, for 1999 as compared to 1998, due primarily to occupancy and rental rate increases in 1999. Escalations and recoveries from tenants for the Same-Store Properties increased \$3.0 million, or 24.4 percent, for 1999 over 1998, due to the recovery of an increased amount of total property expenses, as well as additional settle-up billings in 1999. Parking and other income for the Same-Store Properties increased \$0.1 million, or 4.5 percent, due primarily to lease termination fees received in 1999.

Real estate taxes on the Same-Store Properties increased \$1.4 million, or 11.8

percent, for 1999 as compared to 1998, due primarily to property tax rate increases in certain municipalities in 1999. Utilities for the Same-Store Properties increased \$0.1 million, or 0.8 percent, for 1999 as compared to 1998, due primarily to increased usage in 1999. Operating services for the Same-Store Properties increased \$0.3 million, or 2.2 percent, due primarily to additional maintenance costs incurred.

Equity in earnings of unconsolidated joint ventures increased \$0.8 million in 1999 as compared to 1998. This is due to additional joint ventures being entered into by the Company (see Note 4 to the Financial Statements).

Interest income decreased by approximately \$0.7 million, or 76.5 percent, for 1999 as compared to 1998. This decrease was due primarily to repayment by a borrower of a mortgage note receivable in 1998 with no interest income from mortgage note receivables in 1999.

General and administrative decreased by \$0.6 million, or 9.8 percent for 1999 as compared to 1998. This decrease is due primarily to decreased payroll and related costs in 1999.

Depreciation and amortization increased by \$3.4 million, or 17.7 percent, for 1999 over 1998. Of this increase, \$1.7 million or 8.8 percent, is attributable to the Acquired Properties, and \$1.7 million, or 8.9 percent, is due to the Same-Store Properties.

Interest expense increased \$3.9 million, or 18.0 percent, for 1999 as compared to 1998. This increase is due primarily to the replacement in 1999 of short-term credit facility borrowings with long-term fixed rate unsecured debt and net additional drawings from the Company's revolving credit facilities generally as a result of Company acquisitions in 1998. These increases were partially offset by a reduction in LIBOR in 1999, the reduction in spread over LIBOR due to the 1998 Unsecured Facility signed in April 1998 and the achievement by the Company of investment grade credit ratings in November 1998.

Non-recurring charges of \$16.5 million were incurred in 1999, as a result of the resignation of Thomas A. Rizk (see Note 12 to the Financial Statements).

Income before minority interest and extraordinary item decreased to \$25.3 million in 1999 from \$38.2 million in 1998. The decrease of \$12.9 million is due to the factors discussed above.

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Net income decreased by \$9.3 million for 1999, from \$28.0 million in 1998 to \$18.7 million in 1999. This decrease is a result of a decrease in income before minority interest and extraordinary item of \$12.9 million (as discussed above), offset by an extraordinary item of \$2.4 million (net of minority interest) in 1998 and a decrease of \$1.2 million in minority interest.

Six Months Ended June 30, 1999 Compared to Six Months Ended June 30, 1998

<TABLE>
<CAPTION>

(in thousands)	Six Months Ended June 30,		Dollar Change	Percent Change (%)
	1999	1998		
<S>	<C>	<C>	<C>	<C>
Revenue from rental operations:				
Base rents	\$ 232,579	\$ 198,777	\$ 33,802	17.0%
Escalations and recoveries from tenants	31,226	22,715	8,511	37.5
Parking and other	6,961	4,818	2,143	44.5
Sub-total	270,766	226,310	44,456	19.6
Interest income	470	1,459	(989)	(67.8)
Equity in earnings of unconsolidated joint ventures	628	95	533	561.1
Total revenues	271,864	227,864	44,000	19.3
Property expenses:				
Real estate taxes	28,051	21,926	6,125	27.9
Utilities	19,421	17,417	2,004	11.5
Operating services	34,143	28,321	5,822	20.6
Sub-total	81,615	67,664	13,951	20.6
General and administrative	13,904	12,591	1,313	10.4
Depreciation and amortization	44,434	35,324	9,110	25.8
Interest expense	49,319	40,265	9,054	22.5
Non-recurring charges	16,458	--	16,458	--

Total expenses	205,730	155,844	49,886	32.0

Income before minority interest and extraordinary item	66,134	72,020	(5,886)	(8.2)
Minority interest	(15,384)	(15,089)	(295)	2.0

Income before extraordinary item	50,750	56,931	(6,181)	(10.9)

Extraordinary item - loss on early retirement of debt (net of minority interest's share of \$297 in 1998)	--	(2,373)	2,373	100.0

Net income	\$ 50,750	\$ 54,558	\$ (3,808)	(7.0)%
=====				

</TABLE>

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

<TABLE>
<CAPTION>

	Total Company		Acquired Properties		Same-Store Properties	
	Dollar Change	Percent Change	Dollar Change	Percent Change	Dollar Change	Percent Change

<S>	<C>	<C>	<C>	<C>	<C>	<C>
Revenue from rental operations:						
Base rents	\$ 33,802	17.0%	\$ 26,271	13.2%	\$ 7,531	3.8%
Escalations and recoveries from tenants	8,511	37.5	4,735	20.9	3,776	16.6
Parking and other	2,143	44.5	1,430	29.7	713	14.8

Total	\$ 44,456	19.6%	\$ 32,436	14.3%	\$ 12,020	5.3%
=====						
Property expenses:						
Real estate taxes	\$ 6,125	27.9%	\$ 4,206	19.2%	\$ 1,919	8.7%
Utilities	2,004	11.5	2,200	12.6	(196)	(1.1)
Operating services	5,822	20.6	5,004	17.7	818	2.9

Total	\$ 13,951	20.6%	\$ 11,410	16.9%	\$ 2,541	3.7%
=====						

OTHER DATA:

Number of wholly-owned properties	249	60	189
Square feet (in thousands)	27,152	5,187	21,965

</TABLE>

Base rents for the Same-Store Properties increased \$7.5 million, or 3.8 percent, for 1999 as compared to 1998, due primarily to occupancy and rental rate increases in 1999. Escalations and recoveries from tenants for the Same-Store Properties increased \$3.8 million, or 16.6 percent, for 1999 over 1998, due to the recovery of an increased amount of total property expenses, as well as additional settle-up billings in 1999. Parking and other income for the Same-Store Properties increased \$0.7 million, or 14.8 percent, which is primarily attributable to lease termination fees received in 1999.

Real estate taxes on the Same-Store Properties increased \$1.9 million, or 8.7 percent, for 1999 as compared to 1998, due primarily to property tax rate increases in certain municipalities in 1999. Utilities for the Same-Store Properties decreased \$0.2 million, or 1.1 percent, for 1999 as compared to 1998, due primarily to decreased electric rates and usage in early 1999. Operating services for the Same-Store Properties increased \$0.8 million, or 2.9 percent, due primarily to increased snow removal costs incurred at the Same-Store Properties in 1999.

Equity in earnings of unconsolidated joint ventures increased \$0.5 million in 1999 as compared to 1998. This is due to additional joint ventures being entered into by the Company (see Note 4 to the Financial Statements).

Interest income decreased by approximately \$1.0 million, or 67.8 percent, for 1999 as compared to 1998. This decrease was due primarily to repayment by a borrower of a mortgage note receivable in 1998 with no interest income from mortgage note receivables in 1999.

General and administrative increased by \$1.3 million, or 10.4 percent for 1999 as compared to 1998. This increase is due primarily to an increase in payroll

and related costs and professional fees as a result of the Company's expansion in 1998.

Depreciation and amortization increased by \$9.1 million, or 25.8 percent, for 1999 over 1998. Of this increase, \$6.8 million or 19.4 percent, is attributable to the Acquired Properties, and \$2.3 million, or 6.4 percent, is due to the Same-Store Properties.

Interest expense increased \$9.1 million, or 22.5 percent, for 1999 as compared to 1998. This increase is due primarily to the replacement in 1999 of short-term credit facility borrowings with long-term fixed rate unsecured debt and net additional drawings from the Company's revolving credit facilities generally as a result of Company acquisitions in 1998. These increases were partially offset by a reduction in LIBOR in 1999, the reduction in spread over LIBOR due to the 1998 Unsecured Facility signed in April 1998 and the achievement by the Company of investment grade credit ratings in November 1998.

Non-recurring charges of \$16.5 million were incurred in 1999, as a result of the resignation of Thomas A. Rizk (see Note 12 to the Financial Statements).

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Income before minority interest and extraordinary item decreased to \$66.1 million in 1999 from \$72.0 million in 1998. The decrease of \$5.9 million is due to the factors discussed above.

Net income decreased by \$3.8 million for 1999, from \$54.6 million in 1998 to \$50.8 million in 1999. This decrease is a result of a decrease in income before minority interest and extraordinary item of \$5.9 million (as discussed above), and an increase of \$0.3 million in minority interest, offset by an extraordinary item of \$2.4 million (net of minority interest) in 1998.

Liquidity and Capital Resources

Statement of Cash Flows

During the six months ended June 30, 1999, the Company generated \$110.0 million in cash flows from operating activities, and together with \$773.6 million in borrowings from the Company's revolving credit facilities, the issuance of unsecured notes and funds from additional mortgage debt, \$0.9 million in proceeds from stock options exercised, \$10.6 million in distributions received from unconsolidated joint ventures, used an aggregate of approximately \$895.1 million to acquire properties and land parcels and pay for other tenant and building improvements totaling \$71.1 million, repay outstanding borrowings on its revolving credit facilities and other mortgage debt of \$699.7 million, pay quarterly dividends and distributions of \$81.3 million, invest \$29.9 million in unconsolidated joint ventures, repurchase 26,000 shares of its outstanding common stock for \$0.7 million, pay deferred financing costs of \$6.6 million, add \$0.1 million to restricted cash and increase the Company's cash and cash equivalents by \$5.7 million.

Capitalization

During the six months ended June 30, 1999, in conjunction with the redemption of certain of the contingent units issued in the Mack Transaction, the Company issued a total of 242,157 common units with a total value of approximately \$7.2 million at time of issuance.

In August 1998, the Board of Directors of the Company authorized a share repurchase program under which the Company was permitted to purchase up to \$100.0 million of the Company's outstanding common stock. Purchases could be made from time to time in open market transactions at prevailing prices or through privately negotiated transactions. Subsequently, through June 30, 1999, the Company purchased, for constructive retirement, 880,700 shares of its outstanding common stock for an aggregate cost of approximately \$25.8 million. Concurrent with these purchases, the Company sold to the Operating Partnership 880,700 common units for approximately \$25.8 million.

On June 10, 1999, the Board of Directors of the Company authorized a dividend distribution of one preferred share purchase right for each outstanding share of common stock to be 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, at a price of \$100.00 per one one-thousandth of a Preferred Share, 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 will be attached to each share of common stock. The Rights will generally be 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. 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. The Company's adoption of the shareholder rights plan was not taken in response to any known effort to acquire control of the Company.

As of June 30, 1999, the Company's total indebtedness of \$1.5 billion (weighted average interest rate of 7.08 percent) was comprised of \$228.8 million of revolving credit facility borrowings and other variable rate mortgage debt (average rate of 5.84 percent), fixed rate debt of \$1.3 billion (average rate of 7.31 percent), and a Contingent Obligation of \$6.4 million.

As of June 30, 1999, the Company had outstanding borrowings of \$148.6 million under its revolving credit facilities (with aggregate borrowing capacity of \$1.1 billion). The total outstanding borrowings were from the 1998 Unsecured Facility, with no outstanding borrowings on its Prudential Facility. The 1998 Unsecured Facility, with 28 lender banks, carries an interest rate of 90 basis points over LIBOR and matures in April 2001. The Prudential Facility carries an interest rate of 110 basis points over LIBOR and matures in June 2000.

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The terms of the 1998 Unsecured Facility include certain restrictions and covenants which limit, among other things, the payment of dividends (as discussed below), the incurrence of additional indebtedness, the incurrence of liens and the disposition of assets, and which require compliance with financial ratios relating to the maximum leverage ratio, the maximum amount of secured indebtedness, the minimum amount of tangible net worth, the minimum amount of debt service coverage, the minimum amount of fixed charge coverage, the maximum amount of unsecured indebtedness, the minimum amount of unencumbered property debt service coverage and certain investment limitations. The dividend restriction referred to above provides that, except to enable the Company to continue to qualify as a REIT under the Code, the Company will not during any four consecutive fiscal quarters make distributions with respect to common stock or other equity interests in an aggregate amount in excess of 90 percent of funds from operations for such period, subject to certain other adjustments. The 1998 Unsecured Facility also requires a 17.5 basis point fee on the unused balance payable quarterly in arrears.

The Company has three investment grade credit ratings. Duff & Phelps Credit Rating Co. ("DCR") and Standard & Poors Rating Services ("S&P") have each assigned their BBB rating to the \$785.3 million of total unsecured corporate debt of the Operating Partnership. DCR and S&P have also assigned their BBB-rating to prospective preferred stock offerings of the Company. Moody's Investors Service has assigned its Baa3 rating to the unsecured corporate debt and its Ba1 rating to prospective preferred stock offerings of the Company.

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

In May 1995, the Company entered into an interest rate swap agreement with a commercial bank. The swap agreement fixes the Company's one-month LIBOR base to 6.285 percent per annum on a notional amount of \$24.0 million. The swap agreement expires on August 15, 1999.

In October 1998, the Company entered into a forward treasury rate lock agreement with a commercial bank. The agreement locked an interest rate of 4.089 percent per annum for the three-year U.S. Treasury Note effective November 4, 1999, on a notional amount of \$50.0 million. The agreement will be used to fix the Index Rate on \$50.0 million of the Harborside - Plaza I mortgage, for which the Company's interest rate re-sets for three years beginning November 4, 1999 to the interpolated three-year U.S. Treasury Note plus 110 basis points (see Note 9 to the Financial Statements - "Property Mortgages: Harborside-Plaza I").

Using the proceeds from the issuance of \$185.3 million of unsecured corporate debt in August 1999, the Company repaid in full and retired the TIAA Mortgage, which was secured by 43 properties aggregating 3.1 million square feet. Following the repayment, the Company had 217 unencumbered properties, totaling 20.1 million square feet, representing 73.5 percent of the Company's total portfolio on a square footage basis. The Company is currently reviewing its option to convert the \$150.0 Million Prudential Mortgage Loan, encumbering 12 properties aggregating 2.4 million square feet, to unsecured corporate debt.

The Company has an effective shelf registration statement with the SEC for an aggregate amount of \$2.0 billion in equity securities of the Company. The Company and Operating Partnership also have an effective shelf registration statement with the SEC for an aggregate of \$2.0 billion in debt securities, preferred stock and preferred stock represented by depositary shares, under which the Operating Partnership has issued an aggregate of \$785.3 million of unsecured corporate debt. The Company also has an effective registration statement with the SEC for a dividend reinvestment and stock purchase plan, which commenced on March 1, 1999.

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

The Company expects to meet its short-term liquidity requirements generally through its working capital and net cash provided by operating activities, along with the 1998 Unsecured Facility and the Prudential Facility. The Company is frequently examining potential property acquisitions and construction projects and, at any given time, one or more of such acquisitions may be under consideration. Accordingly, the ability to fund property acquisitions is a major part of the Company's financing

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requirements. The Company expects to meet its financing requirements through funds generated from operating activities, long-term or short-term borrowings (including draws on the Company's revolving credit facilities) and the issuance of additional debt or equity securities. In addition, the Company anticipates utilizing the 1998 Unsecured Facility and the Prudential Facility primarily to fund property acquisitions.

As of quarter end, the Company's total debt had a weighted average term to maturity of 5.9 years. The Company does not intend to reserve funds to retire the unsecured corporate debt, Harborside mortgages, \$150.0 Million Prudential Mortgage Loan, its other property mortgages or other long-term mortgages and loans payable upon maturity. Instead, the Company will seek to refinance such debt at maturity or retire such debt through the issuance of additional equity or debt securities. The Company is reviewing various refinancing options, including the issuance of additional unsecured corporate debt, preferred stock, and/or obtaining additional mortgage debt, some or all of which may be completed during 1999. The Company anticipates that its available cash and cash equivalents and cash flows from operating activities, together with cash available from borrowings and other sources, will be adequate to meet the Company's capital and liquidity needs both in the short and long-term. However, if these sources of funds are insufficient or unavailable, the Company's ability to make the expected distributions discussed below may be adversely affected.

To maintain its qualification as a REIT, the Company must make annual distributions to its stockholders of at least 95 percent of its REIT taxable income, determined without regard to the dividends paid deduction and by excluding net capital gains. Moreover, the Company intends to continue to make regular quarterly distributions to its stockholders which, based upon current policy, in the aggregate would equal approximately \$130.4 million on an annualized basis. However, any such distribution, whether for federal income tax purposes or otherwise, would only be paid out of available cash after meeting both operating requirements and scheduled debt service on mortgages and loans payable.

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SIGNIFICANT TENANTS

The following table sets out a schedule of the Company's 20 largest tenants, for the Company's wholly-owned properties as of June 30, 1999, based upon annualized base rents:

<TABLE>
<CAPTION>

Year of Lease Expiration	Number of Properties	Annualized Base Rental Revenue (\$ (1))	Percentage of Company Annualized Base Rental Revenue (%)	Square Feet Leased	Percentage of Total Company Leased Sq.Ft. (%)
<S>	<C>	<C>	<C>	<C>	<C>
<C>					
AT&T Corporation 2009 (2)	6	15,433,135	3.5	1,034,779	4.0
Donaldson, Lufkin & Jenrette Securities Corp. 2009 (3)	2	9,960,413	2.3	527,506	2.1
AT&T Wireless Services 2007 (4)	2	7,826,368	1.8	365,593	1.4
International Business					

Machines Corporation 2007 (5)	5	7,522,499	1.7	390,370	1.5
Allstate Insurance Company 2009 (6)	10	6,377,507	1.4	293,820	1.1
Prentice-Hall Inc. 2014	1	5,794,893	1.3	474,801	1.9
Nabisco Inc. 2000	2	5,467,178	1.2	300,378	1.2
Toys 'R' US - NJ, Inc. 2012	1	5,342,672	1.2	242,518	0.9
American Institute of Certified Public Accountants 2012	1	4,981,357	1.1	249,768	1.0
CMP Media Inc 2014	1	4,826,107	1.1	206,274	0.8
Board of Gov./Federal Reserve 2009 (7)	1	4,605,090	1.0	117,008	0.5
Winston & Strawn 2003	1	4,214,885	1.0	108,100	0.4
Dow Jones Telerate Systems Inc. 2006 (8)	1	3,660,064	0.8	194,219	0.8
KPMG Peat Marwick, LLP 2007 (9)	2	3,510,412	0.8	161,760	0.6
Bank of Tokyo - Mitsubishi Ltd. 2009	1	3,378,923	0.8	137,076	0.5
Bankers Trust Harborside Inc. 2003	1	3,272,500	0.7	385,000	1.5
Morgan Stanley Dean Witter 2008	1	3,188,532	0.7	179,131	0.7
Dean Witter Reynolds Inc. 2008 (10)	4	3,185,372	0.7	137,181	0.5
Deloitte & Touche USA LLP 2000	1	3,162,933	0.7	118,864	0.5
Cendant Operations Inc. 2008	1	3,117,051	0.7	148,431	0.6

Totals	45	108,827,891	24.5	5,772,577	22.5
=====					
=====					

</TABLE>

- (1) Annualized base rental revenue is based on actual June 1999 billings times 12. For leases whose rent commences after June 30, 1999, annualized base rental revenue is based on the first 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.
- (2) 39,183 square feet expire February 2000; 66,268 square feet expire December 2000; 3,950 square feet expire August 2002; 63,278 square feet expire May 2004; 475,100 square feet expire January 2008; 387,000 square feet expire January 2009.
- (3) 426,691 square feet expire July 2009; 100,815 square feet expire November 2009.
- (4) 341,512 square feet expire March 2007; 24,081 square feet expire June 2007.
- (5) 29,157 square feet expire October 2000; 85,000 square feet expire December 2000; 26,749 square feet expire January 2002; 1,065 square feet expire November 2002; 248,399 square feet expire December 2007.
- (6) 22,444 square feet expire July 2001; 70,517 square feet expire June 2002; 71,030 square feet expire September 2002; 18,882 square feet expire April 2003; 2,867 square feet expire January 2004; 36,305 square feet expire January 2005; 23,024 square feet expire October 2005; 6,108 square feet expire August 2006; 31,143 square feet expire April 2008; 11,500 square feet expire April 2009.
- (7) 94,719 square feet expire May 2005; 22,289 square feet expire June 2009.
- (8) 144,332 square feet expire June 2000; 4,700 square feet expire March 2001; 45,187 square feet expire June 2006.
- (9) 104,556 square feet expire September 2002; 57,204 square feet expire July 2007.
- (10) 13,140 square feet expire April 2005; 19,390 square feet expire October 2007; 85,151 square feet expire February 2008; 19,500 square feet expire June 2008.

SCHEDULE OF LEASE EXPIRATIONS

The following table sets forth a schedule of the lease expirations for the total of the Company's wholly-owned office, office/flex, industrial/warehouse and stand-alone retail properties beginning July 1, 1999, assuming that none of the tenants exercises renewal options:

<TABLE>
<CAPTION>

Year Of Expiration	Number Of Leases Expiring(1)	Net Rentable Area Subject To Expiring Leases (Sq. Ft.)	Percentage Of Total Leased Square Feet Represented By Expiring Leases (%) (2)	Annualized Base Rental Revenue Under Expiring Leases (\$) (3)	Average Annual Rent Per Net Rentable Square Foot Represented By Expiring Leases (\$)	Percentage Of Annual Base Rent Under Expiring Leases (%)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
1999	284	1,268,000	5.0	23,022,486	18.16	5.2
2000	512	3,826,970	14.9	65,672,700	17.16	14.8
2001	491	2,879,134	11.2	47,247,344	16.41	10.6
2002	461	3,435,094	13.4	59,678,362	17.37	13.4
2003	375	3,798,347	14.8	64,709,328	17.04	14.6
2004	217	1,988,936	7.8	35,264,420	17.73	7.9
2005	87	1,381,554	5.4	27,012,032	19.55	6.1
2006	51	869,866	3.4	16,718,122	19.22	3.8
2007	37	1,200,573	4.7	23,166,129	19.30	5.2
2008	36	1,506,175	5.9	23,403,100	15.54	5.3
2009	30	1,369,950	5.3	24,385,015	17.80	5.5
2010 and thereafter	38	2,114,619	8.2	33,883,564	16.02	7.6

Totals/Weighted Average	2,619	25,639,218	100.0 (4)	444,162,602	17.32	100.0

</TABLE>

- (1) 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.
- (2) Excludes all space vacant as of June 30, 1999.
- (3) Annualized base rental revenue is based on actual June 1999 billings times 12. For leases whose rent commences after June 30, 1999, annualized base rental revenue is based on the first 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.
- (4) Reconciliation to Company's total net rentable square footage is as follows:

<TABLE>

<CAPTION>

	Square Feet	Percentage of Total
<S>	<C>	<C>
Square footage leased to commercial tenants	25,639,218	94.7%
Square footage used for corporate offices, management offices, building use, retail tenants, food services, other ancillary service tenants and occupancy adjustments	442,122	1.6
Square footage vacant	1,002,786	3.7
	-----	---
Total net rentable square footage (does not include residential, land lease, retail or not-in-service properties)	27,084,126	100.0%
	=====	=====

</TABLE>

SCHEDULE OF LEASE EXPIRATIONS: OFFICE PROPERTIES

The following table sets forth a schedule of the lease expirations for the office properties beginning July 1, 1999, assuming that none of the tenants exercises renewal options:

<TABLE>

<CAPTION>

Number Of	Net Rentable Area Subject To Expiring	Percentage Of Total Leased Square Feet Represented By	Annualized Base Rental Revenue Under	Average Annual Rent Per Net Rentable Square Foot Represented	Percentage Of Annual Base Rent Under
-----------	---------------------------------------	---	--------------------------------------	--	--------------------------------------

Year Of Expiration	Leases Expiring(1)	Leases (Sq. Ft.)	Expiring Leases (%) (2)	Expiring Leases (\$) (3)	By Expiring Leases (\$)	Expiring Leases (%)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
1999.....	238	1,033,094	4.8	20,710,575	20.05	5.2
2000.....	436	3,281,927	15.3	59,699,510	18.19	15.0
2001.....	406	2,298,371	10.7	40,607,660	17.67	10.2
2002.....	375	2,624,143	12.2	51,060,129	19.46	12.8
2003.....	314	3,211,580	14.9	58,891,050	18.34	14.8
2004.....	179	1,560,537	7.3	30,467,625	19.52	7.7
2005.....	67	1,136,112	5.3	24,235,117	21.33	6.1
2006.....	42	662,641	3.1	13,191,575	19.91	3.3
2007.....	31	1,086,992	5.1	21,561,795	19.84	5.4
2008.....	33	1,356,580	6.3	22,461,242	16.56	5.7
2009.....	22	1,240,750	5.8	22,842,195	18.41	5.7
2010 and thereafter	33	1,979,931	9.2	32,071,515	16.20	8.1

Totals/Weighted Average	2,176	21,472,658	100.0	397,799,988	18.53	100.0

</TABLE>

- (1) Includes office tenants only. Excludes leases for amenity, retail, parking and month-to-month office tenants. Some tenants have multiple leases.
- (2) Excludes all space vacant as of June 30, 1999.
- (3) Annualized base rental revenue is based on actual June 1999 billings times 12. For leases whose rent commences after June 30, 1999, annualized base rental revenue is based on the first 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.

SCHEDULE OF LEASE EXPIRATIONS: OFFICE/FLEX PROPERTIES

The following table sets forth a schedule of the lease expirations for the office/flex properties beginning July 1, 1999, assuming that none of the tenants exercises renewal options:

Year Of Expiration	Number Of Leases Expiring(1)	Net Rentable Area Subject To Expiring Leases (Sq. Ft.)	Percentage Of Total Leased Square Feet Represented By Expiring Leases (%) (2)	Annualized Base Rental Revenue Under Expiring Leases (\$) (3)	Average Annual Rent Per Net Rentable Square Foot Represented By Expiring Leases (\$)	Percentage Of Annual Base Rent Under Expiring Leases (%)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
1999.....	43	229,521	6.1	2,262,141	9.86	5.4
2000.....	72	524,939	13.9	5,736,473	10.93	13.6
2001.....	80	549,216	14.6	6,035,657	10.99	14.3
2002.....	84	764,511	20.3	8,123,571	10.63	19.2
2003.....	58	495,293	13.1	5,386,530	10.88	12.7
2004.....	30	245,579	6.5	2,896,790	11.80	6.8
2005.....	20	245,442	6.5	2,776,915	11.31	6.6
2006.....	9	207,225	5.5	3,526,547	17.02	8.3
2007.....	6	113,581	3.0	1,604,334	14.13	3.8
2008.....	3	149,595	4.0	941,858	6.30	2.2

2009.....	7	117,400	3.1	1,436,620	12.24	3.4
2010 and thereafter	4	126,688	3.4	1,547,049	12.21	3.7

-						
Totals/Weighted.						
Average	416	3,768,990	100.0	42,274,485	11.22	100.0
=====						

</TABLE>

- (1) Includes office/flex tenants only. Excludes leases for amenity, retail, parking and month-to-month office/flex tenants. Some tenants have multiple leases.
- (2) Excludes all space vacant as of June 30, 1999.
- (3) Annualized base rental revenue is based on actual June 1999 billings times 12. For leases whose rent commences after June 30, 1999, annualized base rental revenue is based on the first 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.

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SCHEDULE OF LEASE EXPIRATIONS: INDUSTRIAL/WAREHOUSE PROPERTIES

The following table sets forth a schedule of the lease expirations for the industrial/warehouse properties beginning July 1, 1999, assuming that none of the tenants exercises renewal options:

<TABLE>
<CAPTION>

Year Of Expiration	Number Of Leases Expiring(1)	Net Rentable Area Subject To Expiring Leases (Sq. Ft.)	Percentage Of Total Leased Square Feet Represented By Expiring Leases (%) (2)	Annualized Base Rental Revenue Under Expiring Leases (\$) (3)	Average Annual Rent Per Net Rentable Square Foot Represented By Expiring Leases (\$)	Percentage Of Annual Base Rent Under Expiring Leases (%)

<S>	<C>	<C>	<C>	<C>	<C>	<C>
1999.....	3	5,385	1.4	49,770	9.24	1.4
2000.....	4	20,104	5.3	236,717	11.77	6.5
2001.....	5	31,547	8.3	604,027	19.15	16.7
2002.....	2	46,440	12.2	494,662	10.65	13.6
2003.....	3	91,474	24.1	431,748	4.72	11.9
2004.....	7	173,520	45.6	1,705,005	9.83	47.0
2009.....	1	11,800	3.1	106,200	9.00	2.9

-						
Totals/Weighted.						
Average	25	380,270	100.0	3,628,129	9.54	100.0
=====						

</TABLE>

- (1) Includes industrial/warehouse tenants only. Excludes leases for amenity, retail, parking and month-to-month industrial/warehouse tenants. Some tenants have multiple leases.
- (2) Excludes all space vacant as of June 30, 1999.
- (3) Annualized base rental revenue is based on actual June 1999 billings times 12. For leases whose rent commences after June 30, 1999, annualized base rent revenue is based on the first 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 the lease expirations for the stand-alone retail properties beginning July 1, 1999, assuming that none of the tenants exercises renewal options:

<TABLE>
<CAPTION>

Year Of Expiration	Number Of Leases Expiring(1)	Net Rentable Area Subject To Expiring Leases (Sq. Ft.)	Percentage Of Total Leased Square Feet Represented By Expiring Leases (%) (2)	Annualized Base Rental Revenue Under Expiring Leases (\$) (3)	Average Annual Rent Per Net Rentable Square Foot Represented By Expiring Leases (\$)	Percentage Of Annual Base Rent Under Expiring Leases (%)
--------------------	------------------------------	--	---	---	--	--

Year Of Expiration	Number Of Leases Expiring(1)	Area Subject To Expiring Leases (Sq. Ft.)	Square Feet Represented By Expiring Leases (%) (2)	Base Rental Revenue Under Expiring Leases (\$) (3)	Square Foot Represented By Expiring Leases (\$)	Annual Base Rent Under Expiring Leases (%)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
2004.....	1	9,300	53.8	195,000	20.97	42.4
2012	1	8,000	46.2	265,000	33.12	57.6

-						
Totals/Weighted. Average	2	17,300	100.0	460,000	26.59	100.0
=====						

</TABLE>

(1) Includes stand-alone retail property tenants only.

(2) Annualized base rental revenue is based on actual June 1999 billings times 12. For leases whose rent commences after June 30, 1999 annualized base rental revenue is based on the first 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.

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Funds from Operations

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

NAREIT's definition of funds from operations indicates that the calculation should be made before any extraordinary item (determined in accordance with GAAP), and before any deduction of significant non-recurring events that materially distort the comparative measurement of the Company's performance.

Funds from operations for the three and six month periods ended June 30, 1999 and 1998 as calculated in accordance with NAREIT's definition as published in March 1995, after adjustment for straight-lining of rents, are summarized in the following table (in thousands):

<TABLE>

<CAPTION>

	Three Months Ended June 30,		Six Months Ended June 30,	
	1999	1998	1999	1998
<S>	<C>	<C>	<C>	<C>
Income before non-recurring charges, distributions to preferred unitholders, minority interest and extraordinary item	\$ 41,779	38,170	\$ 82,592	\$ 72,020
Add: Real estate-related depreciation and amortization(1)	22,769	19,211	45,720	35,330
Deduct: Rental income adjustment for straight-lining of rents(1)	(3,833)	(3,142)	(7,378)	(6,345)

Funds from operations, after adjustment for straight-lining of rents, before distributions to preferred unitholders	\$ 60,715	54,239	\$ 120,934	\$ 101,005
Deduct: Distributions to preferred unitholders	(3,869)	(3,985)	(7,738)	(7,896)

Funds from operations, after adjustment for straight-lining of rents, after distributions to preferred unitholders	\$ 56,846	\$ 50,254	\$ 113,196	\$ 93,109
=====				
Cash flows provided by operating activities			\$ 110,008	\$ 102,517
Cash flows used in investing activities			\$ (90,548)	\$ (662,104)
Cash flows (used in) provided by financing activities			\$ (13,750)	\$ 573,478

Basic weighted average shares/units outstanding(2)	67,173	64,145	67,092	61,055
Diluted weighted average shares/units outstanding(2)	74,104	71,444	74,040	68,425

- (1) Includes FFO adjustments related to the Company's investments in unconsolidated joint ventures.
(2) See calculations for the amounts presented in the following reconciliation.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	1999	1998	1999	1998
Basic weighted average shares:	58,510	57,019	58,337	54,207
Add: Weighted average common units	8,663	7,126	8,755	6,848
Basic weighted average shares/units:	67,173	64,145	67,092	61,055
Add: Weighted average preferred units (after conversion to common units)	6,618	6,818	6,655	6,754
Stock options	313	444	293	529
Stock warrants	--	37	--	87
Diluted weighted average shares/units:	74,104	71,444	74,040	68,425

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.

Disruption in Operations Due To Year 2000 Problems.

General

The Year 2000 issue is the result of computer programs and embedded chips using a two-digit format, as opposed to four digits, to indicate the year. Such computer systems may be unable to interpret dates beyond the year 1999, which could cause a system failure or other computer errors, leading to disruptions in operations. We have developed a three-phase Year 2000 project (the "Project") to determine our Year 2000 systems compliance. Phase I was to identify those systems with which we have exposure to Year 2000 issues. Phase II was the development and implementation of action plans to be Year 2000 compliant in all areas. Phase III is the final testing of each major area of exposure to assure compliance. We have identified three major areas critical for successful Year 2000 compliance: (i) our central accounting and operating computer system at our Cranford, New Jersey headquarters and local networks and related systems in our regional offices, (ii) inquiries of our tenants and key vendors as to their Year 2000 readiness and (iii) assessment of our individual buildings as to the Year 2000 readiness of their operating systems. We believe that progress in all such areas is proceeding on schedule and that we will experience no material adverse effect as a result of the Year 2000 issue. There can, however, be no assurance that this will be the case. Set forth below is a more detailed analysis of the Project and its anticipated impact on us.

Central Accounting and Operating Systems

We have completed a review of key computer hardware and software and other equipment, and have modified, upgraded or replaced all identified hardware and equipment in our corporate and regional offices that we believe may be affected by problems associated with Year 2000. Such hardware includes, but is not limited to, desktop and laptop computers, servers, printers, telecopier machines and telephones. We, as part of our routine modernization efforts, have completed necessary upgrades to identified secondary software systems, such as word processing, spreadsheet applications, telephone voicemail systems and computer calendar programs. The software supplier of our accounting system completed its Year 2000 upgrade and supplied us with Year 2000 compliant software at no cost to us. We have substantially completed our internal testing of such software

with satisfactory results.

Tenant Compliance

We believe that the completion of the Project as scheduled will minimize Year 2000 related issues in our internal operations. However, we may still be adversely impacted by Year 2000 related issues as a result of problems outside our control, such as the inability of tenants to pay rent when due. In order to gauge such risk, we sent questionnaires to each of our then existing tenants in August 1998 to assess their Year 2000 compliance status. The responses to these questionnaires continue to be received, reviewed and evaluated. Based on the responses received, we do not anticipate any material adverse impact on the orderly payment of monthly rent. Therefore, while there can be no assurance that Year 2000 problems of tenants

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will not have a material adverse effect on our operating results or financial condition, the information available to us indicates such an occurrence is not likely.

Property Compliance

Our property managers have completed Phase I of the Project, a building by building survey of all of our properties to determine whether building support systems such as heat, power, light, security, garages and elevators will be affected by the advent of the Year 2000. Most of such systems either are already Year 2000 compliant or contain no computerized parts. Our property managers have completed Phase II of the Project, the development and implementation of action plans to modify, upgrade or replace non-compliant building systems. The compliance testing of these installed building systems is in progress pursuant to Phase III of the Project.

We have communicated with vendors of building systems or other services to our buildings regarding their Year 2000 compliance. In many instances, we will rely on the written representations from these vendors regarding the Year 2000 compliance of their product or service. We are also relying on assurances requested from utility providers of their Year 2000 compliance and their continued ability to provide uninterrupted service to our buildings. We anticipate incurring a total cost of approximately \$1.0 million in costs to modify, upgrade and/or replace identified building support systems for Year 2000 compliance.

Worst Case Exposure

We are aware that it is generally believed that the Year 2000 problem, if uncorrected, may result in a worldwide economic crisis. We are unable to determine whether such predictions are true or false. However, if such predictions prove true, we assume that all companies (including ours) will experience the effects in one way or another. The most reasonably likely worst case scenario we anticipate in connection with the Year 2000 issue relates to the failure of the upgrade to our accounting system to effectively become Year 2000 compliant. We believe that such an event is most unlikely, but an occurrence of the foregoing might have a material adverse impact on our operations. We cannot currently assess the financial impact of such a worst case scenario.

Contingency Plans

We are developing contingency plans to address the Year 2000 non-compliance of (i) critical building support systems and (ii) our accounting system.

Critical Building Systems. We believe that the failure of any of the following critical building support systems due to Year 2000 issues could have a material adverse impact on the performance of an individual building: security systems, elevator systems or fire/life safety systems. We believe that in the event of a Year 2000 related failure in a building security system, we would be able to maintain adequate security at the building through the use of security guards. We believe that in the event of a Year 2000 related failure in a building elevator system, adequate access would exist at most of our buildings through existing stairways. We believe that in the event of a Year 2000 related failure in a building fire/life safety system, our property management staff would be able to manually operate such system.

Accounting Software. We believe that failure of the Year 2000 compliance upgrade to our accounting software might have a material adverse impact on our operations. However, we believe that financial data within any given fiscal year will remain intact and retrievable. We believe that alternative accounting software and/or manual bookkeeping would minimize the impact of a Year 2000 related failure of our current accounting software.

Risks

The failure to correct a material Year 2000 problem could result in an

interruption in, or a failure of, certain normal business activities or operations. Such failures could materially and adversely affect our results of operations, liquidity and financial condition. Due to the general uncertainty inherent in the Year 2000 problem, resulting in part from the uncertainty of the Year 2000 readiness of third-party vendors and tenants, we are unable to determine at this time whether the consequences of Year 2000 failures will have a material impact on our results of operations, liquidity or financial condition. The Project is expected to significantly reduce our level of uncertainty about the Year 2000 problem. We believe that, with the implementation and completion of the Project as scheduled, the possibility of significant interruptions of normal operations should be reduced.

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Disclosure Regarding Forward-Looking Statements

The Company considers portions of this information to be forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of The Securities Exchange Act of 1934. Although the Company believes that the expectations reflected in such forward-looking statements are based upon reasonable assumptions, it can give no assurance that its expectations will be achieved.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Approximately \$1.3 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 the 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 June 30, 1999 ranged from LIBOR plus 0.65 percent to LIBOR plus 0.90 percent.

June 30, 1999

<TABLE>
<CAPTION>
Long-term debt,
Fair
including current portion
Value

	1999	2000	2001	2002	2003	Thereafter	Total	
Fixed Rate	\$1,503	\$8,755	\$ 7,794	\$11,637	\$211,151	\$1,025,342	\$1,266,182	<C>
Average Interest Rate ...	7.65%	6.77%	7.27%	7.09%	7.31%	7.27%	7.30%	
Variable Rate	\$8,000		\$148,600			\$ 72,203	\$ 228,803	\$

</TABLE>

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MACK-CALI REALTY CORPORATION

Part II -- Other Information

Item 1. Legal Proceedings

Reference is made to "Other" in Note 12 (Commitments and Contingencies) to the Consolidated Financial Statements, which is specifically incorporated by reference herein.

Item 2. Changes in Securities and Use of Proceeds

Not Applicable.

Item 3. Defaults Upon Senior Securities

Not Applicable.

Item 4. Submission of Matters to a Vote of Security Holders

On May 19, 1999, the Company held its Annual Meeting of Stockholders to elect four directors to the Board of Directors of the Company, among other things. At the Annual Meeting, the Shareholders elected the following Class II directors to serve until the Annual Meeting of Stockholders to be held in 2002: Nathan Gantcher (Number of shares for: 49,900,926, Number of shares against: 746,198), Earle I. Mack (Number of shares for: 49,903,860, Number of shares against: 743,264), William L. Mack (Number of shares for: 49,278,310, Number of shares against: 1,368,814) and Alan G. Philiposian (Number of shares for: 49,901,769, Number of shares against: 745,355). The

remaining members of the 13 member Board of Directors and their respective terms of offices are as follows: Class I directors, Brendan T. Byrne, Martin D. Gruss, Jeffrey B. Lane and Vincent Tese, whose terms expire at the Annual Meeting of Stockholders to be held in 2001 and Class III directors, Martin Berger, John J. Cali, Mitchell E. Herish, Irvin D. Reid and Roy Zuckerberg, whose terms expire at the Annual Meeting of Stockholders to be held in 2000. At the Annual Meeting, the stockholders also voted upon and approved the ratification of the appointment of PricewaterhouseCoopers LLP, independent accountants, as the Company's independent accountants for the ensuing year (Number of shares for: 49,870,271, Number of shares against: 36,112, Number of shares abstained: 740,741).

Item 5. Other Information

Not Applicable.

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MACK-CALI REALTY CORPORATION

Part II -- Other Information (continued)

Item 6 - Exhibits

(a) Exhibits

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

Exhibit Number	Exhibit Title
-----	-----
3.1	Restated Charter of Mack-Cali Realty Corporation dated June 10, 1999, together with Articles Supplementary thereto (filed as Exhibit 3.1 to the Company's Form 8-K dated June 10, 1999 and as Exhibit 4.2 to the Company's Form 8-K dated July 6, 1999 and each incorporated herein by reference).
3.2	Amended and Restated Bylaws of Mack-Cali Realty Corporation dated June 10, 1999 (filed as Exhibit 3.2 to the Company's Form 8-K dated June 10, 1999 and incorporated herein by reference).
3.3	Second Amended and Restated Agreement of Limited Partnership dated December 11, 1997, for Mack-Cali Realty, L.P. (filed as Exhibit 10.110 to the Company's Form 8-K dated December 11, 1997 and incorporated herein by reference).
3.4	Amendment No. 1 to the Second Amended and Restated Agreement of Limited Partnership of Mack-Cali Realty, L.P. (filed as Exhibit 3.1 to the Company's Registration Statement on Form S-3, Registration No. 333-57103, and incorporated herein by reference).
3.5	Second Amendment to the Second Amended and Restated Agreement of Limited Partnership of Mack-Cali Realty, L.P. (filed as Exhibit 10.2 to the Company's Form 8-K dated July 6, 1999 and incorporated herein by reference).
4.1	Shareholder Rights Agreement, dated as of July 6, 1999, between Mack-Cali Realty Corporation and ChaseMellon Shareholder Services, LLC, as Rights Agent (filed as Exhibit 4.1 to the Company's Form 8-K dated July 6, 1999 and incorporated herein by reference).
4.2	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 Company's Form 8-K dated March 16, 1999 and incorporated herein by reference).
4.3	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 Company's Form 8-K dated March 16, 1999 and incorporated herein by reference).
4.4	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.
10.1	Note Purchase Agreement dated as of August 2, 1999 by and among Mack-Cali Realty, L.P. and Teachers Insurance and\

- 10.2 Amended and Restated Employment Agreement dated as of July 1, 1999 between Mitchell E. Hersh and Mack-Cali Realty Corporation.
- 10.3 Second Amended and Restated Employment Agreement dated as of July 1, 1999 between Timothy M. Jones and Mack-Cali Realty Corporation.
- 10.4 Amended and Restated Employment Agreement dated as of July 1, 1999 between John R. Cali and Mack-Cali Realty Corporation.
- 10.5 Amended and Restated Employment Agreement dated as of July 1, 1999 between Brant Cali and Mack-Cali Realty Corporation.
- 10.6 Second Amended and Restated Employment Agreement dated as of July 1, 1999 between Barry Lefkowitz and Mack-Cali Realty Corporation.
- 10.7 Second Amended and Restated Employment Agreement dated as of July 1, 1999 between Roger W. Thomas and Mack-Cali Realty Corporation.
- 10.8 Restricted Share Award Agreement dated as of July 1, 1999 between Mitchell E. Hersh and Mack-Cali Realty Corporation.
- 10.9 Restricted Share Award Agreement dated as of July 1, 1999 between Timothy M. Jones and Mack-Cali Realty Corporation.
- 10.10 Restricted Share Award Agreement dated as of July 1, 1999 between John R. Cali and Mack-Cali Realty Corporation.
- 10.11 Restricted Share Award Agreement dated as of July 1, 1999 between Brant Cali and Mack-Cali Realty Corporation.
- 10.12 Restricted Share Award Agreement dated as of July 1, 1999 between Barry Lefkowitz and Mack-Cali Realty Corporation.
- 10.13 Restricted Share Award Agreement dated as of July 1, 1999 between Roger W. Thomas and Mack-Cali Realty Corporation.
- 10.14 Purchase and Sale Agreement dated as of April 28, 1999 between AT&T Corp. and Mack-Cali Realty Acquisition Corp.
- 10.15 Purchase and Sale Agreement dated as of June 30, 1999 between The Equitable Life Assurance Society of the United States and Mack-Cali Realty Acquisition Corp.
- 10.16 Credit Agreement, dated as of December 10, 1997, by and among Cali Realty, L.P. and the other signatories thereto (filed as Exhibit 10.122 to the Company's Form 8-K dated December 11, 1997 and incorporated herein by reference).
- 10.17 Amendment No. 1 to Revolving Credit Agreement dated July 20, 1998, by and among Mack-Cali Realty, L.P. and The Chase Manhattan Bank, Fleet National Bank and Other Lenders Which May Become Parties Thereto (filed as Exhibit 10.5 to the Company's Form 10-K dated December 31, 1998 and incorporated herein by reference).
- 10.18 Amendment No. 2 to Revolving Credit Agreement dated December 30, 1998, by and among Mack-Cali Realty, L.P. and The Chase Manhattan Bank, Fleet National Bank and Other Lenders Which May Become Parties Thereto (filed as Exhibit 10.6 to the Company's Form 10-K dated December 31, 1998 and incorporated herein by reference).

- 10.19 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).
- 10.20 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).

(b) Reports on Form 8-K.

During the quarter ended June 30, 1999, the Company filed Current Reports on Form 8-K dated April 19, 1999, May 24, 1999 and June 10, 1999.

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: August 5, 1999

/s/ Mitchell E. Hersh

Mitchell E. Hersh
Chief Executive Officer

Date: August 5, 1999

/s/ Barry Lefkowitz

Barry Lefkowitz
Executive Vice President &
Chief Financial Officer

MACK-CALI REALTY, L.P.,

Issuer

to

WILMINGTON TRUST COMPANY,

Trustee

Supplemental Indenture No. 2

Dated as of August 2, 1999

\$185,283,478
of
7.18% Notes due 2003

SUPPLEMENTAL INDENTURE NO. 2, dated as of August 2, 1999 (the "Supplemental Indenture"), between MACK-CALI REALTY, L.P., a limited partnership duly organized and existing under the laws of the State of Delaware (herein called the "Issuer"), and WILMINGTON TRUST COMPANY, a Delaware banking corporation duly organized and existing under the laws of the State of Delaware, as Trustee (herein called the "Trustee").

RECITALS OF THE ISSUER

The Issuer and Mack-Cali Realty Corporation, a corporation duly organized and existing under the laws of the State of Maryland (herein called the "Corporation"), have heretofore delivered to the Trustee an Indenture dated as of March 16, 1999 (the "Original Indenture"), a form of which has been filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, as an exhibit to the Issuer's Registration Statement on Form S-3 (Registration No. 333-57103), providing for the issuance from time to time of Debt Securities of the Issuer (the "Securities").

Section 301 of the Original Indenture provides for various matters with respect to any series of Securities issued under the Original Indenture to be established in an indenture supplemental to the Original Indenture.

Section 901(7) of the Original Indenture provides for the Issuer and the Trustee to enter into an indenture supplemental to the Original Indenture to establish the form or terms of Securities of any series as provided by Sections 201 and 301 of the Original Indenture.

The Board of Directors of the Corporation, the general partner of the Issuer, has duly adopted resolutions authorizing the Issuer to execute and deliver this Supplemental Indenture.

All the conditions and requirements necessary to make this Supplemental Indenture, when duly executed and delivered, a valid and binding agreement in accordance with its terms and for the purposes herein expressed, have been performed and fulfilled.

NOW, THEREFORE, THIS SUPPLEMENTAL INDENTURE WITNESSETH:

For and in consideration of the premises and the purchase of the Securities provided for herein by the Holders thereof, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of the Notes, as follows:

ARTICLE ONE

RELATION TO ORIGINAL INDENTURE; DEFINITIONS

Section 1.1 Relation to Original Indenture.

This Supplemental Indenture constitutes an integral part of the Original Indenture.

Section 1.2 Definitions.

For all purposes of this Supplemental Indenture, except as otherwise expressly provided for or unless the context otherwise requires:

(1) Capitalized terms used but not defined herein shall have the respective meanings assigned to them in the Original Indenture; and

(2) All references herein to Articles and Sections, unless otherwise specified, refer to the corresponding Articles and Sections of this Supplemental Indenture.

"Acquired Indebtedness" means Indebtedness of a Person (i) existing at the time such Person becomes a Subsidiary or (ii) assumed in connection with the acquisition of assets from such Person, in each case, other than Indebtedness incurred in connection with, or in contemplation of, such Person becoming a Subsidiary or such acquisition. Acquired Indebtedness shall be deemed to be incurred on the date of the related acquisition of assets from any Person or the date the acquired Person becomes a Subsidiary.

"Annual Service Charge" for any period means the aggregate interest expense for such period in respect of, and the amortization during such period of any original issue discount of, Indebtedness of the Issuer and its Subsidiaries.

"Business Day" means any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which banking institutions in the City of New York or Delaware are authorized or required by law, regulation or executive order to close.

"Consolidated Income Available for Debt Service" for any period means Earnings from Operations of the Issuer and its Subsidiaries plus amounts which have been deducted, and minus amounts which have been added, for the following (without duplication): (i) interest on Indebtedness of the Issuer and its Subsidiaries, (ii) provision for taxes of the Issuer and its Subsidiaries based on income, (iii) amortization of debt discount and deferred financing costs, (iv) provisions for gains and losses on properties and depreciation and amortization, (v)

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increases in deferred taxes and other non-cash items, (vi) depreciation and amortization with respect to interests in joint venture and partially owned entity investments, (vii) the effect of any charge resulting from a change in accounting principles in determining Earnings from Operations for such period and (viii) amortization of deferred charges.

"Corporate Trust Office" means the office of the Trustee at which, at any particular time, its corporate trust business shall be principally administered, which office at the date hereof is located at Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890-0001, Attention: Corporate Trust Administration and, for purposes of the Place of Payment provisions of Sections 305 and 1002 of the Original Indenture, is located at Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890-0001, Attention: Corporate Trust Administration.

"Earnings from Operations" for any period means net income excluding provisions for gains and losses on sales of investments or joint ventures, extraordinary and non-recurring items, and property valuation losses, as reflected in the consolidated financial statements of the Issuer and its Subsidiaries for such period determined in accordance with GAAP.

"Encumbrance" means any mortgage, lien, charge, pledge or security interest of any kind.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder by the Commission.

"GAAP" means generally accepted accounting principles as used in the United States applied on a consistent basis as in effect from time to time; provided that solely for purposes of any calculation required by the financial covenants contained herein, "GAAP" shall mean generally accepted accounting principles as used in the United States on the date hereof, applied on a consistent basis.

"Indebtedness" of the Issuer or any Subsidiary means, without duplication, any indebtedness of the Issuer or any Subsidiary, whether or not contingent, in respect of: (i) borrowed money evidenced by bonds, notes, debentures or similar instruments whether or not such indebtedness is secured by any Encumbrance existing on property owned by the Issuer or any Subsidiary, (ii) indebtedness for borrowed money of a Person other than the Issuer or a Subsidiary which is secured by any Encumbrance existing on property owned by the Issuer or any Subsidiary, to the extent of the lesser of (x) the amount of indebtedness so secured and (y) the fair market value of the property subject to such Encumbrance, (iii) the reimbursement obligations, contingent or otherwise, in connection with any letters of credit actually issued or amounts representing the balance deferred and

unpaid of the purchase price of any property or services, except any such balance that constitutes an accrued expense or trade payable, or (iv) any lease of property by the Issuer or any Subsidiary as lessee which is reflected on the Issuer's consolidated balance sheet as a capitalized lease in accordance with GAAP; and also includes, to the extent not otherwise included, any obligation by the Issuer or any Subsidiary to be liable for, or to pay, as obligor, guarantor or otherwise (other than for purposes of collection in the ordinary course of business), Indebtedness of another Person (other than the Issuer or any Subsidiary; it being understood that Indebtedness shall be deemed to be incurred by the Issuer or any Subsidiary whenever the Issuer or such Subsidiary shall create, assume, guarantee or otherwise become liable in respect thereof; Indebtedness of a Subsidiary of the Issuer existing prior to the time it became a Subsidiary of the Issuer shall be deemed to be incurred upon such Subsidiary's becoming a Subsidiary of the Issuer; and Indebtedness of a person existing prior to a merger or consolidation of such person with the Issuer or any Subsidiary of the Issuer in which such person is the successor to the Issuer or such Subsidiary shall be deemed to be incurred upon the consummation of such merger or consolidation; provided, however, the term "Indebtedness" shall not include any such indebtedness that has been the subject of an "in substance" defeasance in accordance with GAAP).

"Intercompany Indebtedness" means Indebtedness to which the only parties are the Issuer, the Corporation and any Subsidiary (but only so long as such Indebtedness is held solely by any of the Issuer, the Corporation and any Subsidiary) that is subordinate in right of payment to the Notes.

"Make-Whole Premium" means, in connection with any optional redemption of any Notes, the excess, if any, of (i) the aggregate present value as of the date of such redemption of each dollar of principal of such Notes being redeemed and the amount of interest (exclusive of interest accrued to the date of redemption) that would have been payable in respect of such dollar if such redemption had not been made, determined by discounting, on a monthly basis, such principal and interest at the Reinvestment Rate (determined on the third Business Day preceding the date such notice of redemption is given) from the respective dates on which such principal and interest would have been payable if such redemption had not been made, over (ii) the aggregate principal amount of such Notes being redeemed.

"Notes" has the meaning specified in Section 2.1 hereof.

"Reinvestment Rate" means 0.25% (twenty-five one hundredths of one percent) plus the arithmetic mean of the yields under the respective headings "This Week" and "Last Week" published in the Statistical Release under the caption "Treasury Constant Maturities" for the maturity (rounded to the nearest month) corresponding to the remaining life to maturity of such Notes, as of the payment date of the principal of such Notes being redeemed. If no maturity exactly corresponds to such maturity, yields for the two published maturities most closely corresponding to

such maturity shall be calculated pursuant to the immediately preceding sentence and the Reinvestment Rate shall be obtained by linear interpolation, rounding in each of such relevant periods to the nearest month. For such purposes of calculating the Reinvestment Rate, the most recent Statistical Release published prior to the date of determination of the Make-Whole Premium shall be used.

"Statistical Release" means the statistical release designated "H.15(519)" or any successor publication which is published weekly by the Federal Reserve System and which establishes yields on actively traded United States government securities adjusted to constant maturities or, if such statistical release is not published at the time of any determination of the Make-Whole Premium, then such other reasonably comparable index which shall be designated by the Issuer.

"Subsidiary" means, with respect to any Person, any corporation or other entity of which a majority of the voting power of the voting equity securities or the outstanding equity interests of which are owned, directly or indirectly, by such Person. For the purposes of this definition, "voting equity securities" means equity securities having voting power for the election of directors, whether at all times or only so long as no senior class of security has such voting power by reason of any contingency.

"Total Assets" as of any date means the sum of (i) the Undepreciated Real Estate Assets and (ii) all other assets of the Issuer and its Subsidiaries determined in accordance with GAAP (but excluding accounts receivable and intangibles).

"Total Unencumbered Assets" means the sum of (i) those Undepreciated Real Estate Assets not subject to an Encumbrance for borrowed money and (ii) all other assets of the Issuer and its Subsidiaries not subject to an Encumbrance

for borrowed money, determined in accordance with GAAP (but excluding accounts receivable and intangibles).

"Undepreciated Real Estate Assets" as of any date means the cost (original cost plus capital improvements) of real estate assets of the Issuer and its Subsidiaries on such date, before depreciation and amortization, determined on a consolidated basis in accordance with GAAP.

"Unsecured Indebtedness" means Indebtedness which is not secured by any Encumbrance upon any of the properties of the Issuer or any Subsidiary.

ARTICLE TWO

THE SERIES OF NOTES

Section 2.1 Title of the Securities.

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There shall be a series of Securities designated the "7.18% Notes due 2003" (the "Notes").

Section 2.2 Limitation on Aggregate Principal Amount.

The aggregate principal amount of the Notes shall be limited to \$185,283,478, and, except as provided in this Section and in Section 306 of the Original Indenture, the Issuer shall not execute and the Trustee shall not authenticate or deliver Notes in excess of such aggregate principal amount.

Nothing contained in this Section 2.2 or elsewhere in this Supplemental Indenture, or in the Notes, is intended to or shall limit execution by the Issuer or authentication or delivery by the Trustee of Notes under the circumstances contemplated by Sections 303, 304, 305, 306, 906, 1107 and 1305 of the Original Indenture.

Section 2.3 Interest and Interest Rates; Maturity Date of Notes.

The Notes will bear interest at a rate of 7.18% per annum from August __, 1999 or from the immediately preceding Interest Payment Date to which interest has been paid or duly provided for, payable monthly in arrears on the first Business Day of each month, commencing on September 1, 1999 (each, an "Interest Payment Date"), to the Person in whose name such Note is registered at the close of business on the last Business Day of the month preceding the relevant Interest Payment Date (each, a "Regular Record Date"). Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months. The interest so payable on any Note which is not punctually paid or duly provided for on any Interest Payment Date shall forthwith cease to be payable to the Person in whose name such Note is registered on the relevant Regular Record Date, and such defaulted interest shall instead be payable to the Person in whose name such Note is registered on the Special Record Date or other specified date determined in accordance with the Original Indenture.

If any Interest Payment Date or Maturity falls on a day that is not a Business Day, the required payment shall be made on the next Business Day as if it were made on the date such payment was due and no interest shall accrue on the amount so payable for the period from and after such Interest Payment Date or Maturity, as the case may be.

The Notes will mature on December 31, 2003.

Section 2.4 Limitations on Incurrence of Indebtedness.

(a) The Issuer will not, and will not permit any Subsidiary to,

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incur any Indebtedness, other than Intercompany Indebtedness, if, immediately after giving effect to the incurrence of such additional Indebtedness and the application of the proceeds thereof, the aggregate principal amount of all outstanding Indebtedness of the Issuer and its Subsidiaries on a consolidated basis determined in accordance with GAAP is greater than 60% of the sum of (without duplication) (i) the Total Assets of the Issuer and its Subsidiaries as of the end of the calendar quarter covered in the Issuer's Annual Report on Form 10-K or Quarterly Report on Form 10-Q, as the case may be, most recently filed with the Commission (or, if such filing is not permitted under the Exchange Act, with the Trustee) prior to the incurrence of such additional Indebtedness and (ii) the purchase price of any assets included in the definition of Total Assets acquired, and the amount of any securities offering proceeds received (to the extent such proceeds were not used to acquire items included in the definition of Total Assets or used to reduce indebtedness), by the Issuer or any Subsidiary since the end of such calendar quarter, including those proceeds obtained in connection with the incurrence of such additional Indebtedness.

(b) In addition to the limitation set forth in subsection (a) of this Section 2.4, the Issuer will not, and will not permit any Subsidiary to, incur any Indebtedness if the ratio of Consolidated Income Available for Debt Service to the Annual Service Charge for the four consecutive fiscal quarters most recently ended prior to the date on which such additional Indebtedness is to be incurred shall have been less than 1.5:1, on a pro forma basis after giving effect thereto and to the application of the proceeds therefrom, and calculated on the assumption that (i) such Indebtedness and any other Indebtedness incurred by the Issuer and its Subsidiaries since the first day of such four-quarter period and the application of the proceeds therefrom, including to refinance other Indebtedness, had occurred at the beginning of such period; (ii) the repayment or retirement of any other Indebtedness by the Issuer and its Subsidiaries since the first day of such four-quarter period had been repaid or retired at the beginning of such period (except that, in making such computation, the amount of Indebtedness under any revolving credit facility shall be computed based upon the average daily balance of such Indebtedness during such period); (iii) in the case of Acquired Indebtedness or Indebtedness incurred in connection with any acquisition since the first day of such four-quarter period, the related acquisition had occurred as of the first day of such period with the appropriate adjustments with respect to such acquisition being included in such pro forma calculation; and (iv) in the case of any acquisition or disposition by the Issuer or its Subsidiaries of any asset or group of assets since the first day of such four-quarter period, whether by merger, stock purchase or sale, or asset purchase or sale, such acquisition or disposition or any related repayment of Indebtedness had occurred as of the first day of such period with the appropriate adjustments with respect to such acquisition or disposition being included in such pro forma calculation.

(c) In addition to the limitations set forth in subsections (a) and (b) of this Section 2.4, the Issuer will not, and will not permit any Subsidiary to, incur any Indebtedness secured by any Encumbrance upon any of the property of the

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Issuer or any Subsidiary, whether owned at the date of the Indenture or thereafter acquired, if, immediately after giving effect to the incurrence of such additional Indebtedness secured by an Encumbrance and the application of the proceeds thereof, the aggregate principal amount of all outstanding Indebtedness of the Issuer and its Subsidiaries on a consolidated basis which is secured by any Encumbrance on property of the Issuer or any Subsidiary is greater than 40% of the sum of (without duplication) (i) the Total Assets of the Issuer and its Subsidiaries as of the end of the calendar quarter covered in the Issuer's Annual Report on Form 10-K or Quarterly Report on Form 10-Q, as the case may be, most recently filed with the Commission (or, if such filing is not permitted under the Exchange Act, with the Trustee) prior to the incurrence of such additional Indebtedness and (ii) the purchase price of any assets included in the definition of Total Assets acquired, and the amount of any securities offering proceeds received (to the extent such proceeds were not used to acquire items included in the definition of Total Assets or used to reduce Indebtedness), by the Issuer or any Subsidiary since the end of such calendar quarter, including those proceeds obtained in connection with the incurrence of such additional Indebtedness.

(d) The Issuer and its Subsidiaries may not at any time own Total Unencumbered Assets equal to less than 150% of the aggregate outstanding principal amount of the Unsecured Indebtedness of the Issuer and its Subsidiaries on a consolidated basis.

(e) For purposes of this Section 2.4, Indebtedness shall be deemed to be "incurred" by the Issuer or a Subsidiary whenever the Issuer or such Subsidiary shall create, assume, guarantee or otherwise become liable in respect thereof.

Section 2.5 Redemption.

The Notes may be redeemed at any time at the option of the Issuer, in whole or in part, at a redemption price equal to the sum of (i) the principal amount of the Notes being redeemed plus accrued and unpaid interest thereon up to but not including the Redemption Date and (ii) the Make-Whole Premium, if any, with respect to such Notes (the "Redemption Price").

Section 2.6 Places of Payment.

The Places of Payment where the Notes may be presented or surrendered for payment, where the Notes may be surrendered for registration of transfer or exchange and where notices and demands to and upon the Issuer in respect of the Notes and the Original Indenture may be served shall be in Wilmington, Delaware, and the office or agency for such purpose shall initially be located at the Corporate Trust Office.

Section 2.7 Method of Payment.

Payment of the principal of and interest on the Notes will be made at the office or agency of the Issuer maintained for that purpose in Wilmington, Delaware (which shall initially be an office or agency of the Trustee), in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that at the option of the Issuer, payments of principal and interest on the Notes (other than payments of principal and interest due at Maturity) may be made (i) by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register or (ii) by wire transfer to an account maintained by the Person entitled thereto located within the United States.

Section 2.8 Currency.

Principal and interest on the Notes shall be payable in Dollars.

Section 2.9 Registered Securities; Global Form.

The Notes shall be issuable and transferable in fully registered form as Registered Securities, without coupons. The Notes shall each be issued in the form of one or more permanent global Securities. The depository for the Notes shall be The Depository Trust Company ("DTC"). The Notes shall not be issuable in definitive form except as provided in Section 305 of the Original Indenture.

Section 2.10 Form of Notes.

The Notes shall be substantially in the form attached as Exhibit A hereto.

Section 2.11 Registrar and Paying Agent.

The Trustee shall initially serve as Security Registrar and Paying Agent for the Notes.

Section 2.12 Defeasance.

The provisions of Sections 1402 and 1403 of the Original Indenture, together with the other provisions of Article Fourteen of the Original Indenture, shall be applicable to the Notes. The provisions of Section 1403 of the Original Indenture shall apply to the covenants set forth in Sections 2.4 and 2.15 of this Supplemental Indenture and to those covenants specified in Section 1403 of the Original Indenture.

Section 2.13 Events of Default.

The provisions of clause (5) of Section 501 of the Original Indenture

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as applicable with respect to the Notes shall be deemed to be amended and restated in their entirety to read as follows:

(5) default under any bond, debenture, note, mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any indebtedness (other than non-recourse indebtedness) for money borrowed by the Issuer (or by any Subsidiary, the repayment of which the Issuer has guaranteed or for which the Issuer is directly responsible or liable as obligor or guarantor), having an aggregate principal amount outstanding of at least \$10,000,000, whether such recourse indebtedness now exists or shall hereafter be created, which default shall have resulted in such indebtedness becoming or being declared due and payable prior to the date on which it would otherwise have become due and payable, without such indebtedness having been discharged, or such acceleration having been rescinded or annulled, within a period of 10 days after there shall have been given written notice, by registered or certified mail, to the Issuer by the Trustee or to the Issuer and the Trustee by the Holders of at least a majority in principal amount of the Outstanding Securities of that series specifying such default and requiring the Issuer to cause such indebtedness to be discharged or cause such acceleration to be rescinded or annulled and stating that such notice is a "Notice of Default" hereunder; or

Section 2.14 Acceleration of Maturity; Rescission and Annulment.

The provisions of the first paragraph of Section 502 of the Original Indenture as applicable with respect to the Notes shall be deemed to be amended and restated in their entirety to read as follows:

If an Event of Default with respect to Securities of any series at the time Outstanding occurs and is continuing, then in every such case the Trustee or the Holders of not less than a majority in principal amount of the Outstanding Securities of that series may declare the principal (or, if any

Securities are Original Issue Discount Securities or Indexed Securities, such portion of the principal as may be specified in the terms thereof) of all the Securities of that series to be due and payable immediately, by a notice in writing to the Issuer (and to the Trustee if given by the Holders), and upon any such declaration such principal or specified portion thereof shall become immediately due and payable. If an Event of Default with respect to the Securities of any series set forth in Section 501(6) or (7) of the Original Indenture occurs and is continuing, then in every such case all the Securities of that series shall become immediately due and payable, without notice to the Issuer, at the principal amount thereof (or, if any Securities are Original Issue Discount Securities or Indexed Securities, such portion of the principal as may be specified in the terms thereof) plus accrued interest to the date the Securities of that series are paid plus the Make-Whole Premium, if any.

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Section 2.15 Provision of Financial Information.

Whether or not the Issuer is subject to Section 13 or 15(d) of the Exchange Act, the Issuer will, to the extent permitted under the Exchange Act, file with the Commission the annual reports, quarterly reports and other documents which the Issuer would have been required to file with the Commission pursuant to such Section 13 or 15(d) if the Issuer were so subject, such documents to be filed with the Commission on or prior to the respective dates (the "Required Filing Dates") by which the Issuer would have been required so to file such documents if the Issuer were so subject.

The Issuer will also in any event (x) within 15 days of each Required Filing Date (i) if the Issuer is not then subject to Section 13 or 15(d) of the Exchange Act, transmit by mail to all Holders, as their names and addresses appear in the Security Register, without cost to such Holders, copies of the annual reports and quarterly reports which the Issuer would have been required to file with the Commission pursuant to Section 13 or 15(d) of the Exchange Act if the Issuer were subject to such Sections, and (ii) file with the Trustee copies of annual reports, quarterly reports and other documents which the Issuer would have been required to file with the Commission pursuant to Section 13 or 15(d) of the Exchange Act if the Issuer were subject to such Sections and (y) if filing such documents by the Issuer with the Commission is not permitted under the Exchange Act, promptly upon written request and payment of the reasonable cost of duplication and delivery, supply copies of such documents to any prospective Holder.

Section 2.16 Waiver of Certain Covenants.

Notwithstanding the provisions of Section 1010 of the Original Indenture, the Issuer may omit in any particular instance to comply with any term, provision or condition set forth in the Original Indenture and in this Supplemental Indenture and with any other term, provision or condition with respect to the Notes or either series thereof (except any such term, provision or condition which could not be amended without the consent of all Holders of the Notes or such series thereof, as applicable), if before or after the time for such compliance the Holders of at least a majority in principal amount of all Outstanding Notes or such series thereof, as applicable, by Act of such Holders, either waive such compliance in such instance or generally waive compliance with such covenant or condition. Except to the extent so expressly waived, and until such waiver shall become effective, the obligations of the Issuer and the duties of the Trustee in respect of any such term, provision or condition shall remain in full force and effect.

Section 2.17 No Guaranty by the Corporation.

The Guarantee set forth in Article Sixteen of the Original Indenture shall not be in effect with respect to the Notes.

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ARTICLE THREE

MISCELLANEOUS PROVISIONS

SECTION 3.1. Ratification of Original Indenture.

Except as expressly modified or amended hereby, the Original Indenture continues in full force and effect and is in all respects confirmed and preserved.

SECTION 3.2. Governing Law.

This Supplemental Indenture and each Note shall be governed by and construed in accordance with the laws of the State of New York. This Supplemental Indenture is subject to the provisions of the Trust Indenture Act of 1939, as amended, and shall, to the extent applicable, be governed by such provisions.

SECTION 3.3. Counterparts.

This Supplemental Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

SECTION 3.4. Certain Rights of Trustee.

Except as otherwise expressly provided herein, no duties, responsibilities or liabilities are assumed, or shall be construed to be assumed, by the Trustee by reason of this Supplemental Indenture. This Supplemental Indenture is executed and accepted by the Trustee subject to all the terms and conditions set forth in the Original Indenture with the same force and effect as if those terms and conditions were repeated at length herein and made applicable to the Trustee with respect hereto.

SECTION 3.5. Trustee Not Responsible.

The Trustee shall not be responsible in any manner for or in respect of the validity or sufficiency of this Supplemental Indenture.

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IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed by their respective officers hereunto duly authorized, all as of the day and year first written above.

MACK-CALI REALTY, L.P.

By: Mack-Cali Realty Corporation, its
General Partner

By: /s/ Barry Lefkowitz

Name: Barry Lefkowitz
Title: Executive Vice President and
Chief Financial Officer

Attest:

/s/ Roger W. Thomas

Name: Roger W. Thomas
Title: Secretary of Mack-Cali
Realty Corporation

WILMINGTON TRUST COMPANY,
as Trustee

By: /s/ James D. Nesci

Name: James D. Nesci
Title: Authorized Signer

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Exhibit A to
Supplemental Indenture

Unless this Security is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), 55 Water Street, New York, New York, to the Issuer (as defined below) or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

This Security is a Global Security within the meaning set forth in the Indenture hereinafter referred to and is registered in the name of DTC or a nominee of DTC. This Security is exchangeable for Securities registered in the name of a person other than DTC or its nominee only in the limited circumstances described in the Indenture, and may not be transferred except as a whole by DTC to a nominee of DTC or another nominee of DTC or by DTC or its nominee to a successor Depository or its nominee.

Registered No. 1
CUSIP No.: 55448Q AC 0

PRINCIPAL AMOUNT
\$185,283,478.00

MACK-CALI REALTY, L.P., a limited partnership duly organized and existing under the laws of the State of Delaware (herein referred to as the "Issuer" which term shall include any Successor Person under the Indenture hereinafter referred to), for value received, hereby promises to pay to CEDE & CO., or registered assigns, upon presentation, the principal sum of ONE HUNDRED EIGHTY-FIVE MILLION TWO HUNDRED EIGHTY-THREE THOUSAND FOUR HUNDRED SEVENTY-EIGHT AND 00/100 DOLLARS on December 31, 2003, and to pay interest on the outstanding principal amount thereon from August 2, 1999, or from the immediately preceding Interest Payment Date to which interest has been paid or duly provided for, monthly in arrears on the first Business Day of each month in each year, commencing September 1, 1999, at the rate of 7.18% per annum, until the entire principal hereof is paid or made available for payment. The interest so payable and punctually paid or duly provided for on any Interest Payment Date will, as provided in the Indenture, be paid to the Person in whose name this Security is registered at the close of business on the Regular Record Date for such interest which shall be the last Business Day of the month preceding the relevant Interest Payment Date. Any such interest not so punctually paid or duly

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provided for shall forthwith cease to be payable to the Holder on such Regular Record Date, and may either be paid to the Person in whose name this Security is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of the Securities not more than 15 days and not less than 10 days prior to such Special Record Date, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities may be listed, and upon such notice as may be required by such exchange, all as more fully provided in the Indenture. Payment of the principal of and interest on this Security will be made at the office or agency maintained for that purpose in the City of Wilmington, Delaware or elsewhere as provided in the Indenture, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that at the option of the Issuer payments of principal and interest on the Notes (other than payments of principal and interest due at Maturity) may be made (i) by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register or (ii) by wire transfer to an account of the Person entitled thereto located within the United States.

Securities of this series are one of a duly authorized issue of securities of the Issuer (herein called the "Securities"), issued and to be issued in one or more series under an Indenture, dated as of March 16, 1999, among the Issuer, Mack-Cali Realty Corporation and Wilmington Trust Company, (herein called the "Trustee," which term includes any successor trustee under the Indenture), as supplemented by Supplemental Indenture No. 1, dated as of March 16, 1999, as further supplemented by Supplemental Indenture No. 2, dated as of August 2, 1999 (as so supplemented, herein called the "Indenture"), between the Issuer and the Trustee to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Issuer, the Trustee and the Holders of the Securities and of the terms upon which the Securities are authenticated and delivered. This Security is one of the series designated in the first page thereof, limited in aggregate principal amount to \$185,283,478.

Securities of this series may be redeemed at any time at the option of the Issuer, in whole or in part, upon notice of not more than 60 nor less than 30 days prior to the Redemption Date, at a redemption price equal to the sum of (i) the principal amount of the Securities being redeemed plus accrued and unpaid interest thereon up to but not including the Redemption Date and (ii) the Make-Whole Premium, if any.

The Indenture contains provisions for defeasance at any time of (a) the entire indebtedness of the Issuer on this Security and (b) certain restrictive covenants and the related defaults and Events of Default applicable to the Issuer, in each case, upon compliance by the Issuer with certain conditions set forth in the Indenture,

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which provisions apply to this Security.

If an Event of Default with respect to the Securities shall occur and be continuing, the principal of the Securities may be declared due and payable in the manner and with the effect provided in the Indenture.

As provided in and subject to the provisions of the Indenture, the Holder of this Security shall not have the right to institute any proceeding

with respect to the Indenture or for the appointment of a receiver or trustee or for any other remedy thereunder, unless such Holder shall have previously given written notice to the Trustee of a continuing Event of Default with respect to the Securities, the Holders of not less than a majority in principal amount of the Securities of this series at the time Outstanding shall have made written request to the Trustee to institute proceedings in respect of such Event of Default as Trustee and offered the Trustee reasonable indemnity and the Trustee shall not have received from the Holders of a majority in principal amount of Securities of this series at the time Outstanding a direction inconsistent with such request, and shall have failed to institute any such proceeding, for 60 days after receipt of such notice, request and offer of indemnity. The foregoing shall not apply to any suit instituted by the Holder of this Security for the enforcement of any payment of principal hereof or any interest on or after the respective due dates expressed herein.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Issuer and the rights of the Holders of the Securities of each series to be affected under the Indenture at any time by the Issuer and the Trustee with the consent of the Holders of not less than a majority in principal amount of the Outstanding Securities of each series of Securities then Outstanding affected thereby. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Securities of each series at the time Outstanding, on behalf of the Holders of all Securities of such series, to waive compliance by the Issuer with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Issuer, which is absolute and unconditional, to pay the principal of (and Make-Whole Premium, if any) and interest on this Security at the times, place and rate, and in the coin or currency, herein prescribed.

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As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable in the Security Register, upon surrender of this Security for registration of transfer at the office or agency of the Issuer in any Place of Payment where the principal of (and Make-Whole Premium, if any) and interest on this Security are payable, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Issuer and the Security Registrar duly executed by the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Securities of this series, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

Except as set forth in Section 302 of the Indenture, the Securities of this series are issuable only in registered form without coupons in denominations of \$1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, Securities of this series are exchangeable for a like aggregate principal amount of Securities of this series of a different authorized denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Issuer may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Security for registration of transfer, the Issuer, the Trustee and any agent of the Issuer or the Trustee may treat the Person in whose name this Security is registered as the owner hereof for all purposes, whether or not this Security be overdue, and neither the Issuer, the Trustee nor any such agent shall be affected by notice to the contrary.

No recourse under or upon any obligation, covenant or agreement contained in the Indenture or in this Security, or because of any indebtedness evidenced hereby or thereby, shall be had against any promoter, as such, or against any past, present or future shareholder, officer or director, as such, of the Issuer or of any successor, either directly or through the Issuer or any successor, under any rule of law, statute or constitutional provision or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise, all such liability being expressly waived and released by the acceptance of this Security by the Holder thereof and as part of the consideration for the issue of the Securities of this series.

All capitalized terms used in this Security which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

THE INDENTURE AND THE SECURITIES, INCLUDING THIS SECURITY, SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

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Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Issuer has caused "CUSIP" numbers to be printed on the Securities of this series as a convenience to the Holders of such Securities. No representation is made as to the correctness or accuracy of such CUSIP numbers as printed on the Securities, and reliance may be placed only on the other identification numbers printed hereon.

Unless the certificate of authentication hereon has been executed by or on behalf of the Trustee by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

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IN WITNESS WHEREOF, MACK-CALI REALTY, L.P. has caused this instrument to be duly executed.

Dated: August 2, 1999

MACK-CALI REALTY, L.P.

By: Mack-Cali Realty Corporation, its
General Partner

By: _____
Name: Barry Lefkowitz
Title: Executive Vice President and
Chief Financial Officer

Attest:

- _____
Name: Roger W. Thomas
Title: Secretary of Mack-Cali
Realty Corporation

TRUSTEE'S CERTIFICATE OF AUTHENTICATION:

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

WILMINGTON TRUST COMPANY,
as Trustee

By: _____
Authorized Signatory

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ASSIGNMENT FORM

FOR VALUE RECEIVED, the undersigned hereby
sells, assigns and transfers unto

PLEASE INSERT SOCIAL
SECURITY OR OTHER IDENTIFYING
NUMBER OF ASSIGNEE
- _____
- _____

(Please Print or Typewrite Name and Address including
Zip Code of Assignee)

the within Security of Mack-Cali Realty, L.P. and hereby does irrevocably
constitute and appoint

Attorney
to transfer said Security on the books of the within-named Issuer with full
power of substitution in the premises.

Dated:

NOTICE: The signature to this assignment must correspond with the name as it appears on the first page of the within Security in every particular, without alteration or enlargement or any change whatever.

Signature(s) must be guaranteed by an institution which is a member of one of the following recognized signature Guarantee Programs: (i) The Securities Transfer Agent Medallion Program (STAMP); (ii) The New York Stock Exchange Medallion Program (MNSP); (iii) The Stock Exchange Medallion Program (SEMP); or (iv) another guarantee program acceptable to the Trustee.

Signature Guarantee

MACK-CALI REALTY, L.P.

NOTE PURCHASE AGREEMENT

Dated as of August 2, 1999

7.18% Notes due 2003

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SCHEDULE A - Mortgage Notes

SCHEDULE I - Purchaser Information

EXHIBIT A - Form of Opinion of Counsel to the Operating Partnership

MACK CALI REALTY, L.P.
11 Commerce Drive
Cranford, New Jersey 07016

New York, New York
as of August 2, 1999

To the Purchaser named
on the signature page hereof

7.18% Notes due 2003

Ladies and Gentlemen:

Mack Cali Realty, L.P., a limited partnership formed under the laws of the State of Delaware (the "Operating Partnership") hereby agrees with the Purchaser named on the signature page hereof (the "Purchaser" and, together with each and every purchaser of the Notes (as hereinafter defined), the "Purchasers") as follows:

1. ISSUANCE OF NOTES.

(1) Authorization. The Operating Partnership has duly authorized the issuance and sale of (i) certain securities (the "Securities"), including one or more series of unsecured non-convertible debt securities (the "Debt Securities"), pursuant to an Indenture (the "Base Indenture"), dated as of March 16, 1999, among the Operating Partnership, Mack-Cali Realty Corporation, a Maryland corporation (the "Corporation") and Wilmington Trust Company, as trustee (the "Trustee") and (ii) as a series of such Debt Securities, its 7.18% Notes due 2003 (the "Notes"), pursuant to the Supplemental Indenture No. 2 (the "Supplemental Indenture"), dated as of August 2, 1999, between the Operating Partnership, as Issuer, and the Trustee (the Base Indenture as supplemented by the Supplemental Indenture, the "Indenture"). All capitalized terms used herein but not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

(2) Registration Statement and Prospectuses. The Operating Partnership and the Corporation have filed with the Securities and Exchange Commission (the "Commission"), (i) a Registration Statement on Form S-3 (Registration Statement 333-57103) (the "Registration Statement"), including a Prospectus, dated September 25, 1998, relating to the Securities (the "Base Prospectus") and (ii) a Prospectus Supplement, dated August 2, 1999, to the Base Prospectus relating to the Notes (the "Prospectus Supplement" and, together with the Base Prospectus, the "Prospectus"). As used herein, the terms "Registration Statement," "Base Prospectus," "Prospectus Supplement" and "Prospectus" includes in each case the material incorporated by reference therein.

(3) Purchase and Sale of the Notes; the Closing. (i) The Operating Partnership shall sell to the Purchaser and, subject to the terms and conditions hereof, the Purchaser agrees to purchase from the Operating Partnership the Notes for the aggregate purchase price of \$185,283,478 (the "Purchase Price"). The closing of the purchase of the Notes (the "Closing") shall be held at the offices of Pryor Cashman Sherman & Flynn LLP ("PCS&F"), 410 Park Avenue, New York, New York 10022, at 10:00 A.M., New York time, on August 2, 1999 or on such other Business Day as mutually agreed upon by the parties (the "Closing Date").

(ii) On the Closing Date, the Operating Partnership shall issue the Notes in accordance with Section 2.9 of the Supplemental Indenture.

2. REPRESENTATIONS OF THE OPERATING PARTNERSHIP. The Operating Partnership represents and warrants to the Purchaser as follows:

(1) Organization; Qualification, Etc. The Operating Partnership is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization and has all requisite power and authority to own its properties and to carry on its business as now conducted and as proposed to be conducted. The Operating Partnership is duly qualified as a foreign limited partnership to do business in and is in good standing in each jurisdiction in which the character of the properties owned or held under lease by it or the nature of the business now conducted by it and proposed to be conducted by it requires such qualification, except where the failure to be so qualified or to be in good standing would not have a Material Adverse Effect. As used in this Agreement, "Material Adverse Effect" means a material adverse effect on (a) the business, operations, affairs, financial condition, assets or properties of the Operating Partnership and its subsidiaries taken as a whole, or (b) the ability of the Operating Partnership to perform its obligations under this Agreement and the Notes, or (c) the validity or enforceability of this Agreement or the Notes.

(2) Authorization. The Operating Partnership has all requisite power and authority to enter into this Agreement, the Original Indenture and the Supplemental Indenture (all of the foregoing Agreements being referred to herein collectively as the

"Transaction Documents"), to issue the Notes and to perform its obligations pursuant to the provisions hereof and thereof. The execution and delivery of the Transaction Documents and the Notes have been duly authorized by all requisite action on the part of the Operating Partnership. This Agreement constitutes, and each of the other Transaction Documents and the Notes will constitute the legal, valid and binding obligations of the Operating Partnership, enforceable against the Operating Partnership in accordance with their respective terms, except as limited by general equitable principles and by applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting the rights of creditors generally.

(3) Compliance with Securities Laws; Disclosure. The Registration Statement and the Prospectus (i) comply in all material respects with the Securities Act of 1933, as amended (the "Securities Act") and the applicable rules and regulations thereunder, (ii) correctly describe in all material respects the business of the Operating Partnership and (iii) do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading.

(4) Priority. The Notes will constitute senior unsecured obligations of

the Operating Partnership, ranking equally with such of the Operating Partnership's existing and future senior unsecured and unsubordinated indebtedness.

(5) Compliance with Other Instruments. The consummation of the transactions contemplated by this Agreement and the performance of the terms and provisions of the Transaction Documents and the Notes will not result in any breach of, or constitute a default under, or result in the creation of any lien in respect of any property of the Operating Partnership under, any indenture, mortgage, deed of trust, bank loan or credit agreement, organizational instrument, or other agreement or instrument to which the Operating Partnership is a party or by which the Operating Partnership or any of its properties is bound except where such breach, default or creation could not reasonably be expected to result in a Material Adverse Effect. The Operating Partnership is not in violation of, in default under or in breach of any agreement or instrument to which the Operating Partnership or any of its properties is bound, except where such violation, default or breach would not have a Material Adverse Effect.

(6) Governmental Consents. Except for the filing of the Registration Statement and the Prospectus, no consent, approval or authorization of, or registration, filing or declaration with, any Governmental Body is required for the execution, delivery or performance by the Operating Partnership of the Transaction Documents and the Notes.

(7) Litigation; Governmental Orders. There are no actions, suits or proceedings pending or, to the knowledge of the Operating Partnership, threatened against the Operating Partnership or any of its properties in any court or before any arbitrator or Governmental Body, except for those actions, suits or proceedings an adverse decision with respect to which would not have a Material Adverse Effect. The Operating Partnership is not, and the consummation of the transactions contemplated by this Agreement and the performance of the terms and provisions of the Transaction Documents and the Notes will not cause the Operating Partnership to be, (i) in default under any Order of any court, arbitrator or Governmental Body, (ii) subject to any Order of any court or Governmental Body or (iii) in violation of any statute or other rule or regulation of any Governmental Body, the violation of which would have a Material Adverse Effect.

As used in this Agreement, the term "Governmental Body" includes any applicable federal, state, county, city, municipal or other governmental department, commission, board, bureau, agency, authority or instrumentality, whether domestic or foreign; and the term "Order" includes any order, writ, injunction, decree, judgment, award, determination or written direction or demand.

(8) Taxes. The Operating Partnership has filed all tax returns that are required to have been filed by it in any jurisdiction. All taxes shown to be due and payable on such returns and all other taxes and assessments payable by the Operating Partnership, to the extent the same have become due and payable, have been paid. The Operating Partnership does not know of any proposed material tax assessment against the Operating Partnership and, in the opinion of the Operating Partnership, all of its tax liabilities are adequately provided for on the books of the Operating Partnership.

(9) Compliance with ERISA. (i) The Operating Partnership and each ERISA Affiliate have operated and administered each Plan in compliance with all applicable laws except for such instances of non-compliance as have not resulted in and could not reasonably be expected to result in a Material Adverse Effect. Neither the Operating Partnership nor any ERISA Affiliate has incurred any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans (as defined in Section 3 of ERISA) and no event, transaction or condition has occurred or exists that could reasonably be expected to result in the incurrence of any such liability by the Operating Partnership or any ERISA Affiliate, or in the imposition of any lien on any of the rights, properties or assets of the Operating Partnership or any ERISA Affiliate, in either case pursuant to Title I or IV of ERISA or to such penalty or excise tax provisions or to Section 401(a)(29) or 412 of the Code, other than such

liabilities or liens as would not be individually or in the aggregate Material.

(ii) The present value of the aggregate benefit liabilities under each of the Plans (other than Multiemployer Plans), determined as of the end of such Plan's most recently ended plan year on the basis of the actuarial assumptions specified for funding purposes in such Plan's most recent actuarial valuation report, did not exceed the aggregate current value of the assets of such Plan allocable to such benefit liabilities. The term "benefit liabilities" has the meaning specified in Section 4001 of ERISA and the terms "current value" and "present value" have the meaning specified in Section 3 of ERISA.

(iii) The Operating Partnership and its ERISA Affiliates have not incurred withdrawal liabilities (and are not subject to contingent withdrawal liabilities) under Section 4201 or 4204 of ERISA in respect of Multiemployer Plans that individually or in the aggregate are Material.

(iv) The expected postretirement benefit obligation (determined as of the last day of the Operating Partnership's most recently ended fiscal year in accordance with Financial Accounting Standards Board Statement No. 106, without regard to liabilities attributable to continuation coverage mandated by Section 4980B of the Code) of the Operating Partnership and its subsidiaries is not Material.

(v) As used in this Agreement, the following terms have the following meanings:

"Code" means the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and the rules and regulations promulgated thereunder.

"ERISA Affiliate" means any trade or business (whether or not incorporated) that is treated as a single employer together with the Operating Partnership under Section 414 of the Code.

"Material" means material in relation to the business, operations, affairs, financial condition, assets or properties of the Operating Partnership and its subsidiaries taken as a whole.

"Multiemployer Plan" means any Plan that is a "multiemployer plan" (as such term is defined in Section 4001(a)(3) of ERISA).

"Plan" means an "employee benefit plan" (as defined in Section 3(3) of ERISA) that is or, within the preceding five years, has been established or maintained or to which contributions are or, within the preceding five years, have been made or required to be made, by the Operating Partnership or any ERISA Affiliate or with respect to which the Operating Partnership or any ERISA Affiliate may have any liability.

(10) Shelf Registration Statement and Prospectus Supplement. The Prospectus Supplement has been filed with the Securities and Exchange Commission in the manner and within the time period required by Rule 424(b); and the Shelf Registration Statement has been declared effective under the Securities Act and no stop order suspending the effectiveness of the Shelf Registration Statement and no order directed at any document incorporated by reference in the Prospectus Supplement or any amendment or supplement thereto has been issued, and no proceedings for that purpose have been instituted or threatened by the Securities and Exchange Commission.

3. CONDITIONS OF CLOSING. The Purchaser's obligation to purchase and pay for the Notes to be purchased by it hereunder shall be subject to the conditions hereinafter set forth:

(a) Proceedings Satisfactory. All proceedings taken in connection with the issue of the Notes and the consummation of the other transactions contemplated hereby and all documents and papers relating thereto shall be reasonably satisfactory to the Purchaser, and the Purchaser shall have received copies of such documents and papers, all in form and substance satisfactory to the Purchaser, as the Purchaser may reasonably request in connection therewith.

(b) Supplemental Indenture. The Supplemental Indenture shall have been duly executed and delivered by the Operating Partnership and the Trustee.

(c) Mortgage Notes. On or prior to the Closing Date, the Operating Partnership shall have paid or caused to be paid all amounts outstanding under the first mortgage loans from the Purchaser to certain Affiliates of the Operating Partnership listed on Schedule A hereto (the "Mortgage Notes").

(d) Opinion of Counsel to the Operating Partnership. The Purchaser shall have received opinions, dated the Closing Date, addressed to it and otherwise satisfactory in scope and substance to it, from PCS&F, counsel to the Operating Partnership, substantially in the form of Exhibit A hereto and covering such other matters

incident to the transactions contemplated hereby as it may reasonably request.

(e) Certificate of the Trustee. The Purchaser shall have received a certificate, dated the Closing Date, from the Trustee, certifying that the Trustee is authorized to execute and deliver the Indenture and that the Notes delivered pursuant to this Agreement are authentic and follow the form required under the Indenture.

(f) Representations True, Etc.; Certificate. All representations and warranties of the Operating Partnership contained in Section 2 (except as affected by the transactions hereby contemplated) shall be true in all material respects on and as of the Closing Date; the Operating Partnership shall have performed in all material respects all agreements on its part required to be performed under this Agreement on or prior to the Closing Date; no Default or

Event of Default shall have occurred and be continuing; and the Purchaser shall have received a certificate, dated the Closing Date, of the Operating Partnership certifying to the effect specified in this paragraph (f).

(g) Legality. The Notes to be purchased by the Purchaser hereunder on the Closing Date shall be a legal investment for it under the laws of each jurisdiction to which it may be subject, without resort to any basket provision of said laws such as Section 1405 (a) (8) of the New York Insurance Law, and it shall have received, such certificates or other evidence as it may reasonably request demonstrating the legality of such purchase under such laws.

(h) Rating. The Purchaser shall have received evidence satisfactory to it that the Notes have been rated BBB- or better by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. or Baa3 or better by Moody's Investors Service, Inc. and BBB- or better by Fitch IBCA or Duff & Phelps Credit Rating Co.

(i) CUSIP Number. The Operating Partnership shall have obtained for the Notes a CUSIP number issued by Standard & Poor's CUSIP Service Bureau (in cooperation with the Securities Valuation Office of the National Association of Insurance Commissioners).

(j) Representation Letter. The Operating Partnership shall have obtained confirmation from The Depository Trust Company confirming its appointment as depository for the Notes.

4. PAYMENT. Notwithstanding anything to the contrary in this Agreement, the Indenture or the Notes, so long as any Purchaser or any nominee designated by the Purchaser shall be the holder of any Note, the Operating Partnership shall cause the Trustee to punctually pay all amounts that become due and payable on

such Note to the Purchaser at the address and in the manner set forth in Schedule I hereto for the Purchaser, or at such other place and in such other manner as the Purchaser may designate by notice to the Operating Partnership and the Trustee in the manner provided by Section 105 of the Indenture, without presentation or surrender of such Note.

5. MISCELLANEOUS.

(1) Expenses. Whether or not the transactions contemplated hereby are consummated, the Operating Partnership shall: (i) concurrently with the Closing, pay the reasonable fees and disbursements of Debevoise & Plimpton, special counsel to the Purchaser, and any other fees and expenses due and owing on or prior to the Closing Date under the Transactions Documents, (ii) pay the reasonable fees and disbursements of the Trustee and of special counsel to the Purchaser in connection with any amendment, waiver or consent with respect to this Agreement, the other Transaction Documents or the Notes, and all other reasonable expenses in connection therewith, including the fees and expenses of enforcing collection of any Notes or interest, if any, thereon, whether before or after any bankruptcy, reorganization, dissolution, winding up or liquidation of the Operating Partnership and (iii) reimburse the Purchaser for its reasonable out-of-pocket expenses in connection with such transactions, amendments, waivers or consents, and any items of the character referred to in clause (ii) which shall have been paid by the Purchaser (except out-of-pocket expenses occasioned by any sale or transfer of any of the Notes), and pay the cost of transmitting Notes to the Purchaser's principal office upon the issuance thereof.

(2) Reliance on and Survival of Representations. All agreements, representations and warranties herein and in any certificates or other instruments delivered pursuant to this Agreement or the other Transaction Documents shall (i) be deemed to be material and to have been relied upon by the other parties hereto notwithstanding any investigation heretofore or hereafter made by or on behalf of such party and (ii) survive the execution and delivery of this Agreement and the Supplemental Indenture, and the delivery of the Notes, and shall continue in effect so long as any Note is outstanding and thereafter as provided in Section 5(a).

(3) Successors and Assigns. All covenants and agreements in this Agreement by or on behalf of the respective parties hereto shall bind and inure to the benefit of their respective successors and assigns.

(4) Notices. All notices and other communications provided for in this Agreement shall be in writing and delivered or mailed, first class postage prepaid, or transmitted by telecopier and confirmed by a similar mailed writing addressed (i) if to the

Operating Partnership, at the address set forth at the head of this Agreement (marked for the attention of the Executive Vice President and Chief Financial Officer of the Operating Partnership), or at such other address as the Operating Partnership may hereafter designate by notice to the Purchaser and to each other holder of any Note at the time outstanding, or (ii) if to any Purchaser, at the address as set forth in Schedule I hereto for the Purchaser or at such other address as the Purchaser may hereafter designate by notice to the Operating

Partnership, or (iii) if to any other holder of any Note, at the address of such holder as it appears on the Note Register.

(5) Law Governing. This Agreement and the Notes shall be governed by and construed in accordance with the laws of the State of New York, without regard to principles of conflicts of law.

(6) Headings; Counterparts. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect any of the terms hereof. This Agreement may be executed and delivered in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

If you are in agreement with the foregoing, please sign the form of acceptance in the space provided below, and upon the acceptance hereof by the Purchaser, this letter shall constitute a binding agreement between the Operating Partnership and the Purchaser.

MACK-CALI REALTY, L.P.

By: MACK-CALI REALTY
CORPORATION, its General
Partner

By: /s/ Roger W. Thomas

Name: Roger W. Thomas

Title: Executive Vice President
and General Counsel

The foregoing Agreement is
hereby accepted as of the date
first above written.

TEACHERS INSURANCE AND ANNUITY
ASSOCIATION OF AMERICA

By: /s/ Bridget Maclean-Lai

Name: Bridget Maclean-Lai

Title: Associate Director

SCHEDULE A

1. Loan in the amount of \$10,292,001 ("Loan A") made by Teachers Insurance and Annuity Association of America ("Lender") to Robert Martin Company, LLC ("RMC"), which Loan A is evidenced by a First Replacement Mortgage Note dated December 30, 1996.
2. Loan in the amount of \$25,600,537 ("Loan B") made by Lender to RMC, which Loan B is evidenced by a First Replacement Mortgage Note dated December 30, 1996.
3. Loan in the amount of \$4,462,646 ("Loan C") made by Lender to RMC, which Loan C is evidenced by a First Replacement Mortgage Note dated December 30, 1996.
4. Loan in the amount of \$58,596,855 ("Loan D") made by Lender to RMC, which Loan D is evidenced by a First Replacement Mortgage Note dated December 30, 1996.
5. Loan in the amount of \$15,464,970 ("Loan E") made by Lender to RMC, which Loan E is evidenced by a First Replacement Mortgage Note dated December 30, 1996.
6. Loan in the amount of \$10,058,354 ("Loan F") made by Lender to Cali CW Realty Associates L.P. and Cali So. West Realty Associates L.P., which Loan F is evidenced by an Amended and Restated First Replacement Mortgage Note dated January 31, 1997.
7. Loan in the amount of \$21,552,695 ("Loan G") made by Lender to RMC, which Loan G is evidenced by a First Replacement Mortgage Note dated December 30, 1996.
8. Loan in the amount of \$27,918,366 ("Loan H") made by Lender to RMC, which Loan H is evidenced by a First Replacement Mortgage Note dated December 30, 1996.
9. Loan in the amount of \$11,337,053 ("Loan I") made by Lender to RMC, which

Loan I is evidenced by a First Replacement Mortgage Note dated December 30, 1996.

SCHEDULE I

TEACHERS INSURANCE AND ANNUITY
ASSOCIATION OF AMERICA

- (1) Payments on account of the Notes shall be made in immediately available funds at the opening of business on the due date by electronic funds transfer (identifying each payment as "MACK-CALI REALTY, L.P., \$185,283,478 7.18% Notes due 2003 CUSIP number 55448Q AC 0 (principal or interest)") through the Automated Clearing House System to the following account:

The Chase Manhattan Bank, N.A.
New York, New York 10036
ABA No. 021-0000-21
Account No. 910-2-766483

- (2) Contemporaneous with the above electronic funds transfer, mail or send by facsimile the following information setting forth: (i) the full name, cusip number, interest rate and maturity date of the Notes or other obligations; (ii) the allocation of payment between principal, interest, premium and any special payment; and (iii) the name and address of the bank from which such electronic funds transfer was sent, to:

Teachers Insurance and Annuity Association of America
730 Third Avenue
New York, New York 10017
Attn: Nicole Kim
Associate Director of Commercial Mortgage
and Real Estate Securities
Phone: 212-916-4481
Fax: 212-916-6960

- (3) All other communications:

Teachers Insurance and Annuity Association of America
730 Third Avenue
New York, New York 10017
Attn: Nicole Kim
Associate Director of Commercial Mortgage
and Real Estate Securities
Phone: 212-916-4481
Fax: 212-916-6960

- (4) Tax Identification No: 13-1624203N

Exhibit A

August 2, 1999

Teachers Insurance and Annuity Association of America
730 Third Avenue
New York, New York 10017

Re: Purchase of Unsecured Notes by Teachers Insurance and Annuity
Association of America

Dear Sirs:

We have acted as counsel to Mack-Cali Realty, L.P., a Delaware limited partnership (the "Operating Partnership"), and the Operating Partnership's general partner, Mack-Cali Realty Corporation, a Maryland corporation (the "Company"), in connection with the issuance and sale by the Operating Partnership of \$185,283,478 of 7.18% notes due 2003 (the "Securities"). The Securities are being sold by the Operating Partnership pursuant to the Note Purchase Agreement, dated as of August 2, 1999 (the "Note Purchase Agreement"), between the Operating Partnership and Teachers Insurance and Annuity Association of America, a New York corporation ("TIAA"). Terms not defined herein have the meanings ascribed to them in the Note Purchase Agreement.

In so acting, we have participated in the preparation of the Base Indenture, Supplemental Indenture No. 2, the Base Prospectus and the Prospectus Supplement. We have examined originals or copies certified or otherwise identified to our satisfaction, of such documents, necessary or appropriate for purposes of rendering this opinion, including (a) the Certificate of Limited Partnership of the Operating Partnership, (b) the Second Amended and Restated Agreement of Limited Partnership, as amended, of the Operating Partnership, (c) the Note Purchase Agreement, (d) a proof of a specimen note, (e) the Prospectus Supplement, (f) the Shelf Registration Statement, (g) certificates prepared for purposes of this opinion and (h) such other documents, records and other instruments and matters of law as we have deemed necessary or appropriate for purposes of this opinion. In all such examinations, we have assumed the

genuineness of all signatures on original and certified documents, the legal capacity of all natural persons, the authenticity of all documents submitted to us as originals, the conformity to executed documents of all unexecuted copies submitted to us, and the conformity to the originals of photostatic copies.

As to the various questions of fact material to our opinion stated to be "to the best of our

Teachers Insurance and Annuity Association of America
August 2, 1999
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knowledge", and as otherwise specifically stated in our opinion, we have made inquiries of and relied upon oral statements, written information and certificates of officials and representatives of the Operating Partnership and the Company.

We are admitted to the Bar in the States of New York and New Jersey and we express no opinion as to the laws of any other jurisdiction, except the laws of the United States of America and the limited partnership laws of the State of Delaware.

Upon the basis of the foregoing and in reliance upon the representations made to us, we are of the opinion that:

1 The Operating Partnership has been duly organized and is validly existing as a limited partnership in good standing under the laws of the State of Delaware and is duly qualified to transact business and is in good standing under the laws of all other jurisdictions where the ownership or leasing of its properties or the conduct of its business requires such qualification, except where the failure to be so qualified does not amount to a material liability or disability to the Operating Partnership and its subsidiaries, taken as a whole.

2. The Company has been duly organized and is validly existing as a corporation in good standing under the laws of the State of Maryland and is duly qualified to transact business and is in good standing under the laws of all other jurisdictions where the ownership or leasing of its properties or the conduct of its business requires such qualification, except where the failure to be so qualified does not amount to a material liability or disability to the Company and its subsidiaries, taken as a whole.

3. The Operating Partnership, the Company and each of their subsidiaries have full power, corporate or other, to own or lease their respective properties and conduct their respective businesses as described in the Base Prospectus and the Prospectus Supplement, and the Operating Partnership has full power, partnership or other, to enter into the Note Purchase Agreement, the Base Indenture and the Supplemental Indenture and to carry out all the terms and provisions thereof to be carried out by it.

4. The Securities have been duly authorized by all necessary partnership action, and when executed and delivered against payment therefor in the manner provided in the Note Purchase Agreement, the Securities will be the legal, valid, binding and enforceable obligation of the Operating Partnership entitled to the benefits provided by the Base Indenture and the Supplemental Indenture, subject to the effect of bankruptcy, insolvency, moratorium, fraudulent conveyance, reorganization and similar laws relating to creditors' rights generally and the application of equitable principles in any proceeding, whether at law or in equity. The Operating Partnership has complied with all conditions precedent or covenants with respect to the

Teachers Insurance and Annuity Association of America
August 2, 1999
Page 3

authentication and delivery of the Securities under the Base Indenture and the Supplemental Indenture.

5. No partner of the Operating Partnership is entitled as such to any preemptive or other rights to subscribe for any of the Securities and no holder of securities of the Operating Partnership or any subsidiary has any right which has not been waived to require the Operating Partnership to register the offer or sale of any securities owned by such holder under the Act in the public offering contemplated by the Note Purchase Agreement.

6. The form and terms of the Securities have been established in conformity with the provisions of the Base Indenture and the Supplemental Indenture.

7. The execution and delivery of the Note Purchase Agreement, the Base Indenture and the Supplemental Indenture have been duly authorized by all necessary action of the Operating Partnership, and the Note Purchase Agreement, the Base Indenture and the Supplemental Indenture have been duly executed and delivered by the Operating Partnership, and are valid and binding agreements of

the Operating Partnership, enforceable against the Operating Partnership in accordance with their terms, subject to the effect of bankruptcy, insolvency, moratorium, fraudulent conveyance, reorganization and similar laws relating to creditors' rights generally and to the application of equitable principles in any proceeding, whether at law or in equity, and except as rights to indemnity and contribution may be limited by federal or state securities laws or principles of public policy.

8. (A) No legal or governmental proceedings are pending to which the Operating Partnership, any of its subsidiaries, or any of their senior management in their capacity as such, is a party or to which the Properties or any other property of the Operating Partnership or any of its subsidiaries is subject that are required to be described in the Prospectus Supplement or the Shelf Registration Statement and are not described therein, and, to the best of our knowledge, no such proceedings have been threatened against the Operating Partnership or any of its subsidiaries or with respect to the Properties or any of their respective other properties and (B) no contract or other document is required to be described in the Prospectus Supplement that is not described therein.

9. The issuance, offering and sale of the Securities to TIAA by the Operating Partnership pursuant to the Note Purchase Agreement, the compliance by the Operating Partnership with the other provisions of the Note Purchase Agreement, and the consummation of the other transactions contemplated by the Note Purchase Agreement do not (A) require the consent, approval, authorization, registration or qualification of or with any governmental authority, except such as have been obtained and such as may be required under state securities

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or blue sky laws (as to which we do not opine) or (B) conflict with or result in a breach or violation of any of the terms and provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge or encumbrance upon any of the Properties or any other properties or assets of the Operating Partnership or any of its subsidiaries pursuant to any indenture, mortgage, deed of trust, lease or other agreement or instrument known to us after due inquiry to which the Operating Partnership or any of its subsidiaries is a party or by which the Operating Partnership or any of its subsidiaries or the Properties or any other of their respective properties are bound, the Second Amended and Restated Agreement of Limited Partnership or other organizational documents, as the case may be, of the Operating Partnership or any of its subsidiaries, or any statute, or (to the best of our knowledge after due inquiry) any judgment, decree, order, rule or regulation of any court or other governmental authority or any arbitrator applicable to the Operating Partnership or any of its subsidiaries or any of the Properties.

10. The Operating Partnership is not subject to registration as an Investment Company under the Investment Company Act of 1940, as amended, and the transactions contemplated by the Note Purchase Agreement will not cause the Operating Partnership to become an investment company subject to registration under such Act.

11. The Prospectus Supplement will be filed with the Securities and Exchange Commission in the manner and within the time period required by Rule 424(b); and the Shelf Registration Statement has been declared effective under the Securities Act and no stop order suspending the effectiveness of the Shelf Registration Statement and no order directed at any document incorporated by reference in the Prospectus Supplement or any amendment or supplement thereto has been issued, and no proceedings for that purpose have been instituted or, to the best of our knowledge, threatened by the Securities and Exchange Commission.

12. The Registration Statement and each amendment thereto, and the Prospectus Supplement (in each case, including the documents incorporated by reference therein but not including the financial statements and other financial or statistical data included therein or omitted therefrom, as to which we express no opinion) comply as to form in all material respects with the applicable requirements of the Securities Act, the Exchange Act and the rules and regulations of the Securities and Exchange Commission thereunder.

13. The statements in the Base Prospectus under the caption entitled "Description of Debt Securities," insofar as they purport to summarize certain provisions of the Base Indenture, are accurate summaries of such provisions. The statements in the Prospectus Supplement under the caption entitled "Description of the Notes," insofar as they purport to summarize certain provisions of the Supplemental Indenture and the Notes, are accurate summaries of such provisions.

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The opinions set forth herein are solely for your benefit in connection with the transactions contemplated by the Note Purchase Agreement and may not be relied on by you for any other purpose, or by any other person, firm or corporation for any purpose without prior written consent except for Wilmington Trust Company, as Trustee, who shall be entitled to rely on this opinion as if it were addressed directly to them.

Very truly yours,

AMENDED AND RESTATED
EMPLOYMENT AGREEMENT
FOR
MITCHELL E. HERSH

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MITCHELL E. HERSH

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT (the "Agreement") is entered into as of July 1, 1999, by and between Mitchell E. Hersh, an individual residing at 15 Parkwood Drive, Wayne, New Jersey 07470 ("Executive"), and Mack-Cali Realty Corporation, a Maryland corporation with offices at 11 Commerce Drive, Cranford, New Jersey 07016 (the "Company").

RECITALS

WHEREAS, Executive has served as President and Chief Operating Officer and as a member of the Board of Directors of the Company (the "Board") pursuant to his prior employment agreement dated as of December 1997 (the "Prior Agreement") entered into as of the closing of the combination of Cali Realty Corporation with the Mack Companies (the "Mack Combination");

WHEREAS, Executive was appointed Chief Executive Officer of the Company on April 18, 1999;

WHEREAS, the Company and the Executive wish to amend and restate the Prior Agreement in its entirety among other things to acknowledge Executive's appointment as Chief Executive Officer, to provide for an award of Restricted Shares and a Tax Gross-Up Payment (as defined in sub-paragraph 4(c) below), to change the Employment Period (as defined in sub-paragraph 2(a) below) to (4) years and to amend the amount of the severance payment Executive may be eligible to receive upon termination of employment with the Company; and

WHEREAS, the Company desires to continue to employ Executive as Chief Executive Officer and to continue to have Executive serve as a member of the Board

and Executive desires to continue to be employed by the Company as Chief

Executive Officer and to continue to serve as member of the Board, pursuant to the amended and restated terms set forth herein and to restate the Prior Agreement in its entirety

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

1. Employment.

The Company hereby agrees to employ Executive, and Executive hereby agrees to accept such employment during the period and upon the terms and conditions set forth in this Agreement.

2. Employment Period.

(a) Except as otherwise provided in this Agreement to the contrary, the terms and conditions of this Agreement shall be and remain in effect during the period of employment (the "Employment Period") established under this Paragraph 2. The initial Employment Period shall be for a term commencing on the date of this Agreement and ending on the fourth anniversary of the date of this Agreement provided, however, that commencing on the day after the date of this Agreement and on each day thereafter, the Employment Period shall be extended for one additional day so that a constant four (4) year Employment Period shall be in effect, unless (i) the Company or Executive elects not to extend the term of this Agreement by giving written notice to the other party in accordance with Paragraph 19, in which case, subject to the provisions of sub-paragraph 5(a)(iv) below, the term of this Agreement shall become

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fixed and shall end on the fourth anniversary of the date of such written notice ("Notice of Non-Renewal"), or (ii) Executive's employment terminates hereunder.

(b) Notwithstanding anything contained herein to the contrary: (i) Executive's employment with the Company may be terminated by the Company or Executive during the Employment Period, subject to the terms and conditions of this Agreement; and (ii) nothing in this Agreement shall mandate or prohibit a continuation of Executive's employment following the expiration of the Employment Period upon such terms and conditions as the Board and Executive may mutually agree.

(c) If Executive's employment with the Company is terminated, for purposes of this Agreement the term "Unexpired Employment Period" shall mean the period commencing on the date of such termination and ending on the last day of the Employment Period.

3. Services / Place of Employment.

(a) Services. During the Employment Period, Executive shall hold the position of Chief Executive Officer and shall serve as a member of the Board. Executive shall devote his best efforts and substantially all of his business time, skill and attention to the business of the Company (other than absences due to vacation, illness, disability or approved leave of absence), and shall perform such duties as are customarily performed by similar executive officers and as may be more specifically enumerated from time to time by the Board or Executive Committee of the Board; provided, however, that the foregoing is not intended to (a) preclude Executive from (i) owning and managing personal investments, including real estate investments, subject

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to the restrictions set forth in Paragraph 13 hereof or (ii) engaging in charitable activities and community affairs, or (b) restrict or otherwise limit Executive from conducting real estate development, acquisition or management activities with respect to those properties described in Schedule A, attached hereto, (the "Excluded Properties"), provided that the performance of the activities referred to in clauses (a) and (b) does not prevent Executive from devoting substantially all of his business time to the Company.

(b) Place of Employment. The principal place of employment of Executive shall be at the Company's principal executive offices in Cranford, New Jersey.

4. Compensation and Benefits.

(a) Salary. During the Employment Period, the Company shall pay Executive a minimum annual base salary in the amount of \$1,050,000 (the "Annual Base Salary") payable in accordance with the Company's regular payroll practices. Executive's Annual Base Salary shall be reviewed annually in accordance with the policy of the Company from time to time and may be subject to upward adjustment based upon, among other things, Executive's performance, as determined in the sole discretion of the Option and Executive Compensation Committee of the Board (the "Compensation Committee"). In no event shall

Executive's Annual Base Salary in effect at a particular time be reduced without his prior written consent.

(b) Incentive Compensation/Bonuses. In addition, Executive shall be eligible for incentive compensation payable each year in such amounts as may be

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determined by the Compensation Committee. Executive shall be entitled to receive such bonuses, restricted share awards and options to purchase shares of common stock, par value \$0.01 per share, of the Company (the "Common Stock") as the Board or the Compensation Committee as the case may be shall approve, in its sole discretion, including, without limitation, options, restricted share awards and bonuses contingent upon Executive's performance and the achievement of specified financial and operating objectives.

(c) Restricted Share Award/Tax Gross-Up Payment. Pursuant to the Employee Stock Option Plan of Mack-Cali Realty Corporation which was originally effective August 31, 1994 and amended and restated as of December 1, 1998 (the "SOP"), Executive has been awarded a restricted share award of 62,500 shares of Common Stock ("Restricted Shares") as of July 1, 1999 (the "Restricted Share Award"). Executive shall be entitled to receive a tax gross-up payment (the "Tax Gross-Up Payment") from the Company with respect to each tax year in which Restricted Shares granted pursuant to the Restricted Share Award vest and are distributed to him. Each Tax Gross-Up Payment shall be a dollar amount equal to forty-three (43%) percent of the fair market value of the Restricted Shares at time of vesting, exclusive of dividends. In the event vesting occurs with respect to any Restricted Shares as a result of the achievement of the required performance goals, such payment shall be made as soon as practicable after a determination that the performance goals have been achieved but in no event later than the 90th day of the fiscal year of the Company immediately following the fiscal year as to which the performance goals were achieved. In the event vesting occurs for any other reason, including, without limitation, termination of

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Executive's employment by the Company without Cause or by Executive for Good Reason (but excluding a termination by the Company for Cause or a voluntary quit without Good Reason by Executive), such payment shall be made as soon as practicable after the date of vesting but in no event later than the tenth (10th) business day following such vesting.

(d) Taxes and Withholding. The Company shall have the right to deduct and withhold from all compensation all social security and other federal, state and local taxes and charges which currently are or which hereafter may be required by law to be so deducted and withheld.

(e) Additional Benefits. In addition to the compensation specified above and other benefits provided pursuant to this Paragraph 4, Executive shall be entitled to the following benefits:

- (i) participation in the SOP, the Mack-Cali Realty Corporation 401(k) Savings and Retirement Plan (subject to statutory rules and maximum contributions and non-discrimination requirements applicable to 401(k) plans) and such other benefit plans and programs, including but not limited to restricted stock, phantom stock and/or unit awards, loan programs and any other incentive compensation plans or programs (whether or not employee benefit plans or programs), as maintained by the Company from time to time and made generally available to executives of the Company with such participation to be consistent with reasonable Company guidelines;
- (ii) participation in any health insurance, disability insurance, paid vacation, group life insurance or other welfare benefit program made generally available to executives of the Company; and
- (iii) participation in the security plan and reimbursement for reasonable business expenses incurred by Executive in furtherance of the interests of the Company.

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As further consideration for Executive agreeing to serve as an officer and entering into the Prior Agreement upon the terms set forth therein, including, without limitation, the terms relating to non-competition set forth in Paragraph 13 of the Prior Agreement, the Company issued to Executive, warrants to purchase an aggregate of 339,976 shares of Common Stock at a purchase price equal to \$38.75 per share ("Warrants"). Executive's Warrants are evidenced by the Warrant Agreement dated December 11, 1997 which includes, but

is not limited to, the following provision: vesting over a five year period with one fifth (1/5) of the Warrants vesting on each of the first, second, third, fourth and fifth anniversaries of the date of the Warrant Agreement subject to acceleration in accordance with the terms of this Agreement.

5. Termination of Employment and Change in Control.

(a) Executive's employment hereunder may be terminated during the Employment Period under the following circumstances:

(i) Cause. The Company shall have the right to terminate Executive's employment for Cause upon Executive's: (A) willful and continued failure to use best efforts to substantially perform his duties hereunder (other than any such failure resulting from Executive's incapacity due to physical or mental illness) for a period of thirty (30) days after written demand for substantial performance is delivered by the Company specifically identifying the manner in which the Company believes Executive has not substantially performed his duties; (B) willful misconduct and/or willful violation of Paragraph 11 hereof, which is materially economically injurious to the Company and the Partnership taken as a whole; (C) the willful violation of the provisions of Paragraph 13 hereof; or (D) conviction of, or plea of guilty to a felony. For purposes of this sub-paragraph 5(a), no act, or failure to act, on Executive's part shall be considered "willful" unless done, or omitted to be done, by him (I) not in good faith and (II) without reasonable belief that his action or omission was in furtherance of the interests of the Company.

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(ii) Death. Executive's employment hereunder shall terminate upon his death.

(iii) Disability. The Company shall have the right to terminate Executive's employment due to "Disability" in the event that there is a determination by the Company, upon the advice of an independent qualified physician, reasonably acceptable to Executive, that Executive has become physically or mentally incapable of performing his duties under this Agreement and such disability has disabled Executive for a cumulative period of one hundred eighty (180) days within a twelve (12) month period.

(iv) Good Reason. Executive shall have the right to terminate his employment for "Good Reason": (A) upon the occurrence of any material breach of this Agreement by the Company which shall include but not be limited to; an assignment to Executive of duties materially and adversely inconsistent with Executive's status as Chief Executive Officer or a member of the Board or a material or adverse alteration in the nature of or diminution in Executive's duties and/or responsibilities, reporting obligations, titles or authority; (B) upon a reduction in Executive's Annual Base Salary or a material reduction in other benefits (except for bonuses or similar discretionary payments) as in effect at the time in question, a failure to pay such amounts when due or any other failure by the Company to comply with Paragraph 4 hereof; (C) on or within six (6) months following the date a Notice of Non-Renewal is issued by the Company pursuant to Paragraph 2 hereof; (D) on or within six (6) months following a Change in Control (as hereinafter defined) in accordance with the provisions set forth in sub-paragraph 5(a)(vii) hereof; (E) upon any purported termination of Executive's employment for Cause which is not effected pursuant to the procedures of sub-paragraph 5(a)(i) (and for purposes of this Agreement, in the event of such failure to comply, no such purported termination shall be effective); (F) upon the relocation of the Company's principal executive offices or Executive's own office location to a location more than thirty (30) miles away from Cranford, New Jersey; or (G) failure to be appointed or reappointed as a member of the Board.

(v) Without Cause. The Company shall have the right to terminate the Executive's employment hereunder without Cause subject to the terms and conditions of this Agreement.

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(vi) Without Good Reason. The Executive shall have the right to terminate his employment hereunder without Good Reason subject to the terms and conditions of this Agreement.

(vii) Change in Control. Executive shall have the right to terminate his employment hereunder on or within six (6) months following a Change in Control. Such termination shall be deemed a termination for Good Reason hereunder. For purposes of this Agreement "Change in Control" shall mean that any of the following events has occurred: (A) any "person" or "group" of persons, as such terms are used in Sections 13 and 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), other than any employee benefit plan sponsored by the Company, becomes the "beneficial owner", as such term is used in Section 13 of the Exchange Act, (irrespective of any vesting or waiting periods) of (I) Common Stock or any class of stock convertible into Common Stock and/or (II) Common OP Units or preferred units or any other class of units convertible into Common OP Units, in an amount equal to twenty (20%) percent or more of the sum total of the Common Stock and the Common OP Units (treating all classes of outstanding stock, units or other securities convertible into stock units as if they were converted into Common Stock or Common OP Units as the case may be and then treating Common Stock and Common OP Units as if they were a single class) issued and outstanding immediately prior to such acquisition as if they were a single class and disregarding any equity raise in connection with the financing of such transaction; (B) any Common Stock is purchased pursuant to a tender or exchange offer other than an offer by the Company; (C) the dissolution or liquidation of the Company or the consummation of any merger or consolidation of the Company or any sale or other disposition of all or substantially all of its assets, if the shareholders of the Company and unitholders of the Partnership taken as a whole and considered as one class immediately before such transaction own, immediately after consummation of such transaction, equity securities and partnership units possessing less than fifty (50%) percent of the surviving or acquiring company and partnership taken as a whole; or (D) a turnover, during any two (2) year period, of the majority of the members of the Board, without the consent of the remaining members of the Board as to the appointment of the new Board members.

(b) Notice of Termination. Any termination of Executive's employment by the Company or any such termination by Executive (other than on account of death)

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shall be communicated by written Notice of Termination to the other party hereto. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated. In the event of the termination of Executive's employment on account of death, written Notice of Termination shall be deemed to have been provided on the date of death.

6. Compensation Upon Termination of Employment By the Company for Cause or By Executive without Good Reason.

In the event the Company terminates Executive's employment for Cause or Executive terminates his employment without Good Reason, the Company shall pay Executive any unpaid Annual Base Salary at the rate then in effect accrued through and including the date of termination. In addition, in such event, Executive shall be entitled (i) to receive any earned but unpaid incentive compensation or bonuses and (ii) to exercise any options which have vested and are exercisable in accordance with the terms of the applicable option grant agreement or plan, and (iii) to retain and/or receive any Restricted Shares which have vested as of the last day of the Company's fiscal year coincident or immediately preceding Executive's termination of employment and the corresponding Tax Gross-Up Payment (irrespective of whether the determination is made after Executive's termination of employment).

Except for any rights which Executive may have to unpaid salary amounts through and including the date of termination, earned but unpaid incentive compensation or bonuses, vested options, vested Restricted Shares and the

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corresponding Tax Gross-Up Payment, the Company shall have no further obligations hereunder following such termination. The aforesaid amounts shall be payable in full immediately upon such termination.

7. Compensation Upon Termination of Employment Upon Death or

Disability.

In the event of termination of Executive's employment as a result of either Executive's death or Disability, the Company shall pay to Executive, his estate or his personal representative the aggregate of (i) a cash payment of eight million dollars (\$8,000,000) in full immediately upon such termination (the "Fixed Amount") and (ii) reimbursement of expenses incurred prior to date of termination ("Expense Reimbursement"). Executive (and Executive's dependents) shall also receive continuation of health coverage through the end of the Unexpired Employment Period on the same basis as health coverage is provided by the Company for active employees and as may be amended from time to time ("Medical Continuation").

In addition, all (A) incentive compensation payments or programs of any nature whether stock based or otherwise that are subject to a vesting schedule including, without limitation, the Warrants, the Restricted Share Award or any other restricted stock, phantom stock, units and any loan forgiveness arrangements granted to Executive ("Incentive Compensation") shall immediately vest as of the date of such termination ("Vested Incentive Compensation"), (B) options granted to Executive shall immediately vest as of the date of such termination (the "Vested Options") and Executive shall be entitled at the option of Executive, his estate or his personal representative, within one (1) year of the date of such termination, to exercise the

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Vested Options and/or other options which have vested (including, without limitation, all other options which have previously vested in accordance with the Prior Agreement, any applicable option grant agreement or plan) (the "Total Vested Options") and are exercisable in accordance with the terms of the applicable option grant agreement or plan and/or any other methods or procedures for exercise applicable to optionees or to require the Company (upon written notice delivered within one hundred eighty (180) days following the date of Executive's termination) to repurchase all or any portion of Executive's vested options to purchase shares of Common Stock at a price equal to the difference between the Repurchase Fair Market Value (as hereinafter defined) of the shares of Common Stock for which the options to be repurchased are exercisable and the exercise price of such options as of the date of Executive's termination of employment (the "Vested Option Exercise Election"), and (C) the Tax Gross-Up Payment(s) applicable to the Restricted Share Award shall vest and be paid to Executive at such time as provided in sub-paragraph 4(c) above (the "Vested Tax Gross-Up Payments"). In the event of a conflict between any Incentive Compensation grant agreement or program or any option grant agreement or plan and this Agreement, the terms of this Agreement shall control.

Except for any rights which Executive or Executive's estate in the event of Executive's death may have to all of the above including the Fixed Amount, Vested Incentive Compensation, Total Vested Options and the Vested Option Exercise Election, the Vested Tax Gross-Up Payment, Expense Reimbursement and Medical Continuation (which, in the event of Executive's death, shall be provided to Executive's

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dependents), the Company shall have no further obligations hereunder following such termination.

For purposes of this Agreement, "Repurchase Fair Market Value" shall mean the average of the closing price on the New York Stock Exchange (or such other exchange on which the Common Stock is primarily traded) of the Common Stock on each of the trading days within the thirty (30) days immediately preceding the date of termination of Executive's employment.

8. Compensation Upon Termination of Employment By the Company Without Cause or By Executive for Good Reason.

In the event the Company terminates Executive's employment for any reason other than Cause or Executive terminates his employment for Good Reason, the Company shall pay to Executive and Executive shall be entitled to receive the aggregate of (i) the Fixed Amount and (ii) Vested Incentive Compensation, Total Vested Options and the Vested Option Exercise Election, the Vested Tax Gross-Up Payment, Expense Reimbursement and Medical Continuation. In the event of a conflict between any Incentive Compensation grant agreement or program or any option grant agreement or plan and this Agreement, the terms of this Agreement shall control. Executive understands that any options exercised more than ninety (90) days following the date of his termination of employment which were granted as incentive stock options shall automatically be converted into non-qualified options.

Except for any rights which Executive may have to the Fixed Amount, Vested Incentive Compensation, Total Vested Options and the Vested Option Exercise Election, the Vested Tax Gross-Up Payment, Expense Reimbursement and Medical

Continuation, the Company shall have no further obligations hereunder following such termination. The parties both agree that the agreement to make these payments was consideration and an inducement to obtain Executive's consent to enter into this Agreement. The payments are not a penalty and neither party will claim them to be a penalty. Rather, the payments represent a fair approximation of reasonable amounts due to Executive for the Employment Period.

9. Change in Control.

(a) Options. Any Incentive Compensation and options granted to Executive that have not vested as of the date of a Change in Control shall immediately vest upon the date of the Change in Control. Neither the occurrence of a Change in Control, nor the vesting in any warrants or options as a result thereof shall require Executive to exercise any warrants or options. In the event of a conflict between any Incentive Compensation grant agreement or program or any option grant agreement or plan and this Agreement, the terms of this Agreement shall control.

(b) Upon Termination. In the event Executive terminates his employment on or following a Change in Control as set forth in sub-paragraph 5(a)(vii), the Company shall pay to Executive and Executive shall be entitled to all the payments and rights Executive would have had if Executive had terminated his employment with Good Reason as set forth in Paragraph 8.

Except for any rights which Executive may have to the Fixed Amount, Vested Incentive Compensation, Total Vested Options (including, without limitation, by acceleration in accordance with sub-paragraph 9(a)) and the Vested Option Exercise

Election, the Vested Tax Gross-Up Payment, Expense Reimbursement, Medical Continuation and the Excise Tax Gross Up set forth in subparagraph 9(c), the Company shall have no further obligations hereunder following such termination.

(c) Excise Tax Gross Up. In addition, if it is determined by an independent accountant mutually acceptable to the Company and Executive that as a result of any payment in the nature of compensation made by the Company to (or for the benefit of) Executive pursuant to this Agreement or otherwise, an excise tax may be imposed on Executive pursuant to Section 4999 of the Code (or any successor provisions), the Company shall pay Executive in cash an amount equal to X determined under the following formula: (the "Excise Tax Gross Up"):

$$X = \frac{E \times P}{1 - [(FI \times (1 - SLI)) + SLI + E + M]}$$

where

- E = the rate at which the excise tax is assessed under Section 4999 of the Code (or any successor provisions);
- P = the amount with respect to which such excise tax is assessed, determined without regard to the Excise Tax Gross Up;
- FI = the highest effective marginal rate of income tax applicable to Executive under the Code for the taxable year in question (taking into account any phase-out or loss of deductions, personal exemptions or other similar adjustments);
- SLI = the sum of the highest effective marginal rates of income tax applicable to Executive under all applicable state and local laws for the taxable year in question (taking into account any phase-out or loss of deductions, personal exemptions and other similar adjustments); and

- M = the highest marginal rate of Medicare tax applicable to Executive under the Code for the taxable year in question.

With respect to any payment in the nature of compensation that is made to (or for the benefit of) Executive under the terms of this Agreement or otherwise and on which an excise tax under Section 4999 of the Code (or any successor provisions) may be assessed, the payment determined under this sub-paragraph 9(c) shall be paid to Executive at the time of the Change in Control but prior

to the consummation of the transaction with any successor. It is the intention of the parties that the Company provide Executive with a full tax gross-up under the provisions of this sub-paragraph, so that on a net after-tax basis, the result to Executive shall be the same as if the excise tax under Section 4999 of the Code (or any successor provisions) had not been imposed. The Excise Tax Gross Up may be adjusted if alternative minimum tax rules are applicable to Executive.

10. Mitigation / Effect on Employee Benefit Plans and Programs.

(a) Mitigation. Executive shall not be required to mitigate amounts payable under this Agreement by seeking other employment or otherwise, and there shall be no offset against amounts due Executive under this Agreement on account of subsequent employment. Amounts owed to Executive under this Agreement shall not be offset by any claims the Company may have against Executive and such payment shall not be affected by any other circumstances, including, without limitation, any counterclaim, recoupment, defense, or other right which the Company may have against Executive or others.

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(b) Effect on Employee Benefit Programs. The termination of Executive's employment hereunder, whether by the Company or Executive, shall have no effect on the rights and obligations of the parties hereto under the Company's (i) welfare benefit plans including, without limitation, Medical Continuation as provided for herein and, health coverage thereafter but only to the extent required by law, and on the same basis applicable to other employees and (ii) 401(k) Plan but only to the extent required by law and pursuant to the terms of the 401(k) Plan.

11. Confidential Information.

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

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(b) The term "Confidential Information" shall mean any information not generally known in the relevant trade or industry or otherwise not generally available to the public, which was obtained from the Company or its predecessors or which was learned, discovered, developed, conceived, originated or prepared during or as a result of the performance of any services by Executive on behalf of the Company or its predecessors. For purposes of this Paragraph 11, the Company shall be deemed to include any entity which is controlled, directly or indirectly, by the Company and any entity of which a majority of the economic interest is owned, directly or indirectly, by the Company.

12. Return of Documents.

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

13. Noncompete.

Executive agrees that:

(a) During the Employment Period and, in the event (i) the Company terminates Executive's employment for Cause, or (ii) Executive terminates his employment without Good Reason, for a one (1) year period thereafter, Executive shall

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not, directly or indirectly, within the continental United States, engage in, or own, invest in, manage or control any venture or enterprise primarily

engaged in any office-service, flex, or office property development, acquisition or management activities without regard to whether or not such activities compete with the Company. Nothing herein shall prohibit Executive from being a passive owner of not more than five percent (5%) of the outstanding stock of any class of securities of a corporation or other entity engaged in such business which is publicly traded, so long as he has no active participation in the business of such corporation or other entity. Moreover, the foregoing limitations shall not be deemed to restrict or otherwise limit Executive from conducting real estate development, acquisition or management activities with respect to the Excluded Properties, if any, provided that during the Employment Period the performance of such activities does not prevent Executive from devoting substantially all of his business time to the Company.

(b) If, at the time of enforcement of this Paragraph 13, a court shall hold that the duration, scope, area or other restrictions stated herein are unreasonable, the parties agree that reasonable maximum duration, scope, area or other restrictions may be substituted by such court for the stated duration, scope, area or other restrictions and upon substitution by such court, this Agreement shall be automatically modified without further action by the parties hereto.

(c) For purposes of this Paragraph 13, the Company shall be deemed to include any entity which is controlled, directly or indirectly, by the Company and any entity of which a majority of the economic interest is owned, directly or indirectly, by the Company.

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14. Remedies.

The parties hereto agree that the Company would suffer irreparable harm from a breach by Executive of any of the covenants or agreements contained in Paragraphs 11, 12 or 13 of this Agreement. Therefore, in the event of the actual or threatened breach by Executive of any of the provisions of Paragraphs 11, 12 or 13 of this Agreement, the Company may, in addition and supplementary to other rights and remedies existing in its favor, apply to any court of law or equity of competent jurisdiction for specific performance and/or injunctive or other relief in order to enforce or prevent any violation of the provisions thereof.

15. Indemnification/Legal Fees.

(a) Indemnification. In the event the Executive is made party or threatened to be made a party to any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), by reason of Executive's employment with or serving as an officer or director of the Company, whether or not the basis of such Proceeding is alleged action in an official capacity, the Company shall indemnify, hold harmless and defend Executive to the fullest extent authorized by Maryland law, as the same exists and may hereafter be amended, against any and all claims, demands, suits, judgments, assessments and settlements including all expenses incurred or suffered by Executive in connection therewith (including, without limitation, all legal fees incurred using counsel reasonably acceptable to Executive) and such indemnification shall continue as to Executive even after Executive is no longer employed by the Company and shall inure to the benefit of his heirs, executors, and

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administrators. Expenses incurred by Executive in connection with any Proceeding shall be paid by the Company in advance upon request of Executive that the Company pay such expenses; but, only in the event that Executive shall have delivered in writing to the Company an undertaking to reimburse the Company for expenses with respect to which Executive is not entitled to indemnification. The provisions of this Paragraph shall remain in effect after this Agreement is terminated irrespective of the reasons for termination. The indemnification provisions of this Paragraph shall not supersede or reduce any indemnification provided to Executive under any separate agreement, or the by-laws of the Company since it is intended that this Agreement shall expand and extend the Executive's rights to receive indemnity.

(b) Legal Fees. If any contest or dispute shall arise between the Company and Executive regarding or as a result of any provision of this Agreement, the Company shall reimburse Executive for all legal fees and expenses reasonably incurred by Executive in connection with such contest or dispute, but only if Executive is successful in respect of substantially all of Executive's claims pursued or defended in connection with such contest or dispute. Such reimbursement shall be made as soon as practicable following the resolution of such contest or dispute (whether or not appealed).

16. Successors and Assigns.

(a) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or

substantially all of the business and/or assets of the Company, by agreement in form and substance

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satisfactory to Executive, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such agreement prior to the effectiveness of an such succession shall be a breach of this Agreement and shall entitle Executive to compensation from the Company in the same amount and on the same terms as he would be entitled to hereunder if Executive terminated his employment hereunder within six (6) months of a Change in Control as set forth in Paragraph 9, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the date of termination. In the event of such a breach of this Agreement, the Notice of Termination shall specify such date as the date of termination. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to all or substantially all of its business and/or its assets as aforesaid which executes and delivers the agreement provided for in this Paragraph 16 or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law. Any cash payments owed to Executive pursuant to this Paragraph 16 shall be paid to Executive in a single sum without discount for early payment immediately prior to the consummation of the transaction with such successor.

(b) This Agreement and all rights of Executive hereunder may be transferred only by will or the laws of descent and distribution. Upon Executive's death, this Agreement and all rights of Executive hereunder shall inure to the benefit of and be enforceable by Executive's beneficiary or beneficiaries, personal or legal representatives, or estate, to the extent any such person succeeds to Executive's

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interests under this Agreement. Executive shall be entitled to select and change a beneficiary or beneficiaries to receive any benefit or compensation payable hereunder following Executive's death by giving Company written notice thereof. If Executive should die following the date of termination while any amounts would still be payable to him hereunder if he had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to such person or persons so appointed in writing by Executive, including, without limitation, under any applicable plan, or otherwise to his legal representatives or estate.

17. Timing of and No Duplication of Payments.

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

18. Modification or Waiver.

No amendment, modification, waiver, termination or cancellation of this Agreement shall be binding or effective for any purpose unless it is made in a writing signed by the party against whom enforcement of such amendment, modification, waiver, termination or cancellation is sought. No course of dealing between or among the parties to this Agreement shall be deemed to affect or to modify, amend or discharge any provision or term of this Agreement. No delay on the part of the Company or Executive in the exercise of any of their respective rights or remedies shall operate as a waiver thereof, and no single or partial exercise by the Company or

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Executive of any such right or remedy shall preclude other or further exercise thereof. A waiver of right or remedy on any one occasion shall not be construed as a bar to or waiver of any such right or remedy on any other occasion.

The respective rights and obligations of the parties hereunder shall survive the Executive's termination of employment and termination of this Agreement to the extent necessary for the intended preservation of such rights and obligations.

19. Notices.

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

provided in accordance with this Paragraph 19).

20. Governing Law.

This agreement will be governed by and construed in accordance with the laws of the State of New Jersey except as to Paragraph 15(a), without regard to principles of conflicts of laws thereunder.

21. Severability.

Whenever possible, each provision and term of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any

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provision or term of this Agreement shall be held to be prohibited by or invalid under such applicable law, then, subject to the provisions of sub-paragraph 13(b) above, such provision or term shall be ineffective only to the extent of such prohibition or invalidity, without invalidating or affecting in any manner whatsoever the remainder of such provisions or term or the remaining provisions or terms of this Agreement.

22. Legal Representation.

Each of the Company and Executive have been represented by counsel with respect to this Agreement.

23. Counterparts.

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

24. Headings.

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

25. Entire Agreement.

This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes all other prior agreements and undertakings, both written and oral, among the parties with respect to the subject matter hereof. The parties recognize that the Prior Agreement has been amended and restated in its

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entirety by this Agreement and the terms of the Prior Agreement are of no further force and effect.

26. Survival of Agreements.

The covenants made in Paragraphs 5 through 15 and 21 each shall survive the termination of this Agreement.

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

MACK-CALI REALTY CORPORATION

By: /s/ Timothy M. Jones

Timothy M. Jones
President

/s/ Mitchell E. Hersh

Mitchell E. Hersh

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SCHEDULE A

Properties listed on Schedule 5.1(r) to the Contribution and Exchange Agreement between the MK Contributors, the MK Entities, the Patriot Contributors, the Patriot Entities, Patriot American Management and Leasing Corp., the Partnership and the Company dated September 18, 1997, as amended by that certain First

Amendment dated as of December 11, 1997 in which Mitchell E. Hersh has an interest.

A passive investment interest in properties permitted to be developed, acquired or managed by Mack-Arizona Corporation and its affiliates and subsidiaries.

SECOND AMENDED AND RESTATED

EMPLOYMENT AGREEMENT

FOR

TIMOTHY M. JONES

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TIMOTHY M. JONES

SECOND AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS SECOND AMENDED AND RESTATED EMPLOYMENT AGREEMENT (the "Agreement") is entered into as of July 1, 1999, by and between Timothy M. Jones, an individual residing at 1165 Park Avenue, Apt. 7D, New York, New York 10128 ("Executive"), and Mack-Cali Realty Corporation, a Maryland corporation with offices at 11 Commerce Drive, Cranford, New Jersey 07016 (the "Company").

RECITALS

WHEREAS, Executive has served as Executive Vice President of the Company pursuant to his prior employment agreement dated as of December 1997 (the "Prior Agreement") entered into as of the closing of the combination of Cali Realty Corporation with the Mack Companies (the "Mack Combination");

WHEREAS, Executive was appointed President of the Company on April 18, 1999;

WHEREAS, the Company and the Executive wish to amend and restate the Prior Agreement in its entirety among other things to acknowledge Executive's appointment as President, to provide for an award of Restricted Shares and a Tax Gross-Up Payment (as defined in sub-paragraph 4(c) below), to change the Employment Period (as defined in sub-paragraph 2(a) below) to (4) years and to amend the amount of the severance payment Executive may be eligible to receive upon termination of employment with the Company; and

WHEREAS, the Company desires to continue to employ Executive as President and Executive desires to continue to be employed by the Company as President, pursuant to the amended and restated terms set forth herein and to restate the Prior Agreement in its entirety

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

1. Employment.

The Company hereby agrees to employ Executive, and Executive hereby agrees to accept such employment during the period and upon the terms and conditions set forth in this Agreement.

2. Employment Period.

(a) Except as otherwise provided in this Agreement to the contrary, the terms and conditions of this Agreement shall be and remain in effect during the period of employment (the "Employment Period") established under this Paragraph 2. The initial Employment Period shall be for a term commencing on the date of this Agreement and ending on the fourth anniversary of the date of this Agreement provided, however, that commencing on the day after the date of this Agreement and on each day thereafter, the Employment Period shall be extended for one additional day so that a constant four (4) year Employment Period shall be in effect, unless (i) the Company or Executive elects not to extend the term of this Agreement by giving written notice to the other party in accordance with Paragraph 19, in which case, subject to the provisions of sub-paragraph 5(a) (iv) below, the term of this Agreement shall become fixed and shall end on the fourth anniversary of the date of such written notice ("Notice of Non-Renewal"), or (ii) Executive's employment terminates hereunder.

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(b) Notwithstanding anything contained herein to the contrary: (i) Executive's employment with the Company may be terminated by the Company or Executive during the Employment Period, subject to the terms and conditions of this Agreement; and (ii) nothing in this Agreement shall mandate or prohibit a continuation of Executive's employment following the expiration of the Employment Period upon such terms and conditions as the Board of Directors of the Company (the "Board") and Executive may mutually agree.

(c) If Executive's employment with the Company is terminated, for purposes of this Agreement the term "Unexpired Employment Period" shall mean the period commencing on the date of such termination and ending on the last day of the Employment Period.

3. Services / Place of Employment.

(a) Services. During the Employment Period, Executive shall hold the position of President of the Company. Executive shall devote his best efforts and substantially all of his business time, skill and attention to the business of the Company (other than absences due to vacation, illness, disability or approved leave of absence), and shall perform such duties as are customarily performed by similar executive officers and as may be more specifically enumerated from time to time by the Chief Executive Officer; provided, however, that the foregoing is not intended to (a) preclude Executive from (i) owning and managing personal investments, including real estate investments, subject to the restrictions set forth in Paragraph 13 hereof or (ii) engaging in charitable activities and community affairs, or (b) restrict or otherwise limit Executive from

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conducting the activities described in Schedule A, attached hereto, (the "Excluded Activities"), provided that the performance of the activities referred to in clauses (a) and (b) does not prevent Executive from devoting substantially all of his business time to the Company.

(b) Place of Employment. The principal place of employment of Executive shall be at the Company's principal executive offices in Cranford, New Jersey.

4. Compensation and Benefits.

(a) Salary. During the Employment Period, the Company shall pay Executive a minimum annual base salary in the amount of \$515,000 (the "Annual Base Salary") payable in accordance with the Company's regular payroll practices. Executive's Annual Base Salary shall be reviewed annually in accordance with the policy of the Company from time to time and may be subject to upward adjustment based upon, among other things, Executive's performance, as determined in the sole discretion of the Chief Executive Officer. In no event shall Executive's Annual Base Salary in effect at a particular time be reduced without his prior written consent.

(b) Incentive Compensation/Bonuses. In addition, Executive shall be eligible for incentive compensation payable each year in such amounts as may be determined by the Option and Executive Compensation Committee of the Board (the "Compensation Committee"). Executive shall be entitled to receive such bonuses,

restricted share awards and options to purchase shares of common stock, par value \$0.01 per share, of the Company (the "Common Stock") as the Board or the

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Compensation Committee as the case may be shall approve, in its sole discretion, including, without limitation, options, restricted share awards and bonuses contingent upon Executive's performance and the achievement of specified financial and operating objectives.

(c) Restricted Share Award/Tax Gross-Up Payment. Pursuant to the Employee Stock Option Plan of Mack-Cali Realty Corporation which was originally effective August 31, 1994 and amended and restated as of December 1, 1998 (the "SOP"), Executive has been awarded a restricted share award of 37,500 shares of Common Stock ("Restricted Shares") as of July 1, 1999 (the "Restricted Share Award"). Executive shall be entitled to receive a tax gross-up payment (the "Tax Gross-Up Payment") from the Company with respect to each tax year in which Restricted Shares granted pursuant to the Restricted Share Award vest and are distributed to him. Each Tax Gross-Up Payment shall be a dollar amount equal to forty-three (43%) percent of the fair market value of the Restricted Shares at time of vesting, exclusive of dividends. In the event vesting occurs with respect to any Restricted Shares as a result of the achievement of the required performance goals, such payment shall be made as soon as practicable after a determination that the performance goals have been achieved but in no event later than the 90th day of the fiscal year of the Company immediately following the fiscal year as to which the performance goals were achieved. In the event vesting occurs for any other reason, including, without limitation, termination of Executive's employment by the Company without Cause or by Executive for Good Reason (but excluding a termination by the Company for Cause or a voluntary quit without Good Reason by Executive), such payment shall be made as soon as

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practicable after the date of vesting but in no event later than the tenth (10th) business day following such vesting.

(d) Taxes and Withholding. The Company shall have the right to deduct and withhold from all compensation all social security and other federal, state and local taxes and charges which currently are or which hereafter may be required by law to be so deducted and withheld.

(e) Additional Benefits. In addition to the compensation specified above and other benefits provided pursuant to this Paragraph 4, Executive shall be entitled to the following benefits:

- (i) participation in the SOP, the Mack-Cali Realty Corporation 401(k) Savings and Retirement Plan (subject to statutory rules and maximum contributions and non-discrimination requirements applicable to 401(k) plans) and such other benefit plans and programs, including but not limited to restricted stock, phantom stock and/or unit awards, loan programs and any other incentive compensation plans or programs (whether or not employee benefit plans or programs), as maintained by the Company from time to time and made generally available to executives of the Company with such participation to be consistent with reasonable Company guidelines;
- (ii) participation in any health insurance, disability insurance, paid vacation, group life insurance or other welfare benefit program made generally available to executives of the Company; and
- (iii) reimbursement for reasonable business expenses incurred by Executive in furtherance of the interests of the Company including a monthly allowance of twelve hundred (\$1,200) which is intended to cover the cost of local business-related travel expenses exclusive of amounts paid to third-parties (e.g. taxi service).

5. Termination of Employment and Change in Control.

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(a) Executive's employment hereunder may be terminated during the Employment Period under the following circumstances:

- (i) Cause. The Company shall have the right to terminate Executive's employment for Cause upon Executive's: (A) willful and continued failure to use best efforts to substantially perform his duties hereunder (other than any such failure resulting from Executive's incapacity due to physical or mental illness) for a period of thirty (30) days after written

demand for substantial performance is delivered by the Company specifically identifying the manner in which the Company believes Executive has not substantially performed his duties; (B) willful misconduct and/or willful violation of Paragraph 11 hereof, which is materially economically injurious to the Company and the Partnership taken as a whole; (C) the willful violation of the provisions of Paragraph 13 hereof; or (D) conviction of, or plea of guilty to a felony. For purposes of this sub-paragraph 5(a), no act, or failure to act, on Executive's part shall be considered "willful" unless done, or omitted to be done, by him (I) not in good faith and (II) without reasonable belief that his action or omission was in furtherance of the interests of the Company.

- (ii) Death. Executive's employment hereunder shall terminate upon his death.
- (iii) Disability. The Company shall have the right to terminate Executive's employment due to "Disability" in the event that there is a determination by the Company, upon the advice of an independent qualified physician, reasonably acceptable to Executive, that Executive has become physically or mentally incapable of performing his duties under this Agreement and such disability has disabled Executive for a cumulative period of one hundred eighty (180) days within a twelve (12) month period.
- (iv) Good Reason. Executive shall have the right to terminate his employment for "Good Reason": (A) upon the occurrence of any material breach of this Agreement by the Company which shall include but not be limited to; an assignment to Executive of duties materially and adversely inconsistent with Executive's status as President or a material or adverse alteration in the nature of or diminution in Executive's duties and/or responsibilities, reporting obligations, titles or authority; (B) upon a reduction in Executive's Annual Base Salary or a material reduction in other benefits (except for bonuses or similar discretionary payments) as in effect at the time in question, a failure to pay such amounts when due or

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any other failure by the Company to comply with Paragraph 4 hereof; (C) on or within six (6) months following the date a Notice of Non-Renewal is issued by the Company pursuant to Paragraph 2 hereof; (D) on or within six (6) months following a Change in Control (as hereinafter defined) in accordance with the provisions set forth in sub-paragraph 5(a)(vii) hereof; (E) upon any purported termination of Executive's employment for Cause which is not effected pursuant to the procedures of sub-paragraph 5(a)(i) (and for purposes of this Agreement, in the event of such failure to comply, no such purported termination shall be effective); or (F) upon the relocation of the Company's principal executive offices or Executive's own office location to a location more than thirty (30) miles away from Cranford, New Jersey.

- (v) Without Cause. The Company shall have the right to terminate the Executive's employment hereunder without Cause subject to the terms and conditions of this Agreement.
- (vi) Without Good Reason. The Executive shall have the right to terminate his employment hereunder without Good Reason subject to the terms and conditions of this Agreement.
- (vii) Change in Control. Executive shall have the right to terminate his employment hereunder on or within six (6) months following a Change in Control. Such termination shall be deemed a termination for Good Reason hereunder. For purposes of this Agreement "Change in Control" shall mean that any of the following events has occurred: (A) any "person" or "group" of persons, as such terms are used in Sections 13 and 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), other than any employee benefit plan sponsored by the Company, becomes the "beneficial owner", as such term is used in Section 13 of the Exchange Act, (irrespective of any vesting or waiting periods) of (I) Common Stock or any class of stock convertible into Common Stock and/or (II) Common OP Units or preferred units or any other class of units convertible into Common OP Units, in an amount equal to twenty (20%) percent or more of the sum total of the Common Stock and the Common OP Units (treating all classes of outstanding stock, units or other securities convertible into stock units as if they were converted into Common Stock or Common OP Units

as the case may be and then treating Common Stock and Common OP Units as if they were a single class) issued and outstanding immediately prior to such acquisition as if they were a single class and disregarding any equity raise in connection with the financing of such transaction; (B) any Common Stock is

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purchased pursuant to a tender or exchange offer other than an offer by the Company; (C) the dissolution or liquidation of the Company or the consummation of any merger or consolidation of the Company or any sale or other disposition of all or substantially all of its assets, if the shareholders of the Company and unitholders of the Partnership taken as a whole and considered as one class immediately before such transaction own, immediately after consummation of such transaction, equity securities and partnership units possessing less than fifty (50%) percent of the surviving or acquiring company and partnership taken as a whole; or (D) a turnover, during any two (2) year period, of the majority of the members of the Board, without the consent of the remaining members of the Board as to the appointment of the new Board members.

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

6. Compensation Upon Termination of Employment By the Company for Cause or By Executive without Good Reason.

In the event the Company terminates Executive's employment for Cause or Executive terminates his employment without Good Reason, the Company shall pay Executive any unpaid Annual Base Salary at the rate then in effect accrued through and including the date of termination. In addition, in such event, Executive shall be entitled

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(i) to receive any earned but unpaid incentive compensation or bonuses and (ii) to exercise any options which have vested and are exercisable in accordance with the terms of the applicable option grant agreement or plan, and (iii) to retain and/or receive any Restricted Shares which have vested as of the last day of the Company's fiscal year coincident or immediately preceding Executive's termination of employment and the corresponding Tax Gross-Up Payment (irrespective of whether the determination is made after Executive's termination of employment).

Except for any rights which Executive may have to unpaid salary amounts through and including the date of termination, earned but unpaid incentive compensation or bonuses, vested options, vested Restricted Shares and the corresponding Tax Gross-Up Payment, the Company shall have no further obligations hereunder following such termination. The aforesaid amounts shall be payable in full immediately upon such termination.

7. Compensation Upon Termination of Employment Upon Death or Disability.

In the event of termination of Executive's employment as a result of either Executive's death or Disability, the Company shall pay to Executive, his estate or his personal representative the aggregate of (i) a cash payment of two million seven hundred thousand dollars (\$2,700,000) in full immediately upon such termination (the "Fixed Amount") and (ii) reimbursement of expenses incurred prior to date of termination ("Expense Reimbursement"). Executive (and Executive's dependents) shall also receive continuation of health coverage through the end of the Unexpired Employment Period on the same basis as health coverage is provided by the Company

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for active employees and as may be amended from time to time ("Medical Continuation").

In addition, all (A) incentive compensation payments or programs of any

nature whether stock based or otherwise that are subject to a vesting schedule including, without limitation, the Restricted Share Award or any other restricted stock, phantom stock, units and any loan forgiveness arrangements granted to Executive ("Incentive Compensation") shall immediately vest as of the date of such termination ("Vested Incentive Compensation"), (B) options granted to Executive shall immediately vest as of the date of such termination (the "Vested Options") and Executive shall be entitled at the option of Executive, his estate or his personal representative, within one (1) year of the date of such termination, to exercise the Vested Options and/or other options which have vested (including, without limitation, all other options which have previously vested in accordance with the Prior Agreement, any applicable option grant agreement or plan) (the "Total Vested Options") and are exercisable in accordance with the terms of the applicable option grant agreement or plan and/or any other methods or procedures for exercise applicable to optionees or to require the Company (upon written notice delivered within one hundred eighty (180) days following the date of Executive's termination) to repurchase all or any portion of Executive's vested options to purchase shares of Common Stock at a price equal to the difference between the Repurchase Fair Market Value (as hereinafter defined) of the shares of Common Stock for which the options to be repurchased are exercisable and the exercise price of such options as of the date of Executive's termination of employment (the "Vested Option Exercise Election"), and (C) the Tax Gross-Up Payment(s) applicable to the Restricted Share

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Award shall vest and be paid to Executive at such time as provided in sub-paragraph 4(c) above (the "Vested Tax Gross-Up Payments"). In the event of a conflict between any Incentive Compensation grant agreement or program or any option grant agreement or plan and this Agreement, the terms of this Agreement shall control.

Except for any rights which Executive or Executive's estate in the event of Executive's death may have to all of the above including the Fixed Amount, Vested Incentive Compensation, Total Vested Options and the Vested Option Exercise Election, the Vested Tax Gross-Up Payment, Expense Reimbursement and Medical Continuation (which, in the event of Executive's death, shall be provided to Executive's dependents), the Company shall have no further obligations hereunder following such termination.

For purposes of this Agreement, "Repurchase Fair Market Value" shall mean the average of the closing price on the New York Stock Exchange (or such other exchange on which the Common Stock is primarily traded) of the Common Stock on each of the trading days within the thirty (30) days immediately preceding the date of termination of Executive's employment.

8. Compensation Upon Termination of Employment By the Company Without Cause or By Executive for Good Reason.

In the event the Company terminates Executive's employment for any reason other than Cause or Executive terminates his employment for Good Reason, the Company shall pay to Executive and Executive shall be entitled to receive the aggregate of (i) the Fixed Amount and (ii) Vested Incentive Compensation, Total Vested Options and the Vested Option Exercise Election, the Vested Tax Gross-Up Payment,

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Expense Reimbursement and Medical Continuation. In the event of a conflict between any Incentive Compensation grant agreement or program or any option grant agreement or plan and this Agreement, the terms of this Agreement shall control. Executive understands that any options exercised more than ninety (90) days following the date of his termination of employment which were granted as incentive stock options shall automatically be converted into non-qualified options.

Except for any rights which Executive may have to the Fixed Amount, Vested Incentive Compensation, Total Vested Options and the Vested Option Exercise Election, the Vested Tax Gross-Up Payment, Expense Reimbursement and Medical Continuation, the Company shall have no further obligations hereunder following such termination. The parties both agree that the agreement to make these payments was consideration and an inducement to obtain Executive's consent to enter into this Agreement. The payments are not a penalty and neither party will claim them to be a penalty. Rather, the payments represent a fair approximation of reasonable amounts due to Executive for the Employment Period.

9. Change in Control.

(a) Options. Any Incentive Compensation and options granted to Executive that have not vested as of the date of a Change in Control shall immediately vest upon the date of the Change in Control. Neither the occurrence of a Change in Control, nor the vesting in any options as a result thereof shall require Executive to exercise any options. In the event of a conflict between any

grant agreement or program or any option grant agreement or plan and this Agreement, the terms of this Agreement shall control.

(b) Upon Termination. In the event Executive terminates his employment on or following a Change in Control as set forth in sub-paragraph 5(a) (vii), the Company shall pay to Executive and Executive shall be entitled to all the payments and rights Executive would have had if Executive had terminated his employment with Good Reason as set forth in Paragraph 8.

Except for any rights which Executive may have to the Fixed Amount, Vested Incentive Compensation, Total Vested Options (including, without limitation, by acceleration in accordance with sub-paragraph 9(a)) and the Vested Option Exercise Election, the Vested Tax Gross-Up Payment, Expense Reimbursement, Medical Continuation and the Excise Tax Gross Up set forth in subparagraph 9(c), the Company shall have no further obligations hereunder following such termination.

(c) Excise Tax Gross Up. In addition, if it is determined by an independent accountant mutually acceptable to the Company and Executive that as a result of any payment in the nature of compensation made by the Company to (or for the benefit of) Executive pursuant to this Agreement or otherwise, an excise tax may be imposed on Executive pursuant to Section 4999 of the Code (or any successor provisions), the Company shall pay Executive in cash an amount equal to X determined under the following formula: (the "Excise Tax Gross Up"):

$$X = \frac{E \times P}{1 - [(FI \times (1 - SLI)) + SLI + E + M]}$$

where

- E = the rate at which the excise tax is assessed under Section 4999 of the Code (or any successor provisions);
- P = the amount with respect to which such excise tax is assessed, determined without regard to the Excise Tax Gross Up;
- FI = the highest effective marginal rate of income tax applicable to Executive under the Code for the taxable year in question (taking into account any phase-out or loss of deductions, personal exemptions or other similar adjustments);
- SLI = the sum of the highest effective marginal rates of income tax applicable to Executive under all applicable state and local laws for the taxable year in question (taking into account any phase-out or loss of deductions, personal exemptions and other similar adjustments); and
- M = the highest marginal rate of Medicare tax applicable to Executive under the Code for the taxable year in question.

With respect to any payment in the nature of compensation that is made to (or for the benefit of) Executive under the terms of this Agreement or otherwise and on which an excise tax under Section 4999 of the Code (or any successor provisions) may be assessed, the payment determined under this sub-paragraph 9(c) shall be paid to Executive at the time of the Change in Control but prior to the consummation of the transaction with any successor. It is the intention of the parties that the Company provide Executive with a full tax gross-up under the provisions of this sub-paragraph, so that on a net after-tax basis, the result to Executive shall be the same as if the excise tax under Section 4999 of the Code (or any successor provisions) had not been imposed. The Excise Tax Gross Up may be adjusted if alternative minimum tax rules are applicable to Executive.

10. Mitigation / Effect on Employee Benefit Plans and Programs.

(a) Mitigation. Executive shall not be required to mitigate amounts payable under this Agreement by seeking other employment or otherwise, and there shall be no offset against amounts due Executive under this Agreement on account of subsequent employment. Amounts owed to Executive under this Agreement shall

not be offset by any claims the Company may have against Executive and such payment shall not be affected by any other circumstances, including, without limitation, any counterclaim, recoupment, defense, or other right which the Company may have against Executive or others.

(b) Effect on Employee Benefit Programs. The termination of Executive's employment hereunder, whether by the Company or Executive, shall have no effect on the rights and obligations of the parties hereto under the Company's (i) welfare benefit plans including, without limitation, Medical Continuation as provided for herein and, health coverage thereafter but only to the extent required by law, and on the same basis applicable to other employees and (ii) 401(k) Plan but only to the extent required by law and pursuant to the terms of the 401(k) Plan.

11. Confidential Information.

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

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

(b) The term "Confidential Information" shall mean any information not generally known in the relevant trade or industry or otherwise not generally available to the public, which was obtained from the Company or its predecessors or which was learned, discovered, developed, conceived, originated or prepared during or as a result of the performance of any services by Executive on behalf of the Company or its predecessors. For purposes of this Paragraph 11, the Company shall be deemed to include any entity which is controlled, directly or indirectly, by the Company and any entity of which a majority of the economic interest is owned, directly or indirectly, by the Company.

12. Return of Documents.

Except for such items which are of a personal nature to Executive (e.g., daily business planner), all writings, records, and other documents and things containing any Confidential Information shall be the exclusive property of the Company, shall not be copied, summarized, extracted from, or removed from the premises of the Company,

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except in pursuit of the business of the Company and at the direction of the Company, and shall be delivered to the Company, without retaining any copies, upon the termination of Executive's employment or at any time as requested by the Company.

13. Noncompete. Executive agrees that:

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

(b) If, at the time of enforcement of this Paragraph 13, a court shall hold that the duration, scope, area or other restrictions stated herein are unreasonable,

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

(c) For purposes of this Paragraph 13, the Company shall be deemed to include any entity which is controlled, directly or indirectly, by the Company and any entity of which a majority of the economic interest is owned, directly or indirectly, by the Company.

14. Remedies.

The parties hereto agree that the Company would suffer irreparable harm from a breach by Executive of any of the covenants or agreements contained in Paragraphs 11, 12 or 13 of this Agreement. Therefore, in the event of the actual or threatened breach by Executive of any of the provisions of Paragraphs 11, 12 or 13 of this Agreement, the Company may, in addition and supplementary to other rights and remedies existing in its favor, apply to any court of law or equity of competent jurisdiction for specific performance and/or injunctive or other relief in order to enforce or prevent any violation of the provisions thereof.

15. Indemnification/Legal Fees.

(a) Indemnification. In the event the Executive is made party or threatened to be made a party to any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), by reason of Executive's employment

with or serving as an officer or director of the Company, whether or not the basis of such Proceeding is alleged action in an official capacity, the Company shall indemnify, hold harmless and defend Executive to the fullest extent authorized by Maryland law, as the same exists and may hereafter be amended, against any and all claims, demands, suits, judgments, assessments and settlements including all expenses incurred or suffered by Executive in connection therewith (including, without limitation, all legal fees incurred using counsel reasonably acceptable to Executive) and such indemnification shall continue as to Executive even after Executive is no longer employed by the Company and shall inure to the benefit of his heirs, executors, and administrators. Expenses incurred by Executive in connection with any Proceeding shall be paid by the Company in advance upon request of Executive that the Company pay such expenses; but, only in the event that Executive shall have delivered in writing to the Company an undertaking to reimburse the Company for expenses with respect to which Executive is not entitled to indemnification. The provisions of this Paragraph shall remain in effect after this Agreement is terminated irrespective of the reasons for termination. The indemnification provisions of this Paragraph shall not supersede or reduce any indemnification provided to Executive under any separate agreement, or the by-laws of the Company since it is intended that this Agreement shall expand and extend the Executive's rights to receive indemnity.

(b) Legal Fees. If any contest or dispute shall arise between the Company and Executive regarding or as a result of any provision of this Agreement, the Company shall reimburse Executive for all legal fees and expenses reasonably incurred by Executive in connection with such contest or dispute, but only if Executive is

successful in respect of substantially all of Executive's claims pursued or defended in connection with such contest or dispute. Such reimbursement shall be made as soon as practicable following the resolution of such contest or dispute (whether or not appealed).

16. Successors and Assigns.

(a) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, by agreement in form and substance satisfactory to Executive, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such agreement prior to the effectiveness of an such succession shall be a breach of this Agreement and shall entitle Executive to compensation from the Company in the same amount and on the same terms as he would be entitled to hereunder if Executive terminated his employment hereunder within six (6) months of a Change in Control as set forth in Paragraph 9, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the date of termination. In the

event of such a breach of this Agreement, the Notice of Termination shall specify such date as the date of termination. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to all or substantially all of its business and/or its assets as aforesaid which executes and delivers the agreement provided for in this Paragraph 16 or which otherwise becomes

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bound by all the terms and provisions of this Agreement by operation of law. Any cash payments owed to Executive pursuant to this Paragraph 16 shall be paid to Executive in a single sum without discount for early payment immediately prior to the consummation of the transaction with such successor.

(b) This Agreement and all rights of Executive hereunder may be transferred only by will or the laws of descent and distribution. Upon Executive's death, this Agreement and all rights of Executive hereunder shall inure to the benefit of and be enforceable by Executive's beneficiary or beneficiaries, personal or legal representatives, or estate, to the extent any such person succeeds to Executive's interests under this Agreement. Executive shall be entitled to select and change a beneficiary or beneficiaries to receive any benefit or compensation payable hereunder following Executive's death by giving Company written notice thereof. If Executive should die following the date of termination while any amounts would still be payable to him hereunder if he had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to such person or persons so appointed in writing by Executive, including, without limitation, under any applicable plan, or otherwise to his legal representatives or estate.

17. Timing of and No Duplication of Payments.

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

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18. Modification or Waiver.

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

The respective rights and obligations of the parties hereunder shall survive the Executive's termination of employment and termination of this Agreement to the extent necessary for the intended preservation of such rights and obligations.

19. Notices.

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

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other address as shall have been previously provided in accordance with this Paragraph 19).

20. Governing Law.

This agreement will be governed by and construed in accordance with the laws of the State of New Jersey except as to Paragraph 15(a), without regard to principles of conflicts of laws thereunder.

21. Severability.

Whenever possible, each provision and term of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law,

but if any provision or term of this Agreement shall be held to be prohibited by or invalid under such applicable law, then, subject to the provisions of sub-paragraph 13(b) above, such provision or term shall be ineffective only to the extent of such prohibition or invalidity, without invalidating or affecting in any manner whatsoever the remainder of such provisions or term or the remaining provisions or terms of this Agreement.

22. Legal Representation.

Each of the Company and Executive have been represented by counsel with respect to this Agreement.

23. Counterparts.

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

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24. Headings.

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

25. Entire Agreement.

This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes all other prior agreements and undertakings, both written and oral, among the parties with respect to the subject matter hereof. The parties recognize that the Prior Agreement has been amended and restated in its entirety by this Agreement and the terms of the Prior Agreement are of no further force and effect.

26. Survival of Agreements.

The covenants made in Paragraphs 5 through 15 and 21 each shall survive the termination of this Agreement.

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

MACK-CALI REALTY CORPORATION

By: /s/ Mitchell E. Hersh

Mitchell E. Hersh
Chief Executive Officer

/s/ Timothy M. Jones

Timothy M. Jones

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SCHEDULE A

1. Conducting the real estate development, acquisition or management activities as and to the extent permitted pursuant to Section 26 of the Contribution and Exchange Agreement dated January 24, 1997 by and between Cali, CRLP and Robert Martin Company, LLC and Robert Martin-Eastview North Company, L.P. (the "Contribution and Exchange Agreement").

2. Acquiring and conducting real estate development and management activities with respect to properties which may be purchased by the Executive pursuant to Sections 8.3 or 27.5 of the Contribution and Exchange Agreement.

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AMENDED AND RESTATED
EMPLOYMENT AGREEMENT
FOR
JOHN R. CALI

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JOHN R. CALI

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT (the "Agreement") is entered into as of July 1, 1999, by and between John R. Cali, an individual residing at 203 Laurel Hill Road, Mountain Lakes, New Jersey 07046 ("Executive"), and Mack-Cali Realty Corporation, a Maryland corporation with offices at 11 Commerce Drive, Cranford, New Jersey 07016 (the "Company").

RECITALS

WHEREAS, Executive has served as Chief Administrative Officer of the Company pursuant to his prior employment agreement dated as of December 1997 (the "Prior Agreement") entered into as of the closing of the combination of Cali Realty Corporation with the Mack Companies (the "Mack Combination");

WHEREAS, the Company and the Executive wish to amend and restate the Prior Agreement in its entirety to provide for an award of Restricted Shares and a Tax Gross-Up Payment (as defined in sub-paragraph 4(c) below), to change the Employment Period (as defined in sub-paragraph 2(a) below) to (4) years and to amend the amount of the severance payment Executive may be eligible to receive upon termination of employment with the Company; and

WHEREAS, the Company desires to continue to employ Executive as Executive Vice President of Development, and Executive desires to continue to be employed by the Company as Executive Vice President of Development, pursuant to the amended and restated terms set forth herein and to restate the Prior Agreement in its entirety

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

1. Employment.

The Company hereby agrees to employ Executive, and Executive hereby agrees to accept such employment during the period and upon the terms and conditions set forth in this Agreement.

2. Employment Period.

(a) Except as otherwise provided in this Agreement to the contrary, the terms and conditions of this Agreement shall be and remain in effect during the period of employment (the "Employment Period") established under this Paragraph 2. The initial Employment Period shall be for a term commencing on the date of this Agreement and ending on the fourth anniversary of the date of this Agreement provided, however, that commencing on the day after the date of this Agreement and on each day thereafter, the Employment Period shall be extended for one additional day so that a constant four (4) year Employment Period shall be in effect, unless (i) the Company or Executive elects not to extend the term of this Agreement by giving written notice to the other party in accordance with Paragraph 19, in which case, subject to the provisions of sub-paragraph 5(a) (iv) below, the term of this Agreement shall become fixed and shall end on the fourth anniversary of the date of such written notice ("Notice of Non-Renewal"), or (ii) Executive's employment terminates hereunder.

(b) Notwithstanding anything contained herein to the contrary: (i) Executive's employment with the Company may be terminated by the Company or Executive during the Employment Period, subject to the terms and conditions of this Agreement; and (ii) nothing in this Agreement shall mandate or prohibit a continuation

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of Executive's employment following the expiration of the Employment Period upon such terms and conditions as the Board of Directors of the Company (the "Board") and Executive may mutually agree.

(c) If Executive's employment with the Company is terminated, for purposes of this Agreement the term "Unexpired Employment Period" shall mean the period commencing on the date of such termination and ending on the last day of the Employment Period.

3. Services / Place of Employment.

(a) Services. During the Employment Period, Executive shall hold the position of Executive Vice President of Development of the Company. Executive shall devote his best efforts and substantially all of his business time, skill and attention to the business of the Company (other than absences due to vacation, illness, disability or approved leave of absence), and shall perform such duties as are customarily performed by similar executive officers and as may be more specifically enumerated from time to time by the Chief Executive Officer; provided, however, that the foregoing is not intended to (a) preclude Executive from (i) owning and managing personal investments, including real estate investments, subject to the restrictions set forth in Paragraph 13 hereof or (ii) engaging in charitable activities and community affairs, or (b) restrict or otherwise limit Executive from conducting real estate development, acquisition or management activities with respect to those properties described in Schedule A, attached hereto, (the "Excluded Properties"), provided that the

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

(b) Place of Employment. The principal place of employment of Executive shall be at the Company's principal executive offices in Cranford, New Jersey.

4. Compensation and Benefits.

(a) Salary. During the Employment Period, the Company shall pay Executive a minimum annual base salary in the amount of \$325,000 (the "Annual Base Salary") payable in accordance with the Company's regular payroll practices. Executive's Annual Base Salary shall be reviewed annually in accordance with the policy of the Company from time to time and may be subject to upward adjustment based upon, among other things, Executive's performance, as determined in the sole discretion of the Chief Executive Officer. In no event shall Executive's Annual Base Salary in effect at a particular time be reduced without his prior written consent.

(b) Incentive Compensation/Bonuses. In addition, Executive shall be eligible for incentive compensation payable each year in such amounts as may be determined by the Option and Executive Compensation Committee of the Board (the "Compensation Committee"). Executive shall be entitled to receive such bonuses,

restricted share awards and options to purchase shares of common stock, par value \$0.01 per share, of the Company (the "Common Stock") as the Board or the Compensation Committee as the case may be shall approve, in its sole discretion, including, without limitation, options, restricted share awards and bonuses contingent

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upon Executive's performance and the achievement of specified financial and operating objectives.

(c) Restricted Share Award/Tax Gross-Up Payment. Pursuant to the Employee Stock Option Plan of Mack-Cali Realty Corporation which was originally effective August 31, 1994 and amended and restated as of December 1, 1998 (the "SOP"), Executive has been awarded a restricted share award of 22,031 shares of Common Stock ("Restricted Shares") as of July 1, 1999 (the "Restricted Share Award"). Executive shall be entitled to receive a tax gross-up payment (the "Tax Gross-Up Payment") from the Company with respect to each tax year in which Restricted Shares granted pursuant to the Restricted Share Award vest and are distributed to him. Each Tax Gross-Up Payment shall be a dollar amount equal to forty-three (43%) percent of the fair market value of the Restricted Shares at time of vesting, exclusive of dividends. In the event vesting occurs with respect to any Restricted Shares as a result of the achievement of the required performance goals, such payment shall be made as soon as practicable after a determination that the performance goals have been achieved but in no event later than the 90th day of the fiscal year of the Company immediately following the fiscal year as to which the performance goals were achieved. In the event vesting occurs for any other reason, including, without limitation, termination of Executive's employment by the Company without Cause or by Executive for Good Reason (but excluding a termination by the Company for Cause or a voluntary quit without Good Reason by Executive), such payment shall be made as soon as practicable after the date of vesting but in no event later than the tenth (10th) business day following such vesting.

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(d) Taxes and Withholding. The Company shall have the right to deduct and withhold from all compensation all social security and other federal, state and local taxes and charges which currently are or which hereafter may be required by law to be so deducted and withheld.

(e) Additional Benefits. In addition to the compensation specified above and other benefits provided pursuant to this Paragraph 4, Executive shall be entitled to the following benefits:

- (i) participation in the SOP, the Mack-Cali Realty Corporation 401(k) Savings and Retirement Plan (subject to statutory rules and maximum contributions and non-discrimination requirements applicable to 401(k) plans) and such other benefit plans and programs, including but not limited to restricted stock, phantom stock and/or unit awards, loan programs and any other incentive compensation plans or programs (whether or not employee benefit plans or programs), as maintained by the Company from time to time and made generally available to executives of the Company with such participation to be consistent with reasonable Company guidelines;
- (ii) participation in any health insurance, disability insurance, paid vacation, group life insurance or other welfare benefit program made generally available to executives of the Company; and
- (iii) reimbursement for reasonable business expenses incurred by Executive in furtherance of the interests of the Company including a monthly allowance of twelve hundred (\$1,200) which is intended to cover the cost of local business-related travel expenses exclusive of amounts paid to third-parties (e.g. taxi service).

5. Termination of Employment and Change in Control.

(a) Executive's employment hereunder may be terminated during the Employment Period under the following circumstances:

- (i) Cause. The Company shall have the right to terminate Executive's employment for Cause upon Executive's: (A) willful and continued

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failure to use best efforts to substantially perform his duties hereunder (other than any such failure resulting from

Executive's incapacity due to physical or mental illness) for a period of thirty (30) days after written demand for substantial performance is delivered by the Company specifically identifying the manner in which the Company believes Executive has not substantially performed his duties; (B) willful misconduct and/or willful violation of Paragraph 11 hereof, which is materially economically injurious to the Company and the Partnership taken as a whole; (C) the willful violation of the provisions of Paragraph 13 hereof; or (D) conviction of, or plea of guilty to a felony. For purposes of this sub-paragraph 5(a), no act, or failure to act, on Executive's part shall be considered "willful" unless done, or omitted to be done, by him (I) not in good faith and (II) without reasonable belief that his action or omission was in furtherance of the interests of the Company.

- (ii) Death. Executive's employment hereunder shall terminate upon his death.
- (iii) Disability. The Company shall have the right to terminate Executive's employment due to "Disability" in the event that there is a determination by the Company, upon the advice of an independent qualified physician, reasonably acceptable to Executive, that Executive has become physically or mentally incapable of performing his duties under this Agreement and such disability has disabled Executive for a cumulative period of one hundred eighty (180) days within a twelve (12) month period.
- (iv) Good Reason. Executive shall have the right to terminate his employment for "Good Reason": (A) upon the occurrence of any material breach of this Agreement by the Company which shall include but not be limited to; an assignment to Executive of duties materially and adversely inconsistent with Executive's status as Executive Vice President of Development or a material or adverse alteration in the nature of or diminution in Executive's duties and/or responsibilities, reporting obligations, titles or authority; (B) upon a reduction in Executive's Annual Base Salary or a material reduction in other benefits (except for bonuses or similar discretionary payments) as in effect at the time in question, a failure to pay such amounts when due or any other failure by the Company to comply with Paragraph 4 hereof; (C) on or within six (6) months following the date a Notice of Non-Renewal is issued by the Company pursuant to Paragraph 2 hereof; (D) on or within six (6) months following a Change in Control (as hereinafter defined) in accordance with the provisions set forth in sub-paragraph 5(a)(vii)

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hereof; (E) upon any purported termination of Executive's employment for Cause which is not effected pursuant to the procedures of sub-paragraph 5(a)(i) (and for purposes of this Agreement, in the event of such failure to comply, no such purported termination shall be effective); or (F) upon the relocation of the Company's principal executive offices or Executive's own office location to a location more than thirty (30) miles away from Cranford, New Jersey.

- (v) Without Cause. The Company shall have the right to terminate the Executive's employment hereunder without Cause subject to the terms and conditions of this Agreement.
- (vi) Without Good Reason. The Executive shall have the right to terminate his employment hereunder without Good Reason subject to the terms and conditions of this Agreement.
- (vii) Change in Control. Executive shall have the right to terminate his employment hereunder on or within six (6) months following a Change in Control. Such termination shall be deemed a termination for Good Reason hereunder. For purposes of this Agreement "Change in Control" shall mean that any of the following events has occurred: (A) any "person" or "group" of persons, as such terms are used in Sections 13 and 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), other than any employee benefit plan sponsored by the Company, becomes the "beneficial owner", as such term is used in Section 13 of the Exchange Act, (irrespective of any vesting or waiting periods) of (I) Common Stock or any class of stock convertible into Common Stock and/or (II) Common OP Units or preferred units or any other class of units convertible into Common OP Units, in an amount equal to twenty (20%) percent or more of the sum total of the Common Stock and

the Common OP Units (treating all classes of outstanding stock, units or other securities convertible into stock units as if they were converted into Common Stock or Common OP Units as the case may be and then treating Common Stock and Common OP Units as if they were a single class) issued and outstanding immediately prior to such acquisition as if they were a single class and disregarding any equity raise in connection with the financing of such transaction; (B) any Common Stock is purchased pursuant to a tender or exchange offer other than an offer by the Company; (C) the dissolution or liquidation of the Company or the consummation of any merger or consolidation of the Company or any sale or other disposition of all or substantially all of its assets, if the shareholders of the Company and unitholders

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of the Partnership taken as a whole and considered as one class immediately before such transaction own, immediately after consummation of such transaction, equity securities and partnership units possessing less than fifty (50%) percent of the surviving or acquiring company and partnership taken as a whole; or (D) a turnover, during any two (2) year period, of the majority of the members of the Board, without the consent of the remaining members of the Board as to the appointment of the new Board members.

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

6. Compensation Upon Termination of Employment By the Company for Cause or By Executive without Good Reason.

In the event the Company terminates Executive's employment for Cause or Executive terminates his employment without Good Reason, the Company shall pay Executive any unpaid Annual Base Salary at the rate then in effect accrued through and including the date of termination. In addition, in such event, Executive shall be entitled (i) to receive any earned but unpaid incentive compensation or bonuses and (ii) to exercise any options which have vested and are exercisable in accordance with the

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terms of the applicable option grant agreement or plan, and (iii) to retain and/or receive any Restricted Shares which have vested as of the last day of the Company's fiscal year coincident or immediately preceding Executive's termination of employment and the corresponding Tax Gross-Up Payment (irrespective of whether the determination is made after Executive's termination of employment).

Except for any rights which Executive may have to unpaid salary amounts through and including the date of termination, earned but unpaid incentive compensation or bonuses, vested options, vested Restricted Shares and the corresponding Tax Gross-Up Payment, the Company shall have no further obligations hereunder following such termination. The aforesaid amounts shall be payable in full immediately upon such termination.

7. Compensation Upon Termination of Employment Upon Death or Disability.

In the event of termination of Executive's employment as a result of either Executive's death or Disability, the Company shall pay to Executive, his estate or his personal representative the aggregate of (i) a cash payment of two million five hundred thousand dollars (\$2,500,000) in full immediately upon such termination (the "Fixed Amount") and (ii) reimbursement of expenses incurred prior to date of termination ("Expense Reimbursement"). Executive (and Executive's dependents) shall also receive continuation of health coverage through the end of the Unexpired Employment Period on the same basis as health coverage is provided by the Company for active employees and as may be amended from time to time ("Medical Continuation").

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In addition, all (A) incentive compensation payments or programs of any

nature whether stock based or otherwise that are subject to a vesting schedule including, without limitation, the Restricted Share Award or any other restricted stock, phantom stock, units and any loan forgiveness arrangements granted to Executive ("Incentive Compensation") shall immediately vest as of the date of such termination ("Vested Incentive Compensation"), (B) options granted to Executive shall immediately vest as of the date of such termination (the "Vested Options") and Executive shall be entitled at the option of Executive, his estate or his personal representative, within one (1) year of the date of such termination, to exercise the Vested Options and/or other options which have vested (including, without limitation, all other options which have previously vested in accordance with the Prior Agreement, any applicable option grant agreement or plan) (the "Total Vested Options") and are exercisable in accordance with the terms of the applicable option grant agreement or plan and/or any other methods or procedures for exercise applicable to optionees or to require the Company (upon written notice delivered within one hundred eighty (180) days following the date of Executive's termination) to repurchase all or any portion of Executive's vested options to purchase shares of Common Stock at a price equal to the difference between the Repurchase Fair Market Value (as hereinafter defined) of the shares of Common Stock for which the options to be repurchased are exercisable and the exercise price of such options as of the date of Executive's termination of employment (the "Vested Option Exercise Election"), and (C) the Tax Gross-Up Payment(s) applicable to the Restricted Share Award shall vest and be paid to Executive at such time as provided in sub-paragraph 4(c) above (the "Vested Tax Gross-Up Payments"). In the event of a conflict between

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any Incentive Compensation grant agreement or program or any option grant agreement or plan and this Agreement, the terms of this Agreement shall control.

Except for any rights which Executive or Executive's estate in the event of Executive's death may have to all of the above including the Fixed Amount, Vested Incentive Compensation, Total Vested Options and the Vested Option Exercise Election, the Vested Tax Gross-Up Payment, Expense Reimbursement and Medical Continuation (which, in the event of Executive's death, shall be provided to Executive's dependents), the Company shall have no further obligations hereunder following such termination.

For purposes of this Agreement, "Repurchase Fair Market Value" shall mean the average of the closing price on the New York Stock Exchange (or such other exchange on which the Common Stock is primarily traded) of the Common Stock on each of the trading days within the thirty (30) days immediately preceding the date of termination of Executive's employment.

8. Compensation Upon Termination of Employment By the Company Without Cause or By Executive for Good Reason.

In the event the Company terminates Executive's employment for any reason other than Cause or Executive terminates his employment for Good Reason, the Company shall pay to Executive and Executive shall be entitled to receive the aggregate of (i) the Fixed Amount and (ii) Vested Incentive Compensation, Total Vested Options and the Vested Option Exercise Election, the Vested Tax Gross-Up Payment, Expense Reimbursement and Medical Continuation. In the event of a conflict between any Incentive Compensation grant agreement or program or any option grant

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agreement or plan and this Agreement, the terms of this Agreement shall control. Executive understands that any options exercised more than ninety (90) days following the date of his termination of employment which were granted as incentive stock options shall automatically be converted into non-qualified options.

Except for any rights which Executive may have to the Fixed Amount, Vested Incentive Compensation, Total Vested Options and the Vested Option Exercise Election, the Vested Tax Gross-Up Payment, Expense Reimbursement and Medical Continuation, the Company shall have no further obligations hereunder following such termination. The parties both agree that the agreement to make these payments was consideration and an inducement to obtain Executive's consent to enter into this Agreement. The payments are not a penalty and neither party will claim them to be a penalty. Rather, the payments represent a fair approximation of reasonable amounts due to Executive for the Employment Period.

9. Change in Control.

(a) Options. Any Incentive Compensation and options granted to Executive that have not vested as of the date of a Change in Control shall immediately vest upon the date of the Change in Control. Neither the occurrence of a Change in Control, nor the vesting in any options as a result thereof shall require Executive to exercise any options. In the event of a conflict between any Incentive Compensation grant agreement or program or any option grant

agreement or plan and this Agreement, the terms of this Agreement shall control.

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(b) Upon Termination. In the event Executive terminates his employment on or following a Change in Control as set forth in sub-paragraph 5(a)(vii), the Company shall pay to Executive and Executive shall be entitled to all the payments and rights Executive would have had if Executive had terminated his employment with Good Reason as set forth in Paragraph 8.

Except for any rights which Executive may have to the Fixed Amount, Vested Incentive Compensation, Total Vested Options (including, without limitation, by acceleration in accordance with sub-paragraph 9(a)) and the Vested Option Exercise Election, the Vested Tax Gross-Up Payment, Expense Reimbursement, Medical Continuation and the Excise Tax Gross Up set forth in subparagraph 9(c), the Company shall have no further obligations hereunder following such termination.

(c) Excise Tax Gross Up. In addition, if it is determined by an independent accountant mutually acceptable to the Company and Executive that as a result of any payment in the nature of compensation made by the Company to (or for the benefit of) Executive pursuant to this Agreement or otherwise, an excise tax may be imposed on Executive pursuant to Section 4999 of the Code (or any successor provisions), the Company shall pay Executive in cash an amount equal to X determined under the following formula: (the "Excise Tax Gross Up"):

$$X = \frac{E \times P}{1 - [(FI \times (1 - SLI)) + SLI + E + M]}$$

where

E = the rate at which the excise tax is assessed under Section 4999 of the Code (or any successor provisions);

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P = the amount with respect to which such excise tax is assessed, determined without regard to the Excise Tax Gross Up;

FI = the highest effective marginal rate of income tax applicable to Executive under the Code for the taxable year in question (taking into account any phase-out or loss of deductions, personal exemptions or other similar adjustments);

SLI = the sum of the highest effective marginal rates of income tax applicable to Executive under all applicable state and local laws for the taxable year in question (taking into account any phase-out or loss of deductions, personal exemptions and other similar adjustments); and

M = the highest marginal rate of Medicare tax applicable to Executive under the Code for the taxable year in question.

With respect to any payment in the nature of compensation that is made to (or for the benefit of) Executive under the terms of this Agreement or otherwise and on which an excise tax under Section 4999 of the Code (or any successor provisions) may be assessed, the payment determined under this sub-paragraph 9(c) shall be paid to Executive at the time of the Change in Control but prior to the consummation of the transaction with any successor. It is the intention of the parties that the Company provide Executive with a full tax gross-up under the provisions of this sub-paragraph, so that on a net after-tax basis, the result to Executive shall be the same as if the excise tax under Section 4999 of the Code (or any successor provisions) had not been imposed. The Excise Tax Gross Up may be adjusted if alternative minimum tax rules are applicable to Executive.

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10. Mitigation / Effect on Employee Benefit Plans and Programs.

(a) Mitigation. Executive shall not be required to mitigate amounts payable under this Agreement by seeking other employment or otherwise, and there shall be no offset against amounts due Executive under this Agreement on account of subsequent employment. Amounts owed to Executive under this Agreement shall not be offset by any claims the Company may have against Executive and such payment shall not be affected by any other circumstances, including, without limitation, any counterclaim, recoupment, defense, or other right which the

Company may have against Executive or others.

(b) Effect on Employee Benefit Programs. The termination of Executive's employment hereunder, whether by the Company or Executive, shall have no effect on the rights and obligations of the parties hereto under the Company's (i) welfare benefit plans including, without limitation, Medical Continuation as provided for herein and, health coverage thereafter but only to the extent required by law, and on the same basis applicable to other employees and (ii) 401(k) Plan but only to the extent required by law and pursuant to the terms of the 401(k) Plan.

11. Confidential Information.

(a) Executive understands and acknowledges that during his employment with the Company, he will be exposed to Confidential Information (as defined below), all of which is proprietary and which will rightfully belong to the Company. Executive shall hold in a fiduciary capacity for the benefit of the Company such Confidential Information obtained by Executive during his employment with the Company and shall not, directly or indirectly, at any time, either during or after his employment with the

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Company, without the Company's prior written consent, use any of such Confidential Information or disclose any of such Confidential Information to any individual or entity other than the Company or its employees, attorneys, accountants, financial advisors, consultants, or investment bankers except as required in the performance of his duties for the Company or as otherwise required by law. Executive shall take all reasonable steps to safeguard such Confidential Information and to protect such Confidential Information against disclosure, misuse, loss or theft.

(b) The term "Confidential Information" shall mean any information not generally known in the relevant trade or industry or otherwise not generally available to the public, which was obtained from the Company or its predecessors or which was learned, discovered, developed, conceived, originated or prepared during or as a result of the performance of any services by Executive on behalf of the Company or its predecessors. For purposes of this Paragraph 11, the Company shall be deemed to include any entity which is controlled, directly or indirectly, by the Company and any entity of which a majority of the economic interest is owned, directly or indirectly, by the Company.

12. Return of Documents.

Except for such items which are of a personal nature to Executive (e.g., daily business planner), all writings, records, and other documents and things containing any Confidential Information shall be the exclusive property of the Company, shall not be copied, summarized, extracted from, or removed from the premises of the Company, except in pursuit of the business of the Company and at the direction of the Company,

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and shall be delivered to the Company, without retaining any copies, upon the termination of Executive's employment or at any time as requested by the Company.

13. Noncompete.

Executive agrees that:

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

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(b) If, at the time of enforcement of this Paragraph 13, a court

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

(c) For purposes of this Paragraph 13, the Company shall be deemed to include any entity which is controlled, directly or indirectly, by the Company and any entity of which a majority of the economic interest is owned, directly or indirectly, by the Company.

14. Remedies.

The parties hereto agree that the Company would suffer irreparable harm from a breach by Executive of any of the covenants or agreements contained in Paragraphs 11, 12 or 13 of this Agreement. Therefore, in the event of the actual or threatened breach by Executive of any of the provisions of Paragraphs 11, 12 or 13 of this Agreement, the Company may, in addition and supplementary to other rights and remedies existing in its favor, apply to any court of law or equity of competent jurisdiction for specific performance and/or injunctive or other relief in order to enforce or prevent any violation of the provisions thereof.

15. Indemnification/Legal Fees.

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(a) Indemnification. In the event the Executive is made party or threatened to be made a party to any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), by reason of Executive's employment with or serving as an officer or director of the Company, whether or not the basis of such Proceeding is alleged action in an official capacity, the Company shall indemnify, hold harmless and defend Executive to the fullest extent authorized by Maryland law, as the same exists and may hereafter be amended, against any and all claims, demands, suits, judgments, assessments and settlements including all expenses incurred or suffered by Executive in connection therewith (including, without limitation, all legal fees incurred using counsel reasonably acceptable to Executive) and such indemnification shall continue as to Executive even after Executive is no longer employed by the Company and shall inure to the benefit of his heirs, executors, and administrators. Expenses incurred by Executive in connection with any Proceeding shall be paid by the Company in advance upon request of Executive that the Company pay such expenses; but, only in the event that Executive shall have delivered in writing to the Company an undertaking to reimburse the Company for expenses with respect to which Executive is not entitled to indemnification. The provisions of this Paragraph shall remain in effect after this Agreement is terminated irrespective of the reasons for termination. The indemnification provisions of this Paragraph shall not supersede or reduce any indemnification provided to Executive under any separate agreement, or the by-laws of the Company since it is intended that this Agreement shall expand and extend the Executive's rights to receive indemnity.

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(b) Legal Fees. If any contest or dispute shall arise between the Company and Executive regarding or as a result of any provision of this Agreement, the Company shall reimburse Executive for all legal fees and expenses reasonably incurred by Executive in connection with such contest or dispute, but only if Executive is successful in respect of substantially all of Executive's claims pursued or defended in connection with such contest or dispute. Such reimbursement shall be made as soon as practicable following the resolution of such contest or dispute (whether or not appealed).

16. Successors and Assigns.

(a) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, by agreement in form and substance satisfactory to Executive, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such agreement prior to the effectiveness of an such succession shall be a breach of this Agreement and shall entitle Executive to compensation from the Company in the same amount and on the same terms as he would be entitled to hereunder if Executive terminated his employment hereunder within six (6) months of a Change in Control as set forth in Paragraph 9, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the date of termination. In the event of such a breach of this Agreement, the Notice of Termination

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shall specify such date as the date of termination. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to all or substantially all of its business and/or its assets as aforesaid which executes and delivers the agreement provided for in this Paragraph 16 or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law. Any cash payments owed to Executive pursuant to this Paragraph 16 shall be paid to Executive in a single sum without discount for early payment immediately prior to the consummation of the transaction with such successor.

(b) This Agreement and all rights of Executive hereunder may be transferred only by will or the laws of descent and distribution. Upon Executive's death, this Agreement and all rights of Executive hereunder shall inure to the benefit of and be enforceable by Executive's beneficiary or beneficiaries, personal or legal representatives, or estate, to the extent any such person succeeds to Executive's interests under this Agreement. Executive shall be entitled to select and change a beneficiary or beneficiaries to receive any benefit or compensation payable hereunder following Executive's death by giving Company written notice thereof. If Executive should die following the date of termination while any amounts would still be payable to him hereunder if he had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to such person or persons so appointed in writing by Executive, including, without limitation, under any applicable plan, or otherwise to his legal representatives or estate.

17. Timing of and No Duplication of Payments.

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

18. Modification or Waiver.

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

The respective rights and obligations of the parties hereunder shall survive the Executive's termination of employment and termination of this Agreement to the extent necessary for the intended preservation of such rights and obligations.

19. Notices.

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All notices or other communications required or permitted hereunder shall be made in writing and shall be deemed to have been duly given if delivered by hand or delivered by a recognized delivery service or mailed, postage prepaid, by express, certified or registered mail, return receipt requested, and addressed to the Chief Executive Officer of the Company or Executive, as applicable, at the address set forth above (or to such other address as shall have been previously provided in accordance with this Paragraph 19).

20. Governing Law.

This agreement will be governed by and construed in accordance with the laws of the State of New Jersey except as to Paragraph 15(a), without regard to principles of conflicts of laws thereunder.

21. Severability.

Whenever possible, each provision and term of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision or term of this Agreement shall be held to be prohibited by or invalid under such applicable law, then, subject to the provisions of sub-paragraph 13(b) above, such provision or term shall be ineffective only to the extent of such prohibition or invalidity, without invalidating or affecting in any manner whatsoever the remainder of such provisions or term or the remaining provisions or terms of this Agreement.

22. Legal Representation.

Each of the Company and Executive have been represented by counsel with respect to this Agreement.

23. Counterparts.

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

24. Headings.

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

25. Entire Agreement.

This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes all other prior agreements and undertakings, both written and oral, among the parties with respect to the subject matter hereof. The parties recognize that the Prior Agreement has been amended and restated in its entirety by this Agreement and the terms of the Prior Agreement are of no further force and effect.

26. Survival of Agreements.

The covenants made in Paragraphs 5 through 15 and 21 each shall survive the termination of this Agreement.

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

MACK-CALI REALTY CORPORATION

By: /s/ Mitchell E. Hersh

Mitchell E. Hersh
Chief Executive Officer

/s/ John R. Cali

John R. Cali

SCHEDULE A

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

AMENDED AND RESTATED
EMPLOYMENT AGREEMENT
FOR
BRANT CALI

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BRANT CALI

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT (the "Agreement") is entered into as of July 1, 1999, by and between Brant Cali, an individual residing at 175 Eagle Rock Way, Montclair, New Jersey 07042 ("Executive"), and Mack-Cali Realty Corporation, a Maryland corporation with offices at 11 Commerce Drive, Cranford, New Jersey 07016 (the "Company").

RECITALS

WHEREAS, Executive has served as Executive Vice President and Secretary of the Company pursuant to his prior employment agreement dated as of December 1997 (the "Prior Agreement") entered into as of the closing of the combination of Cali Realty Corporation with the Mack Companies (the "Mack Combination");

WHEREAS, Executive was appointed Chief Operating Officer of the Company on April 18, 1999;

WHEREAS, the Company and the Executive wish to amend and restate the Prior Agreement in its entirety among other things to acknowledge Executive's appointment as Chief Operating Officer, to provide for an award of Restricted Shares and a Tax Gross-Up Payment (as defined in sub-paragraph 4(c) below), to change the Employment Period (as defined in sub-paragraph 2(a) below) to (4) years and to amend the amount of the severance payment Executive may be eligible to receive upon termination of employment with the Company; and

WHEREAS, the Company desires to continue to employ Executive as Chief Operating Officer, Executive Vice President of Operations, Leasing and Marketing and Assistant Secretary, and Executive desires to continue to be employed by the Company

as Chief Operating Officer, Executive Vice President of Operations, Leasing and

Marketing and Assistant Secretary, pursuant to the amended and restated terms set forth herein and to restate the Prior Agreement in its entirety

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

1. Employment.

The Company hereby agrees to employ Executive, and Executive hereby agrees to accept such employment during the period and upon the terms and conditions set forth in this Agreement.

2. Employment Period.

(a) Except as otherwise provided in this Agreement to the contrary, the terms and conditions of this Agreement shall be and remain in effect during the period of employment (the "Employment Period") established under this Paragraph 2. The initial Employment Period shall be for a term commencing on the date of this Agreement and ending on the fourth anniversary of the date of this Agreement provided, however, that commencing on the day after the date of this Agreement and on each day thereafter, the Employment Period shall be extended for one additional day so that a constant four (4) year Employment Period shall be in effect, unless (i) the Company or Executive elects not to extend the term of this Agreement by giving written notice to the other party in accordance with Paragraph 19, in which case, subject to the provisions of sub-paragraph 5(a) (iv) below, the term of this Agreement shall become

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fixed and shall end on the fourth anniversary of the date of such written notice ("Notice of Non-Renewal"), or (ii) Executive's employment terminates hereunder.

(b) Notwithstanding anything contained herein to the contrary: (i) Executive's employment with the Company may be terminated by the Company or Executive during the Employment Period, subject to the terms and conditions of this Agreement; and (ii) nothing in this Agreement shall mandate or prohibit a continuation of Executive's employment following the expiration of the Employment Period upon such terms and conditions as the Board of Directors of the Company (the "Board") and Executive may mutually agree.

(c) If Executive's employment with the Company is terminated, for purposes of this Agreement the term "Unexpired Employment Period" shall mean the period commencing on the date of such termination and ending on the last day of the Employment Period.

3. Services / Place of Employment.

(a) Services. During the Employment Period, Executive shall hold the positions of Chief Operating Officer, Executive Vice President of Operations, Leasing and Marketing and Assistant Secretary of the Company. Executive shall devote his best efforts and substantially all of his business time, skill and attention to the business of the Company (other than absences due to vacation, illness, disability or approved leave of absence), and shall perform such duties as are customarily performed by similar executive officers and as may be more specifically enumerated from time to time by the Chief Executive Officer; provided, however, that the foregoing is not intended to

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(a) preclude Executive from (i) owning and managing personal investments, including real estate investments, subject to the restrictions set forth in Paragraph 13 hereof or (ii) engaging in charitable activities and community affairs, or (b) restrict or otherwise limit Executive from conducting real estate development, acquisition or management activities with respect to those properties described in Schedule A, attached hereto, (the "Excluded Properties"), provided that the performance of the activities referred to in clauses (a) and (b) does not prevent Executive from devoting substantially all of his business time to the Company.

(b) Place of Employment. The principal place of employment of Executive shall be at the Company's principal executive offices in Cranford, New Jersey.

4. Compensation and Benefits.

(a) Salary. During the Employment Period, the Company shall pay Executive a minimum annual base salary in the amount of \$345,000 (the "Annual Base Salary") payable in accordance with the Company's regular payroll practices. Executive's Annual Base Salary shall be reviewed annually in accordance with the policy of the Company from time to time and may be subject to upward adjustment based upon, among other things, Executive's performance, as determined in the sole discretion of the Chief Executive Officer. In no event shall Executive's Annual Base Salary in effect at a particular time be reduced

without his prior written consent.

(b) Incentive Compensation/Bonuses. In addition, Executive shall be eligible for incentive compensation payable each year in such amounts as may be

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determined by the Option and Executive Compensation Committee of the Board (the "Compensation Committee"). Executive shall be entitled to receive such bonuses, restricted share awards and options to purchase shares of common stock, par value \$0.01 per share, of the Company (the "Common Stock") as the Board or the Compensation Committee as the case may be shall approve, in its sole discretion, including, without limitation, options, restricted share awards and bonuses contingent upon Executive's performance and the achievement of specified financial and operating objectives.

(c) Restricted Share Award/Tax Gross-Up Payment. Pursuant to the Employee Stock Option Plan of Mack-Cali Realty Corporation which was originally effective August 31, 1994 and amended and restated as of December 1, 1998 (the "SOP"), Executive has been awarded a restricted share award of 23,437 shares of Common Stock ("Restricted Shares") as of July 1, 1999 (the "Restricted Share Award"). Executive shall be entitled to receive a tax gross-up payment (the "Tax Gross-Up Payment") from the Company with respect to each tax year in which Restricted Shares granted pursuant to the Restricted Share Award vest and are distributed to him. Each Tax Gross-Up Payment shall be a dollar amount equal to forty-three (43%) percent of the fair market value of the Restricted Shares at time of vesting, exclusive of dividends. In the event vesting occurs with respect to any Restricted Shares as a result of the achievement of the required performance goals, such payment shall be made as soon as practicable after a determination that the performance goals have been achieved but in no event later than the 90th day of the fiscal year of the Company immediately following the fiscal year as to which the performance goals were achieved. In the event

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vesting occurs for any other reason, including, without limitation, termination of Executive's employment by the Company without Cause or by Executive for Good Reason (but excluding a termination by the Company for Cause or a voluntary quit without Good Reason by Executive), such payment shall be made as soon as practicable after the date of vesting but in no event later than the tenth (10th) business day following such vesting.

(d) Taxes and Withholding. The Company shall have the right to deduct and withhold from all compensation all social security and other federal, state and local taxes and charges which currently are or which hereafter may be required by law to be so deducted and withheld.

(e) Additional Benefits. In addition to the compensation specified above and other benefits provided pursuant to this Paragraph 4, Executive shall be entitled to the following benefits:

- (i) participation in the SOP, the Mack-Cali Realty Corporation 401(k) Savings and Retirement Plan (subject to statutory rules and maximum contributions and non-discrimination requirements applicable to 401(k) plans) and such other benefit plans and programs, including but not limited to restricted stock, phantom stock and/or unit awards, loan programs and any other incentive compensation plans or programs (whether or not employee benefit plans or programs), as maintained by the Company from time to time and made generally available to executives of the Company with such participation to be consistent with reasonable Company guidelines;
- (ii) participation in any health insurance, disability insurance, paid vacation, group life insurance or other welfare benefit program made generally available to executives of the Company; and
- (iii) reimbursement for reasonable business expenses incurred by Executive in furtherance of the interests of the Company including a monthly allowance of twelve hundred (\$1,200) which is intended

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to cover the cost of local business-related travel expenses exclusive of amounts paid to third-parties (e.g. taxi service).

5. Termination of Employment and Change in Control.

(a) Executive's employment hereunder may be terminated during the

Employment Period under the following circumstances:

- (i) Cause. The Company shall have the right to terminate Executive's employment for Cause upon Executive's: (A) willful and continued failure to use best efforts to substantially perform his duties hereunder (other than any such failure resulting from Executive's incapacity due to physical or mental illness) for a period of thirty (30) days after written demand for substantial performance is delivered by the Company specifically identifying the manner in which the Company believes Executive has not substantially performed his duties; (B) willful misconduct and/or willful violation of Paragraph 11 hereof, which is materially economically injurious to the Company and the Partnership taken as a whole; (C) the willful violation of the provisions of Paragraph 13 hereof; or (D) conviction of, or plea of guilty to a felony. For purposes of this sub-paragraph 5(a), no act, or failure to act, on Executive's part shall be considered "willful" unless done, or omitted to be done, by him (I) not in good faith and (II) without reasonable belief that his action or omission was in furtherance of the interests of the Company.
- (ii) Death. Executive's employment hereunder shall terminate upon his death.
- (iii) Disability. The Company shall have the right to terminate Executive's employment due to "Disability" in the event that there is a determination by the Company, upon the advice of an independent qualified physician, reasonably acceptable to Executive, that Executive has become physically or mentally incapable of performing his duties under this Agreement and such disability has disabled Executive for a cumulative period of one hundred eighty (180) days within a twelve (12) month period.
- (iv) Good Reason. Executive shall have the right to terminate his employment for "Good Reason": (A) upon the occurrence of any material breach of this Agreement by the Company which shall include but not be limited to; an assignment to Executive of duties materially and adversely inconsistent with Executive's status as

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Chief Operating Officer, Executive Vice President of Operations, Leasing and Marketing and Assistant Secretary or a material or adverse alteration in the nature of or diminution in Executive's duties and/or responsibilities, reporting obligations, titles or authority; (B) upon a reduction in Executive's Annual Base Salary or a material reduction in other benefits (except for bonuses or similar discretionary payments) as in effect at the time in question, a failure to pay such amounts when due or any other failure by the Company to comply with Paragraph 4 hereof; (C) on or within six (6) months following the date a Notice of Non-Renewal is issued by the Company pursuant to Paragraph 2 hereof; (D) on or within six (6) months following a Change in Control (as hereinafter defined) in accordance with the provisions set forth in sub-paragraph 5(a)(vii) hereof; (E) upon any purported termination of Executive's employment for Cause which is not effected pursuant to the procedures of sub-paragraph 5(a)(i) (and for purposes of this Agreement, in the event of such failure to comply, no such purported termination shall be effective); or (F) upon the relocation of the Company's principal executive offices or Executive's own office location to a location more than thirty (30) miles away from Cranford, New Jersey.

- (v) Without Cause. The Company shall have the right to terminate the Executive's employment hereunder without Cause subject to the terms and conditions of this Agreement.
- (vi) Without Good Reason. The Executive shall have the right to terminate his employment hereunder without Good Reason subject to the terms and conditions of this Agreement.
- (vii) Change in Control. Executive shall have the right to terminate his employment hereunder on or within six (6) months following a Change in Control. Such termination shall be deemed a termination for Good Reason hereunder. For purposes of this Agreement "Change in Control" shall mean that any of the following events has occurred: (A) any "person" or "group" of persons, as such terms are used in Sections 13 and 14 of the Securities Exchange Act of 1934, as amended (the "Exchange

Act"), other than any employee benefit plan sponsored by the Company, becomes the "beneficial owner", as such term is used in Section 13 of the Exchange Act, (irrespective of any vesting or waiting periods) of (I) Common Stock or any class of stock convertible into Common Stock and/or (II) Common OP Units or preferred units or any other class of units convertible into Common OP Units, in an amount equal to twenty (20%) percent or more of the sum total of the

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Common Stock and the Common OP Units (treating all classes of outstanding stock, units or other securities convertible into stock units as if they were converted into Common Stock or Common OP Units as the case may be and then treating Common Stock and Common OP Units as if they were a single class) issued and outstanding immediately prior to such acquisition as if they were a single class and disregarding any equity raise in connection with the financing of such transaction; (B) any Common Stock is purchased pursuant to a tender or exchange offer other than an offer by the Company; (C) the dissolution or liquidation of the Company or the consummation of any merger or consolidation of the Company or any sale or other disposition of all or substantially all of its assets, if the shareholders of the Company and unitholders of the Partnership taken as a whole and considered as one class immediately before such transaction own, immediately after consummation of such transaction, equity securities and partnership units possessing less than fifty (50%) percent of the surviving or acquiring company and partnership taken as a whole; or (D) a turnover, during any two (2) year period, of the majority of the members of the Board, without the consent of the remaining members of the Board as to the appointment of the new Board members.

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

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6. Compensation Upon Termination of Employment By the Company for Cause or By Executive without Good Reason.

In the event the Company terminates Executive's employment for Cause or Executive terminates his employment without Good Reason, the Company shall pay Executive any unpaid Annual Base Salary at the rate then in effect accrued through and including the date of termination. In addition, in such event, Executive shall be entitled (i) to receive any earned but unpaid incentive compensation or bonuses and (ii) to exercise any options which have vested and are exercisable in accordance with the terms of the applicable option grant agreement or plan, and (iii) to retain and/or receive any Restricted Shares which have vested as of the last day of the Company's fiscal year coincident or immediately preceding Executive's termination of employment and the corresponding Tax Gross-Up Payment (irrespective of whether the determination is made after Executive's termination of employment).

Except for any rights which Executive may have to unpaid salary amounts through and including the date of termination, earned but unpaid incentive compensation or bonuses, vested options, vested Restricted Shares and the corresponding Tax Gross-Up Payment, the Company shall have no further obligations hereunder following such termination. The aforesaid amounts shall be payable in full immediately upon such termination.

7. Compensation Upon Termination of Employment Upon Death or Disability.

In the event of termination of Executive's employment as a result of either Executive's death or Disability, the Company shall pay to Executive, his estate or his

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personal representative the aggregate of (i) a cash payment of two million five hundred thousand dollars (\$2,500,000) in full immediately upon such termination

(the "Fixed Amount") and (ii) reimbursement of expenses incurred prior to date of termination ("Expense Reimbursement"). Executive (and Executive's dependents) shall also receive continuation of health coverage through the end of the Unexpired Employment Period on the same basis as health coverage is provided by the Company for active employees and as may be amended from time to time ("Medical Continuation").

In addition, all (A) incentive compensation payments or programs of any nature whether stock based or otherwise that are subject to a vesting schedule including, without limitation, the Restricted Share Award or any other restricted stock, phantom stock, units and any loan forgiveness arrangements granted to Executive ("Incentive Compensation") shall immediately vest as of the date of such termination ("Vested Incentive Compensation"), (B) options granted to Executive shall immediately vest as of the date of such termination (the "Vested Options") and Executive shall be entitled at the option of Executive, his estate or his personal representative, within one (1) year of the date of such termination, to exercise the Vested Options and/or other options which have vested (including, without limitation, all other options which have previously vested in accordance with the Prior Agreement, any applicable option grant agreement or plan) (the "Total Vested Options") and are exercisable in accordance with the terms of the applicable option grant agreement or plan and/or any other methods or procedures for exercise applicable to optionees or to require the Company (upon written notice delivered within one hundred eighty (180) days following the date of Executive's termination) to repurchase all or any portion of Executive's vested options to purchase

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shares of Common Stock at a price equal to the difference between the Repurchase Fair Market Value (as hereinafter defined) of the shares of Common Stock for which the options to be repurchased are exercisable and the exercise price of such options as of the date of Executive's termination of employment (the "Vested Option Exercise Election"), and (C) the Tax Gross-Up Payment(s) applicable to the Restricted Share Award shall vest and be paid to Executive at such time as provided in sub-paragraph 4(c) above (the "Vested Tax Gross-Up Payments"). In the event of a conflict between any Incentive Compensation grant agreement or program or any option grant agreement or plan and this Agreement, the terms of this Agreement shall control.

Except for any rights which Executive or Executive's estate in the event of Executive's death may have to all of the above including the Fixed Amount, Vested Incentive Compensation, Total Vested Options and the Vested Option Exercise Election, the Vested Tax Gross-Up Payment, Expense Reimbursement and Medical Continuation (which, in the event of Executive's death, shall be provided to Executive's dependents), the Company shall have no further obligations hereunder following such termination.

For purposes of this Agreement, "Repurchase Fair Market Value" shall mean the average of the closing price on the New York Stock Exchange (or such other exchange on which the Common Stock is primarily traded) of the Common Stock on each of the trading days within the thirty (30) days immediately preceding the date of termination of Executive's employment.

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8. Compensation Upon Termination of Employment By the Company Without Cause or By Executive for Good Reason.

In the event the Company terminates Executive's employment for any reason other than Cause or Executive terminates his employment for Good Reason, the Company shall pay to Executive and Executive shall be entitled to receive the aggregate of (i) the Fixed Amount and (ii) Vested Incentive Compensation, Total Vested Options and the Vested Option Exercise Election, the Vested Tax Gross-Up Payment, Expense Reimbursement and Medical Continuation. In the event of a conflict between any Incentive Compensation grant agreement or program or any option grant agreement or plan and this Agreement, the terms of this Agreement shall control. Executive understands that any options exercised more than ninety (90) days following the date of his termination of employment which were granted as incentive stock options shall automatically be converted into non-qualified options.

Except for any rights which Executive may have to the Fixed Amount, Vested Incentive Compensation, Total Vested Options and the Vested Option Exercise Election, the Vested Tax Gross-Up Payment, Expense Reimbursement and Medical Continuation, the Company shall have no further obligations hereunder following such termination. The parties both agree that the agreement to make these payments was consideration and an inducement to obtain Executive's consent to enter into this Agreement. The payments are not a penalty and neither party will claim them to be a penalty. Rather, the payments represent a fair approximation of reasonable amounts due to Executive for the Employment Period.

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9. Change in Control.

(a) Options. Any Incentive Compensation and options granted to Executive that have not vested as of the date of a Change in Control shall immediately vest upon the date of the Change in Control. Neither the occurrence of a Change in Control, nor the vesting in any options as a result thereof shall require Executive to exercise any options. In the event of a conflict between any Incentive Compensation grant agreement or program or any option grant agreement or plan and this Agreement, the terms of this Agreement shall control.

(b) Upon Termination. In the event Executive terminates his employment on or following a Change in Control as set forth in sub-paragraph 5(a)(vii), the Company shall pay to Executive and Executive shall be entitled to all the payments and rights Executive would have had if Executive had terminated his employment with Good Reason as set forth in Paragraph 8.

Except for any rights which Executive may have to the Fixed Amount, Vested Incentive Compensation, Total Vested Options (including, without limitation, by acceleration in accordance with sub-paragraph 9(a)) and the Vested Option Exercise Election, the Vested Tax Gross-Up Payment, Expense Reimbursement, Medical Continuation, and the Excise Tax Gross Up set forth in subparagraph 9(c), the Company shall have no further obligations hereunder following such termination.

(c) Excise Tax Gross Up. In addition, if it is determined by an independent accountant mutually acceptable to the Company and Executive that as a result of any payment in the nature of compensation made by the Company to (or for

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the benefit of) Executive pursuant to this Agreement or otherwise, an excise tax may be imposed on Executive pursuant to Section 4999 of the Code (or any successor provisions), the Company shall pay Executive in cash an amount equal to X determined under the following formula: (the "Excise Tax Gross Up"):

$$X = \frac{E \times P}{1 - [(FI \times (1 - SLI)) + SLI + E + M]}$$

where

- E = the rate at which the excise tax is assessed under Section 4999 of the Code (or any successor provisions);
- P = the amount with respect to which such excise tax is assessed, determined without regard to the Excise Tax Gross Up;
- FI = the highest effective marginal rate of income tax applicable to Executive under the Code for the taxable year in question (taking into account any phase-out or loss of deductions, personal exemptions or other similar adjustments);
- SLI = the sum of the highest effective marginal rates of income tax applicable to Executive under all applicable state and local laws for the taxable year in question (taking into account any phase-out or loss of deductions, personal exemptions and other similar adjustments); and
- M = the highest marginal rate of Medicare tax applicable to Executive under the Code for the taxable year in question.

With respect to any payment in the nature of compensation that is made to (or for the benefit of) Executive under the terms of this Agreement or otherwise and on which an excise tax under Section 4999 of the Code (or any successor provisions) may be assessed, the payment determined under this sub-paragraph 9(c) shall be paid to Executive at the time of the Change in Control but prior to the consummation of the

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transaction with any successor. It is the intention of the parties that the Company provide Executive with a full tax gross-up under the provisions of this sub-paragraph, so that on a net after-tax basis, the result to Executive shall be the same as if the excise tax under Section 4999 of the Code (or any successor provisions) had not been imposed. The Excise Tax Gross Up may be adjusted if alternative minimum tax rules are applicable to Executive.

10. Mitigation / Effect on Employee Benefit Plans and Programs.

(a) Mitigation. Executive shall not be required to mitigate amounts payable under this Agreement by seeking other employment or otherwise, and there shall be no offset against amounts due Executive under this Agreement on account of subsequent employment. Amounts owed to Executive under this Agreement shall not be offset by any claims the Company may have against Executive and such payment shall not be affected by any other circumstances, including, without limitation, any counterclaim, recoupment, defense, or other right which the Company may have against Executive or others.

(b) Effect on Employee Benefit Programs. The termination of Executive's employment hereunder, whether by the Company or Executive, shall have no effect on the rights and obligations of the parties hereto under the Company's (i) welfare benefit plans including, without limitation, Medical Continuation as provided for herein and, health coverage thereafter but only to the extent required by law, and on the same basis applicable to other employees and (ii) 401(k) Plan but only to the extent required by law and pursuant to the terms of the 401(k) Plan.

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11. Confidential Information.

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

(b) The term "Confidential Information" shall mean any information not generally known in the relevant trade or industry or otherwise not generally available to the public, which was obtained from the Company or its predecessors or which was learned, discovered, developed, conceived, originated or prepared during or as a result of the performance of any services by Executive on behalf of the Company or its predecessors. For purposes of this Paragraph 11, the Company shall be deemed to include any entity which is controlled, directly or indirectly, by the Company and any

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

12. Return of Documents.

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

13. Noncompete.

Executive agrees that:

(a) During the Employment Period and, in the event (i) the Company terminates Executive's employment for Cause, or (ii) Executive terminates his employment without Good Reason, for a one (1) year period thereafter, Executive shall not, directly or indirectly, within the continental United States, engage in, or own, invest in, manage or control any venture or enterprise primarily engaged in any office-service, flex, or office property development, acquisition or management activities without regard to whether or not such activities compete with the Company. Nothing herein shall prohibit Executive from being a passive owner of not more than five percent (5%) of the outstanding stock of any class of securities of a corporation or other entity

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engaged in such business which is publicly traded, so long as he has no active

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

(b) If, at the time of enforcement of this Paragraph 13, a court shall hold that the duration, scope, area or other restrictions stated herein are unreasonable, the parties agree that reasonable maximum duration, scope, area or other restrictions may be substituted by such court for the stated duration, scope, area or other restrictions and upon substitution by such court, this Agreement shall be automatically modified without further action by the parties hereto.

(c) For purposes of this Paragraph 13, the Company shall be deemed to include any entity which is controlled, directly or indirectly, by the Company and any entity of which a majority of the economic interest is owned, directly or indirectly, by the Company.

14. Remedies.

The parties hereto agree that the Company would suffer irreparable harm from a breach by Executive of any of the covenants or agreements contained in Paragraphs 11, 12 or 13 of this

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Agreement. Therefore, in the event of the actual or threatened breach by Executive of any of the provisions of Paragraphs 11, 12 or 13 of this Agreement, the Company may, in addition and supplementary to other rights and remedies existing in its favor, apply to any court of law or equity of competent jurisdiction for specific performance and/or injunctive or other relief in order to enforce or prevent any violation of the provisions thereof.

15. Indemnification/Legal Fees.

(a) Indemnification. In the event the Executive is made party or threatened to be made a party to any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), by reason of Executive's employment with or serving as an officer or director of the Company, whether or not the basis of such Proceeding is alleged action in an official capacity, the Company shall indemnify, hold harmless and defend Executive to the fullest extent authorized by Maryland law, as the same exists and may hereafter be amended, against any and all claims, demands, suits, judgments, assessments and settlements including all expenses incurred or suffered by Executive in connection therewith (including, without limitation, all legal fees incurred using counsel reasonably acceptable to Executive) and such indemnification shall continue as to Executive even after Executive is no longer employed by the Company and shall inure to the benefit of his heirs, executors, and administrators. Expenses incurred by Executive in connection with any Proceeding shall be paid by the Company in advance upon request of Executive that the Company pay such expenses; but, only in the event that Executive shall have delivered in writing to the Company an undertaking to reimburse the Company for expenses with respect to which Executive is not entitled to indemnification. The provisions of this Paragraph

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shall remain in effect after this Agreement is terminated irrespective of the reasons for termination. The indemnification provisions of this Paragraph shall not supersede or reduce any indemnification provided to Executive under any separate agreement, or the by-laws of the Company since it is intended that this Agreement shall expand and extend the Executive's rights to receive indemnity.

(b) Legal Fees. If any contest or dispute shall arise between the Company and Executive regarding or as a result of any provision of this Agreement, the Company shall reimburse Executive for all legal fees and expenses reasonably incurred by Executive in connection with such contest or dispute, but only if Executive is successful in respect of substantially all of Executive's claims pursued or defended in connection with such contest or dispute. Such reimbursement shall be made as soon as practicable following the resolution of such contest or dispute (whether or not appealed).

16. Successors and Assigns.

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

such succession shall be a breach of this Agreement and shall entitle Executive to compensation from the Company in the

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same amount and on the same terms as he would be entitled to hereunder if Executive terminated his employment hereunder within six (6) months of a Change in Control as set forth in Paragraph 9, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the date of termination. In the event of such a breach of this Agreement, the Notice of Termination shall specify such date as the date of termination. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to all or substantially all of its business and/or its assets as aforesaid which executes and delivers the agreement provided for in this Paragraph 16 or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law. Any cash payments owed to Executive pursuant to this Paragraph 16 shall be paid to Executive in a single sum without discount for early payment immediately prior to the consummation of the transaction with such successor.

(b) This Agreement and all rights of Executive hereunder may be transferred only by will or the laws of descent and distribution. Upon Executive's death, this Agreement and all rights of Executive hereunder shall inure to the benefit of and be enforceable by Executive's beneficiary or beneficiaries, personal or legal representatives, or estate, to the extent any such person succeeds to Executive's interests under this Agreement. Executive shall be entitled to select and change a beneficiary or beneficiaries to receive any benefit or compensation payable hereunder following Executive's death by giving Company written notice thereof. If Executive should die following the date of termination while any amounts would still be payable to him hereunder if he had continued to live, all such amounts, unless otherwise provided

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herein, shall be paid in accordance with the terms of this Agreement to such person or persons so appointed in writing by Executive, including, without limitation, under any applicable plan, or otherwise to his legal representatives or estate.

17. Timing of and No Duplication of Payments.

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

18. Modification or Waiver.

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

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The respective rights and obligations of the parties hereunder shall survive the Executive's termination of employment and termination of this Agreement to the extent necessary for the intended preservation of such rights and obligations.

19. Notices.

All notices or other communications required or permitted hereunder shall be made in writing and shall be deemed to have been duly given if delivered by hand or delivered by a recognized delivery service or mailed, postage prepaid, by express, certified or registered mail, return receipt requested, and addressed to the Chief Executive Officer of the Company or Executive, as applicable, at the address set forth above (or to such other address as shall have been previously provided in accordance with this Paragraph 19).

20. Governing Law.

This agreement will be governed by and construed in accordance with the laws of the State of New Jersey except as to Paragraph 15(a), without regard to

principles of conflicts of laws thereunder.

21. Severability.

Whenever possible, each provision and term of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision or term of this Agreement shall be held to be prohibited by or invalid under such applicable law, then, subject to the provisions of sub-paragraph 13(b) above, such provision or term shall be ineffective only to the extent of such prohibition or invalidity,

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without invalidating or affecting in any manner whatsoever the remainder of such provisions or term or the remaining provisions or terms of this Agreement.

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22. Legal Representation.

Each of the Company and Executive have been represented by counsel with respect to this Agreement.

23. Counterparts.

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

24. Headings.

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

25. Entire Agreement.

This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes all other prior agreements and undertakings, both written and oral, among the parties with respect to the subject matter hereof. The parties recognize that the Prior Agreement has been amended and restated in its entirety by this Agreement and the terms of the Prior Agreement are of no further force and effect.

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26. Survival of Agreements.

The covenants made in Paragraphs 5 through 15 and 21 each shall survive the termination of this Agreement.

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

MACK-CALI REALTY CORPORATION

By: /s/ Mitchell E. Hersh

Mitchell E. Hersh
Chief Executive Officer

/s/ Brant Cali

Brant Cali

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SCHEDULE A

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

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SECOND AMENDED AND RESTATED

EMPLOYMENT AGREEMENT

FOR

BARRY LEFKOWITZ

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BARRY LEFKOWITZ

SECOND AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS SECOND AMENDED AND RESTATED EMPLOYMENT AGREEMENT (the "Agreement") is entered into as of July 1, 1999, by and between Barry Lefkowitz, an individual residing at 4 Borden Place, Livingston, New Jersey 07039 ("Executive"), and Mack-Cali Realty Corporation, a Maryland corporation with offices at 11 Commerce Drive, Cranford, New Jersey 07016 (the "Company").

RECITALS

WHEREAS, Executive has served as Executive Vice President Finance and Chief Financial Officer of the Company pursuant to his prior employment agreement dated as of December 1997 (the "Prior Agreement") entered into as of the closing of the combination of Cali Realty Corporation with the Mack Companies (the "Mack Combination");

WHEREAS, the Company and the Executive wish to amend and restate the Prior Agreement in its entirety to provide for an award of Restricted Shares and a Tax Gross-Up Payment (as defined in sub-paragraph 4(c) below), to change the Employment Period (as defined in sub-paragraph 2(a) below) to (4) years and to amend the amount of the severance payment Executive may be eligible to receive upon termination of employment with the Company; and

WHEREAS, the Company desires to continue to employ Executive as Executive Vice President and Chief Financial Officer, and Executive desires to continue to be employed by the Company as Executive Vice President and Chief Financial Officer, pursuant to the amended and restated terms set forth herein and to restate the Prior Agreement in its entirety

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

1. Employment.

The Company hereby agrees to employ Executive, and Executive hereby agrees to accept such employment during the period and upon the terms and conditions set forth in this Agreement.

2. Employment Period.

(a) Except as otherwise provided in this Agreement to the contrary, the terms and conditions of this Agreement shall be and remain in effect during the period of employment (the "Employment Period") established under this Paragraph 2. The initial Employment Period shall be for a term commencing on the date of this Agreement and ending on the fourth anniversary of the date of this Agreement provided, however, that commencing on the day after the date of this Agreement and on each day thereafter, the Employment Period shall be extended for one additional day so that a constant four (4) year Employment Period shall be in effect, unless (i) the Company or Executive elects not to extend the term of this Agreement by giving written notice to the other party in accordance with Paragraph 19, in which case, subject to the provisions of sub-paragraph 5(a) (iv) below, the term of this Agreement shall become fixed and shall end on the fourth anniversary of the date of such written notice ("Notice of Non-Renewal"), or (ii) Executive's employment terminates hereunder.

(b) Notwithstanding anything contained herein to the contrary: (i) Executive's employment with the Company may be terminated by the Company or

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Executive during the Employment Period, subject to the terms and conditions of this Agreement; and (ii) nothing in this Agreement shall mandate or prohibit a continuation of Executive's employment following the expiration of the Employment Period upon such terms and conditions as the Board of Directors of the Company (the "Board") and Executive may mutually agree.

(c) If Executive's employment with the Company is terminated, for purposes of this Agreement the term "Unexpired Employment Period" shall mean the period commencing on the date of such termination and ending on the last day of the Employment Period.

3. Services / Place of Employment.

(a) Services. During the Employment Period, Executive shall hold the positions of Executive Vice President and Chief Financial Officer of the Company. Executive shall devote his best efforts and substantially all of his business time, skill and attention to the business of the Company (other than absences due to vacation, illness, disability or approved leave of absence), and shall perform such duties as are customarily performed by similar executive officers and as may be more specifically enumerated from time to time by the Chief Executive Officer; provided, however, that the foregoing is not intended to (a) preclude Executive from (i) owning and managing personal investments, including real estate investments, subject to the restrictions set forth in Paragraph 13 hereof or (ii) engaging in charitable activities and community affairs, or (b) restrict or otherwise limit Executive from conducting real estate development, acquisition or management activities with respect to those properties

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described in Schedule A, attached hereto, (the "Excluded Properties"), provided that the performance of the activities referred to in clauses (a) and (b) does not prevent Executive from devoting substantially all of his business time to the Company.

(b) Place of Employment. The principal place of employment of Executive shall be at the Company's principal executive offices in Cranford, New Jersey.

4. Compensation and Benefits.

(a) Salary. During the Employment Period, the Company shall pay Executive a minimum annual base salary in the amount of \$385,000 (the "Annual Base Salary") payable in accordance with the Company's regular payroll practices. Executive's Annual Base Salary shall be reviewed annually in accordance with the policy of the Company from time to time and may be subject to upward adjustment based upon, among other things, Executive's performance, as determined in the sole discretion of the Chief Executive Officer. In no event shall Executive's Annual Base Salary in effect at a particular time be reduced without his prior written consent.

(b) Incentive Compensation/Bonuses. In addition, Executive shall be eligible for incentive compensation payable each year in such amounts as may be determined by the Option and Executive Compensation Committee of the Board (the "Compensation Committee"). Executive shall be entitled to receive such bonuses,

restricted share awards and options to purchase shares of common stock, par value \$0.01 per share, of the Company (the "Common Stock") as the Board or the Compensation Committee as the case may be shall approve, in its sole discretion,

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including, without limitation, options, restricted share awards and bonuses contingent upon Executive's performance and the achievement of specified financial and operating objectives.

(c) Restricted Share Award/Tax Gross-Up Payment. Pursuant to the Employee Stock Option Plan of Mack-Cali Realty Corporation which was originally effective August 31, 1994 and amended and restated as of December 1, 1998 (the "SOP"), Executive has been awarded a restricted share award of 26,094 shares of Common Stock ("Restricted Shares") as of July 1, 1999 (the "Restricted Share Award"). Executive shall be entitled to receive a tax gross-up payment (the "Tax Gross-Up Payment") from the Company with respect to each tax year in which Restricted Shares granted pursuant to the Restricted Share Award vest and are distributed to him. Each Tax Gross-Up Payment shall be a dollar amount equal to forty-three (43%) percent of the fair market value of the Restricted Shares at time of vesting, exclusive of dividends. In the event vesting occurs with respect to any Restricted Shares as a result of the achievement of the required performance goals, such payment shall be made as soon as practicable after a determination that the performance goals have been achieved but in no event later than the 90th day of the fiscal year of the Company immediately following the fiscal year as to which the performance goals were achieved. In the event vesting occurs for any other reason, including, without limitation, termination of Executive's employment by the Company without Cause or by Executive for Good Reason (but excluding a termination by the Company for Cause or a voluntary quit without Good Reason by Executive), such payment shall be made as soon as

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practicable after the date of vesting but in no event later than the tenth (10th) business day following such vesting.

(d) Taxes and Withholding. The Company shall have the right to deduct and withhold from all compensation all social security and other federal, state and local taxes and charges which currently are or which hereafter may be required by law to be so deducted and withheld.

(e) Additional Benefits. In addition to the compensation specified above and other benefits provided pursuant to this Paragraph 4, Executive shall be entitled to the following benefits:

- (i) participation in the SOP, the Mack-Cali Realty Corporation 401(k) Savings and Retirement Plan (subject to statutory rules and maximum contributions and non-discrimination requirements applicable to 401(k) plans) and such other benefit plans and programs, including but not limited to restricted stock, phantom stock and/or unit awards, loan programs and any other incentive compensation plans or programs (whether or not employee benefit plans or programs), as maintained by the Company from time to time and made generally available to executives of the Company with such participation to be consistent with reasonable Company guidelines;
- (ii) participation in any health insurance, disability insurance, paid vacation, group life insurance or other welfare benefit program made generally available to executives of the Company; and
- (iii) reimbursement for reasonable business expenses incurred by Executive in furtherance of the interests of the Company including a monthly allowance of twelve hundred (\$1,200) which is intended to cover the cost of local business-related travel expenses exclusive of amounts paid to third-parties (e.g. taxi service).

5. Termination of Employment and Change in Control.

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(a) Executive's employment hereunder may be terminated during the Employment Period under the following circumstances:

- (i) Cause. The Company shall have the right to terminate Executive's employment for Cause upon Executive's: (A) willful and continued failure to use best efforts to substantially perform his duties hereunder (other than any such failure resulting from Executive's incapacity due to physical or mental illness) for a period of thirty (30) days after written

demand for substantial performance is delivered by the Company specifically identifying the manner in which the Company believes Executive has not substantially performed his duties; (B) willful misconduct and/or willful violation of Paragraph 11 hereof, which is materially economically injurious to the Company and the Partnership taken as a whole; (C) the willful violation of the provisions of Paragraph 13 hereof; or (D) conviction of, or plea of guilty to a felony. For purposes of this sub-paragraph 5(a), no act, or failure to act, on Executive's part shall be considered "willful" unless done, or omitted to be done, by him (I) not in good faith and (II) without reasonable belief that his action or omission was in furtherance of the interests of the Company.

- (ii) Death. Executive's employment hereunder shall terminate upon his death.
- (iii) Disability. The Company shall have the right to terminate Executive's employment due to "Disability" in the event that there is a determination by the Company, upon the advice of an independent qualified physician, reasonably acceptable to Executive, that Executive has become physically or mentally incapable of performing his duties under this Agreement and such disability has disabled Executive for a cumulative period of one hundred eighty (180) days within a twelve (12) month period.
- (iv) Good Reason. Executive shall have the right to terminate his employment for "Good Reason": (A) upon the occurrence of any material breach of this Agreement by the Company which shall include but not be limited to; an assignment to Executive of duties materially and adversely inconsistent with Executive's status as Executive Vice President and Chief Financial Officer or a material or adverse alteration in the nature of or diminution in Executive's duties and/or responsibilities, reporting obligations, titles or authority; (B) upon a reduction in Executive's Annual Base Salary or a material reduction in other benefits (except for bonuses or similar discretionary payments) as in effect at the time in question,

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a failure to pay such amounts when due or any other failure by the Company to comply with Paragraph 4 hereof; (C) on or within six (6) months following the date a Notice of Non-Renewal is issued by the Company pursuant to Paragraph 2 hereof; (D) on or within six (6) months following a Change in Control (as hereinafter defined) in accordance with the provisions set forth in sub-paragraph 5(a)(vii) hereof; (E) upon any purported termination of Executive's employment for Cause which is not effected pursuant to the procedures of sub-paragraph 5(a)(i) (and for purposes of this Agreement, in the event of such failure to comply, no such purported termination shall be effective); or (F) upon the relocation of the Company's principal executive offices or Executive's own office location to a location more than thirty (30) miles away from Cranford, New Jersey.

- (v) Without Cause. The Company shall have the right to terminate the Executive's employment hereunder without Cause subject to the terms and conditions of this Agreement.
- (vi) Without Good Reason. The Executive shall have the right to terminate his employment hereunder without Good Reason subject to the terms and conditions of this Agreement.
- (vii) Change in Control. Executive shall have the right to terminate his employment hereunder on or within six (6) months following a Change in Control. Such termination shall be deemed a termination for Good Reason hereunder. For purposes of this Agreement "Change in Control" shall mean that any of the following events has occurred: (A) any "person" or "group" of persons, as such terms are used in Sections 13 and 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), other than any employee benefit plan sponsored by the Company, becomes the "beneficial owner", as such term is used in Section 13 of the Exchange Act, (irrespective of any vesting or waiting periods) of (I) Common Stock or any class of stock convertible into Common Stock and/or (II) Common OP Units or preferred units or any other class of units convertible into Common OP Units, in an amount equal to twenty (20%) percent or more of the sum total of the Common Stock and the Common OP Units (treating all classes of outstanding stock, units or other securities convertible into stock units

as if they were converted into Common Stock or Common OP Units as the case may be and then treating Common Stock and Common OP Units as if they were a single class) issued and outstanding immediately prior to such acquisition as if they were a single class and disregarding any equity raise in connection with

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the financing of such transaction; (B) any Common Stock is purchased pursuant to a tender or exchange offer other than an offer by the Company; (C) the dissolution or liquidation of the Company or the consummation of any merger or consolidation of the Company or any sale or other disposition of all or substantially all of its assets, if the shareholders of the Company and unitholders of the Partnership taken as a whole and considered as one class immediately before such transaction own, immediately after consummation of such transaction, equity securities and partnership units possessing less than fifty (50%) percent of the surviving or acquiring company and partnership taken as a whole; or (D) a turnover, during any two (2) year period, of the majority of the members of the Board, without the consent of the remaining members of the Board as to the appointment of the new Board members.

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

6. Compensation Upon Termination of Employment By the Company for Cause or By Executive without Good Reason.

In the event the Company terminates Executive's employment for Cause or Executive terminates his employment without Good Reason, the Company shall pay Executive any unpaid Annual Base Salary at the rate then in effect accrued through and

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including the date of termination. In addition, in such event, Executive shall be entitled (i) to receive any earned but unpaid incentive compensation or bonuses and (ii) to exercise any options which have vested and are exercisable in accordance with the terms of the applicable option grant agreement or plan, and (iii) to retain and/or receive any Restricted Shares which have vested as of the last day of the Company's fiscal year coincident or immediately preceding Executive's termination of employment and the corresponding Tax Gross-Up Payment (irrespective of whether the determination is made after Executive's termination of employment).

Except for any rights which Executive may have to unpaid salary amounts through and including the date of termination, earned but unpaid incentive compensation or bonuses, vested options, vested Restricted Shares and the corresponding Tax Gross-Up Payment, the Company shall have no further obligations hereunder following such termination. The aforesaid amounts shall be payable in full immediately upon such termination.

7. Compensation Upon Termination of Employment Upon Death or Disability.

In the event of termination of Executive's employment as a result of either Executive's death or Disability, the Company shall pay to Executive, his estate or his personal representative the aggregate of (i) a cash payment of two million five hundred thousand dollars (\$2,500,000) in full immediately upon such termination (the "Fixed Amount") and (ii) reimbursement of expenses incurred prior to date of termination ("Expense Reimbursement"). Executive (and Executive's dependents) shall also receive continuation of health coverage through the end of the Unexpired Employment

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Period on the same basis as health coverage is provided by the Company for active employees and as may be amended from time to time ("Medical Continuation").

In addition, all (A) incentive compensation payments or programs of any nature whether stock based or otherwise that are subject to a vesting schedule including, without limitation, the Restricted Share Award or any other restricted stock, phantom stock, units and any loan forgiveness arrangements granted to Executive ("Incentive Compensation") shall immediately vest as of the date of such termination ("Vested Incentive Compensation"), (B) options granted to Executive shall immediately vest as of the date of such termination (the "Vested Options") and Executive shall be entitled at the option of Executive, his estate or his personal representative, within one (1) year of the date of such termination, to exercise the Vested Options and/or other options which have vested (including, without limitation, all other options which have previously vested in accordance with the Prior Agreement, any applicable option grant agreement or plan) (the "Total Vested Options") and are exercisable in accordance with the terms of the applicable option grant agreement or plan and/or any other methods or procedures for exercise applicable to optionees or to require the Company (upon written notice delivered within one hundred eighty (180) days following the date of Executive's termination) to repurchase all or any portion of Executive's vested options to purchase shares of Common Stock at a price equal to the difference between the Repurchase Fair Market Value (as hereinafter defined) of the shares of Common Stock for which the options to be repurchased are exercisable and the exercise price of such options as of the date of Executive's termination of employment (the "Vested Option Exercise Election"), and (C) the Tax Gross-Up Payment(s) applicable to the Restricted Share

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Award shall vest and be paid to Executive at such time as provided in sub-paragraph 4(c) above (the "Vested Tax Gross-Up Payments"). In the event of a conflict between any Incentive Compensation grant agreement or program or any option grant agreement or plan and this Agreement, the terms of this Agreement shall control.

Except for any rights which Executive or Executive's estate in the event of Executive's death may have to all of the above including the Fixed Amount, Vested Incentive Compensation, Total Vested Options and the Vested Option Exercise Election, the Vested Tax Gross-Up Payment, Expense Reimbursement and Medical Continuation (which, in the event of Executive's death, shall be provided to Executive's dependents), the Company shall have no further obligations hereunder following such termination.

For purposes of this Agreement, "Repurchase Fair Market Value" shall mean the average of the closing price on the New York Stock Exchange (or such other exchange on which the Common Stock is primarily traded) of the Common Stock on each of the trading days within the thirty (30) days immediately preceding the date of termination of Executive's employment.

8. Compensation Upon Termination of Employment By the Company Without Cause or By Executive for Good Reason.

In the event the Company terminates Executive's employment for any reason other than Cause or Executive terminates his employment for Good Reason, the Company shall pay to Executive and Executive shall be entitled to receive the aggregate of (i) the Fixed Amount and (ii) Vested Incentive Compensation, Total Vested Options and the Vested Option Exercise Election, the Vested Tax Gross-Up Payment,

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Expense Reimbursement and Medical Continuation. In the event of a conflict between any Incentive Compensation grant agreement or program or any option grant agreement or plan and this Agreement, the terms of this Agreement shall control. Executive understands that any options exercised more than ninety (90) days following the date of his termination of employment which were granted as incentive stock options shall automatically be converted into non-qualified options.

Except for any rights which Executive may have to the Fixed Amount, Vested Incentive Compensation, Total Vested Options and the Vested Option Exercise Election, the Vested Tax Gross-Up Payment, Expense Reimbursement and Medical Continuation, the Company shall have no further obligations hereunder following such termination. The parties both agree that the agreement to make these payments was consideration and an inducement to obtain Executive's consent to enter into this Agreement. The payments are not a penalty and neither party will claim them to be a penalty. Rather, the payments represent a fair approximation of reasonable amounts due to Executive for the Employment Period.

9. Change in Control.

(a) Options. Any Incentive Compensation and options granted to Executive that have not vested as of the date of a Change in Control shall immediately vest upon the date of the Change in Control. Neither the occurrence of a Change in Control, nor the vesting in any options as a result thereof shall

require Executive to exercise any options. In the event of a conflict between any Incentive Compensation

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grant agreement or program or any option grant agreement or plan and this Agreement, the terms of this Agreement shall control.

(b) Upon Termination. In the event Executive terminates his employment on or following a Change in Control as set forth in sub-paragraph 5(a)(vii), the Company shall pay to Executive and Executive shall be entitled to all the payments and rights Executive would have had if Executive had terminated his employment with Good Reason as set forth in Paragraph 8.

Except for any rights which Executive may have to the Fixed Amount, Vested Incentive Compensation, Total Vested Options (including, without limitation, by acceleration in accordance with sub-paragraph 9(a)) and the Vested Option Exercise Election, the Vested Tax Gross-Up Payment, Expense Reimbursement, Medical Continuation and the Excise Tax Gross Up set forth in subparagraph 9(c), the Company shall have no further obligations hereunder following such termination.

(c) Excise Tax Gross Up. In addition, if it is determined by an independent accountant mutually acceptable to the Company and Executive that as a result of any payment in the nature of compensation made by the Company to (or for the benefit of) Executive pursuant to this Agreement or otherwise, an excise tax may be imposed on Executive pursuant to Section 4999 of the Code (or any successor provisions), the Company shall pay Executive in cash an amount equal to X determined under the following formula: (the "Excise Tax Gross Up"):

$$X = \frac{E \times P}{1 - [(FI \times (1 - SLI)) + SLI + E + M]}$$

where

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- E = the rate at which the excise tax is assessed under Section 4999 of the Code (or any successor provisions);
- P = the amount with respect to which such excise tax is assessed, determined without regard to the Excise Tax Gross Up;
- FI = the highest effective marginal rate of income tax applicable to Executive under the Code for the taxable year in question (taking into account any phase-out or loss of deductions, personal exemptions or other similar adjustments);
- SLI = the sum of the highest effective marginal rates of income tax applicable to Executive under all applicable state and local laws for the taxable year in question (taking into account any phase-out or loss of deductions, personal exemptions and other similar adjustments); and
- M = the highest marginal rate of Medicare tax applicable to Executive under the Code for the taxable year in question.

With respect to any payment in the nature of compensation that is made to (or for the benefit of) Executive under the terms of this Agreement or otherwise and on which an excise tax under Section 4999 of the Code (or any successor provisions) may be assessed, the payment determined under this sub-paragraph 9(c) shall be paid to Executive at the time of the Change in Control but prior to the consummation of the transaction with any successor. It is the intention of the parties that the Company provide Executive with a full tax gross-up under the provisions of this sub-paragraph, so that on a net after-tax basis, the result to Executive shall be the same as if the excise tax under Section 4999 of the Code (or any successor provisions) had not been imposed. The Excise Tax Gross Up may be adjusted if alternative minimum tax rules are applicable to Executive.

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10. Mitigation / Effect on Employee Benefit Plans and Programs.

(a) Mitigation. Executive shall not be required to mitigate amounts payable under this Agreement by seeking other employment or otherwise, and there shall be no offset against amounts due Executive under this Agreement on account

of subsequent employment. Amounts owed to Executive under this Agreement shall not be offset by any claims the Company may have against Executive and such payment shall not be affected by any other circumstances, including, without limitation, any counterclaim, recoupment, defense, or other right which the Company may have against Executive or others.

(b) Effect on Employee Benefit Programs. The termination of Executive's employment hereunder, whether by the Company or Executive, shall have no effect on the rights and obligations of the parties hereto under the Company's (i) welfare benefit plans including, without limitation, Medical Continuation as provided for herein and, health coverage thereafter but only to the extent required by law, and on the same basis applicable to other employees and (ii) 401(k) Plan but only to the extent required by law and pursuant to the terms of the 401(k) Plan.

11. Confidential Information.

(a) Executive understands and acknowledges that during his employment with the Company, he will be exposed to Confidential Information (as defined below), all of which is proprietary and which will rightfully belong to the

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

(b) The term "Confidential Information" shall mean any information not generally known in the relevant trade or industry or otherwise not generally available to the public, which was obtained from the Company or its predecessors or which was learned, discovered, developed, conceived, originated or prepared during or as a result of the performance of any services by Executive on behalf of the Company or its predecessors. For purposes of this Paragraph 11, the Company shall be deemed to include any entity which is controlled, directly or indirectly, by the Company and any entity of which a majority of the economic interest is owned, directly or indirectly, by the Company.

12. Return of Documents.

Except for such items which are of a personal nature to Executive (e.g., daily business planner), all writings, records, and other documents and things containing any

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Confidential Information shall be the exclusive property of the Company, shall not be copied, summarized, extracted from, or removed from the premises of the Company, except in pursuit of the business of the Company and at the direction of the Company, and shall be delivered to the Company, without retaining any copies, upon the termination of Executive's employment or at any time as requested by the Company.

13. Noncompete. Executive agrees that:

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

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performance of such activities does not prevent Executive from devoting substantially all of his business time to the Company.

(b) If, at the time of enforcement of this Paragraph 13, a court shall hold that the duration, scope, area or other restrictions stated herein are unreasonable, the parties agree that reasonable maximum duration, scope, area or other restrictions may be substituted by such court for the stated duration, scope, area or other restrictions and upon substitution by such court, this Agreement shall be automatically modified without further action by the parties hereto.

(c) For purposes of this Paragraph 13, the Company shall be deemed to include any entity which is controlled, directly or indirectly, by the Company and any entity of which a majority of the economic interest is owned, directly or indirectly, by the Company.

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14. Remedies.

The parties hereto agree that the Company would suffer irreparable harm from a breach by Executive of any of the covenants or agreements contained in Paragraphs 11, 12 or 13 of this Agreement. Therefore, in the event of the actual or threatened breach by Executive of any of the provisions of Paragraphs 11, 12 or 13 of this Agreement, the Company may, in addition and supplementary to other rights and remedies existing in its favor, apply to any court of law or equity of competent jurisdiction for specific performance and/or injunctive or other relief in order to enforce or prevent any violation of the provisions thereof.

15. Indemnification/Legal Fees.

(a) Indemnification. In the event the Executive is made party or threatened to be made a party to any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), by reason of Executive's employment with or serving as an officer or director of the Company, whether or not the basis of such Proceeding is alleged action in an official capacity, the Company shall indemnify, hold harmless and defend Executive to the fullest extent authorized by Maryland law, as the same exists and may hereafter be amended, against any and all claims, demands, suits, judgments, assessments and settlements including all expenses incurred or suffered by Executive in connection therewith (including, without limitation, all legal fees incurred using counsel reasonably acceptable to Executive) and such indemnification shall continue as to Executive even after Executive is no longer employed by the Company and shall inure to the benefit of his heirs, executors, and

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administrators. Expenses incurred by Executive in connection with any Proceeding shall be paid by the Company in advance upon request of Executive that the Company pay such expenses; but, only in the event that Executive shall have delivered in writing to the Company an undertaking to reimburse the Company for expenses with respect to which Executive is not entitled to indemnification. The provisions of this Paragraph shall remain in effect after this Agreement is terminated irrespective of the reasons for termination. The indemnification provisions of this Paragraph shall not supersede or reduce any indemnification provided to Executive under any separate agreement, or the by-laws of the Company since it is intended that this Agreement shall expand and extend the Executive's rights to receive indemnity.

(b) Legal Fees. If any contest or dispute shall arise between the Company and Executive regarding or as a result of any provision of this Agreement, the Company shall reimburse Executive for all legal fees and expenses reasonably incurred by Executive in connection with such contest or dispute, but only if Executive is successful in respect of substantially all of Executive's claims pursued or defended in connection with such contest or dispute. Such reimbursement shall be made as soon as practicable following the resolution of such contest or dispute (whether or not appealed).

16. Successors and Assigns.

(a) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, by agreement in form and substance

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satisfactory to Executive, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such agreement prior to the effectiveness of an such succession shall be a breach of this Agreement and shall entitle Executive to

compensation from the Company in the same amount and on the same terms as he would be entitled to hereunder if Executive terminated his employment hereunder within six (6) months of a Change in Control as set forth in Paragraph 9, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the date of termination. In the event of such a breach of this Agreement, the Notice of Termination shall specify such date as the date of termination. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to all or substantially all of its business and/or its assets as aforesaid which executes and delivers the agreement provided for in this Paragraph 16 or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law. Any cash payments owed to Executive pursuant to this Paragraph 16 shall be paid to Executive in a single sum without discount for early payment immediately prior to the consummation of the transaction with such successor.

(b) This Agreement and all rights of Executive hereunder may be transferred only by will or the laws of descent and distribution. Upon Executive's death, this Agreement and all rights of Executive hereunder shall inure to the benefit of and be enforceable by Executive's beneficiary or beneficiaries, personal or legal representatives, or estate, to the extent any such person succeeds to Executive's

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interests under this Agreement. Executive shall be entitled to select and change a beneficiary or beneficiaries to receive any benefit or compensation payable hereunder following Executive's death by giving Company written notice thereof. If Executive should die following the date of termination while any amounts would still be payable to him hereunder if he had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to such person or persons so appointed in writing by Executive, including, without limitation, under any applicable plan, or otherwise to his legal representatives or estate.

17. Timing of and No Duplication of Payments.

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

18. Modification or Waiver.

No amendment, modification, waiver, termination or cancellation of this Agreement shall be binding or effective for any purpose unless it is made in a writing signed by the party against whom enforcement of such amendment, modification, waiver, termination or cancellation is sought. No course of dealing between or among the parties to this Agreement shall be deemed to affect or to modify, amend or discharge any provision or term of this Agreement. No delay on the part of the Company or Executive in the exercise of any of their respective rights or remedies shall

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operate as a waiver thereof, and no single or partial exercise by the Company or Executive of any such right or remedy shall preclude other or further exercise thereof. A waiver of right or remedy on any one occasion shall not be construed as a bar to or waiver of any such right or remedy on any other occasion.

The respective rights and obligations of the parties hereunder shall survive the Executive's termination of employment and termination of this Agreement to the extent necessary for the intended preservation of such rights and obligations.

19. Notices.

All notices or other communications required or permitted hereunder shall be made in writing and shall be deemed to have been duly given if delivered by hand or delivered by a recognized delivery service or mailed, postage prepaid, by express, certified or registered mail, return receipt requested, and addressed to the Chief Executive Officer of the Company or Executive, as applicable, at the address set forth above (or to such other address as shall have been previously provided in accordance with this Paragraph 19).

20. Governing Law.

This agreement will be governed by and construed in accordance with the laws of the State of New Jersey except as to Paragraph 15(a), without regard to principles of conflicts of laws thereunder.

21. Severability.

Whenever possible, each provision and term of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision or term of this Agreement shall be held to be prohibited by or invalid under such applicable law, then, subject to the provisions of sub-paragraph 13(b) above, such provision or term shall be ineffective only to the extent of such prohibition or invalidity, without invalidating or affecting in any manner whatsoever the remainder of such provisions or term or the remaining provisions or terms of this Agreement.

22. Legal Representation.

Each of the Company and Executive have been represented by counsel with respect to this Agreement.

23. Counterparts.

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

24. Headings.

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

25. Entire Agreement.

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

both written and oral, among the parties with respect to the subject matter hereof. The parties recognize that the Prior Agreement has been amended and restated in its entirety by this Agreement and the terms of the Prior Agreement are of no further force and effect.

26. Survival of Agreements.

The covenants made in Paragraphs 5 through 15 and 21 each shall survive the termination of this Agreement.

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

MACK-CALI REALTY CORPORATION

By: /s/ Mitchell E. Hersh

Mitchell E. Hersh
Chief Executive Officer

/s/ Barry Lefkowitz

Barry Lefkowitz

SCHEDULE A

None.

SECOND AMENDED AND RESTATED

EMPLOYMENT AGREEMENT

FOR

ROGER W. THOMAS

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ROGER W. THOMAS

SECOND AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS SECOND AMENDED AND RESTATED EMPLOYMENT AGREEMENT (the "Agreement") is entered into as of July 1, 1999, by and between Roger W. Thomas, an individual residing at 95 Mathews Drive, Bedminster, New Jersey 07921 ("Executive"), and Mack-Cali Realty Corporation, a Maryland corporation with offices at 11 Commerce Drive, Cranford, New Jersey 07016 (the "Company").

RECITALS

WHEREAS, Executive has served as Executive Vice President, General Counsel and Assistant Secretary of the Company pursuant to his prior employment agreement dated as of December 1997 (the "Prior Agreement") entered into as of the closing of the combination of Cali Realty Corporation with the Mack Companies (the "Mack Combination");

WHEREAS, the Company and the Executive wish to amend and restate the Prior Agreement in its entirety to provide for an award of Restricted Shares and a Tax Gross-Up Payment (as defined in sub-paragraph 4(c) below), to change the Employment Period (as defined in sub-paragraph 2(a) below) to (4) years and to amend the amount of the severance payment Executive may be eligible to receive upon termination of employment with the Company; and

WHEREAS, the Company desires to continue to employ Executive as Executive Vice President, General Counsel and Secretary, and Executive desires to continue to be employed by the Company as Executive Vice President, General Counsel and Secretary, pursuant to the amended and restated terms set forth herein and to restate the Prior Agreement in its entirety

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

1. Employment.

The Company hereby agrees to employ Executive, and Executive hereby agrees to accept such employment during the period and upon the terms and conditions set forth in this Agreement.

2. Employment Period.

(a) Except as otherwise provided in this Agreement to the contrary, the terms and conditions of this Agreement shall be and remain in effect during the period of employment (the "Employment Period") established under this Paragraph 2. The initial Employment Period shall be for a term commencing on the date of this Agreement and ending on the fourth anniversary of the date of this Agreement provided, however, that commencing on the day after the date of this Agreement and on each day thereafter, the Employment Period shall be extended for one additional day so that a constant four (4) year Employment Period shall be in effect, unless (i) the Company or Executive elects not to extend the term of this Agreement by giving written notice to the other party in accordance with Paragraph 19, in which case, subject to the provisions of sub-paragraph 5(a) (iv) below, the term of this Agreement shall become fixed and shall end on the fourth anniversary of the date of such written notice ("Notice of Non-Renewal"), or (ii) Executive's employment terminates hereunder.

(b) Notwithstanding anything contained herein to the contrary: (i) Executive's employment with the Company may be terminated by the Company or

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Executive during the Employment Period, subject to the terms and conditions of this Agreement; and (ii) nothing in this Agreement shall mandate or prohibit a continuation of Executive's employment following the expiration of the Employment Period upon such terms and conditions as the Board of Directors of the Company (the "Board") and Executive may mutually agree.

(c) If Executive's employment with the Company is terminated, for purposes of this Agreement the term "Unexpired Employment Period" shall mean the period commencing on the date of such termination and ending on the last day of the Employment Period.

3. Services / Place of Employment.

(a) Services. During the Employment Period, Executive shall hold the positions of Executive Vice President, General Counsel and Secretary of the Company. Executive shall devote his best efforts and substantially all of his business time, skill and attention to the business of the Company (other than absences due to vacation, illness, disability or approved leave of absence), and shall perform such duties as are customarily performed by similar executive officers and as may be more specifically enumerated from time to time by the Chief Executive Officer; provided, however, that the foregoing is not intended to (a) preclude Executive from (i) owning and managing personal investments, including real estate investments, subject to the restrictions set forth in Paragraph 13 hereof or (ii) engaging in charitable activities and community affairs, or (b) restrict or otherwise limit Executive from conducting real estate development, acquisition or management activities with respect to those properties

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described in Schedule A, attached hereto, (the "Excluded Properties"), provided that the performance of the activities referred to in clauses (a) and (b) does not prevent Executive from devoting substantially all of his business time to the Company.

(b) Place of Employment. The principal place of employment of Executive shall be at the Company's principal executive offices in Cranford, New Jersey.

4. Compensation and Benefits.

(a) Salary. During the Employment Period, the Company shall pay Executive a minimum annual base salary in the amount of \$325,000 (the "Annual Base Salary") payable in accordance with the Company's regular payroll practices. Executive's Annual Base Salary shall be reviewed annually in accordance with the policy of the Company from time to time and may be subject to upward adjustment based upon, among other things, Executive's performance, as determined in the sole discretion of the Chief Executive Officer. In no event shall Executive's Annual Base Salary in effect at a particular time be reduced without his prior written consent.

(b) Incentive Compensation/Bonuses. In addition, Executive shall be eligible for incentive compensation payable each year in such amounts as may be determined by the Option and Executive Compensation Committee of the Board (the "Compensation Committee"). Executive shall be entitled to receive such bonuses,

restricted share awards and options to purchase shares of common stock, par value \$0.01 per share, of the Company (the "Common Stock") as the Board or the Compensation Committee as the case may be shall approve, in its sole discretion,

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including, without limitation, options, restricted share awards and bonuses contingent upon Executive's performance and the achievement of specified financial and operating objectives.

(c) Restricted Share Award/Tax Gross-Up Payment. Pursuant to the Employee Stock Option Plan of Mack-Cali Realty Corporation which was originally effective August 31, 1994 and amended and restated as of December 1, 1998 (the "SOP"), Executive has been awarded a restricted share award of 22,031 shares of Common Stock ("Restricted Shares") as of July 1, 1999 (the "Restricted Share Award"). Executive shall be entitled to receive a tax gross-up payment (the "Tax Gross-Up Payment") from the Company with respect to each tax year in which Restricted Shares granted pursuant to the Restricted Share Award vest and are distributed to him. Each Tax Gross-Up Payment shall be a dollar amount equal to forty-three (43%) percent of the fair market value of the Restricted Shares at time of vesting, exclusive of dividends. In the event vesting occurs with respect to any Restricted Shares as a result of the achievement of the required performance goals, such payment shall be made as soon as practicable after a determination that the performance goals have been achieved but in no event later than the 90th day of the fiscal year of the Company immediately following the fiscal year as to which the performance goals were achieved. In the event vesting occurs for any other reason, including, without limitation, termination of Executive's employment by the Company without Cause or by Executive for Good Reason (but excluding a termination by the Company for Cause or a voluntary quit without Good Reason by Executive), such payment shall be made as soon as

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practicable after the date of vesting but in no event later than the tenth (10th) business day following such vesting.

(d) Taxes and Withholding. The Company shall have the right to deduct and withhold from all compensation all social security and other federal, state and local taxes and charges which currently are or which hereafter may be required by law to be so deducted and withheld.

(e) Additional Benefits. In addition to the compensation specified above and other benefits provided pursuant to this Paragraph 4, Executive shall be entitled to the following benefits:

- (i) participation in the SOP, the Mack-Cali Realty Corporation 401(k) Savings and Retirement Plan (subject to statutory rules and maximum contributions and non-discrimination requirements applicable to 401(k) plans) and such other benefit plans and programs, including but not limited to restricted stock, phantom stock and/or unit awards, loan programs and any other incentive compensation plans or programs (whether or not employee benefit plans or programs), as maintained by the Company from time to time and made generally available to executives of the Company with such participation to be consistent with reasonable Company guidelines;
- (ii) participation in any health insurance, disability insurance, paid vacation, group life insurance or other welfare benefit program made generally available to executives of the Company; and
- (iii) reimbursement for reasonable business expenses incurred by Executive in furtherance of the interests of the Company including a monthly allowance of twelve hundred (\$1,200) which is intended to cover the cost of local business-related travel expenses exclusive of amounts paid to third-parties (e.g. taxi service).

5. Termination of Employment and Change in Control.

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(a) Executive's employment hereunder may be terminated during the Employment Period under the following circumstances:

- (i) Cause. The Company shall have the right to terminate Executive's employment for Cause upon Executive's: (A) willful and continued failure to use best efforts to substantially perform his duties hereunder (other than any such failure resulting from Executive's incapacity due to physical or mental illness) for a period of thirty (30) days after written

demand for substantial performance is delivered by the Company specifically identifying the manner in which the Company believes Executive has not substantially performed his duties; (B) willful misconduct and/or willful violation of Paragraph 11 hereof, which is materially economically injurious to the Company and the Partnership taken as a whole; (C) the willful violation of the provisions of Paragraph 13 hereof; or (D) conviction of, or plea of guilty to a felony. For purposes of this sub-paragraph 5(a), no act, or failure to act, on Executive's part shall be considered "willful" unless done, or omitted to be done, by him (I) not in good faith and (II) without reasonable belief that his action or omission was in furtherance of the interests of the Company.

- (ii) Death. Executive's employment hereunder shall terminate upon his death.
- (iii) Disability. The Company shall have the right to terminate Executive's employment due to "Disability" in the event that there is a determination by the Company, upon the advice of an independent qualified physician, reasonably acceptable to Executive, that Executive has become physically or mentally incapable of performing his duties under this Agreement and such disability has disabled Executive for a cumulative period of one hundred eighty (180) days within a twelve (12) month period.
- (iv) Good Reason. Executive shall have the right to terminate his employment for "Good Reason": (A) upon the occurrence of any material breach of this Agreement by the Company which shall include but not be limited to; an assignment to Executive of duties materially and adversely inconsistent with Executive's status as Executive Vice President, General Counsel or Secretary or a material or adverse alteration in the nature of or diminution in Executive's duties and/or responsibilities, reporting obligations, titles or authority; (B) upon a reduction in Executive's Annual Base Salary or a material reduction in other benefits (except for bonuses or similar discretionary payments) as in effect at the time in

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question, a failure to pay such amounts when due or any other failure by the Company to comply with Paragraph 4 hereof; (C) on or within six (6) months following the date a Notice of Non-Renewal is issued by the Company pursuant to Paragraph 2 hereof; (D) on or within six (6) months following a Change in Control (as hereinafter defined) in accordance with the provisions set forth in sub-paragraph 5(a)(vii) hereof; (E) upon any purported termination of Executive's employment for Cause which is not effected pursuant to the procedures of sub-paragraph 5(a)(i) (and for purposes of this Agreement, in the event of such failure to comply, no such purported termination shall be effective); or (F) upon the relocation of the Company's principal executive offices or Executive's own office location to a location more than thirty (30) miles away from Cranford, New Jersey.

- (v) Without Cause. The Company shall have the right to terminate the Executive's employment hereunder without Cause subject to the terms and conditions of this Agreement.
- (vi) Without Good Reason. The Executive shall have the right to terminate his employment hereunder without Good Reason subject to the terms and conditions of this Agreement.
- (vii) Change in Control. Executive shall have the right to terminate his employment hereunder on or within six (6) months following a Change in Control. Such termination shall be deemed a termination for Good Reason hereunder. For purposes of this Agreement "Change in Control" shall mean that any of the following events has occurred: (A) any "person" or "group" of persons, as such terms are used in Sections 13 and 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), other than any employee benefit plan sponsored by the Company, becomes the "beneficial owner", as such term is used in Section 13 of the Exchange Act, (irrespective of any vesting or waiting periods) of (I) Common Stock or any class of stock convertible into Common Stock and/or (II) Common OP Units or preferred units or any other class of units convertible into Common OP Units, in an amount equal to twenty (20%) percent or more of the sum total of the Common Stock and the Common OP Units (treating all classes of outstanding stock, units or other securities convertible into stock units

as if they were converted into Common Stock or Common OP Units as the case may be and then treating Common Stock and Common OP Units as if they were a single class) issued and outstanding immediately prior to such acquisition as if they were a single class and disregarding any equity raise in connection with

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the financing of such transaction; (B) any Common Stock is purchased pursuant to a tender or exchange offer other than an offer by the Company; (C) the dissolution or liquidation of the Company or the consummation of any merger or consolidation of the Company or any sale or other disposition of all or substantially all of its assets, if the shareholders of the Company and unitholders of the Partnership taken as a whole and considered as one class immediately before such transaction own, immediately after consummation of such transaction, equity securities and partnership units possessing less than fifty (50%) percent of the surviving or acquiring company and partnership taken as a whole; or (D) a turnover, during any two (2) year period, of the majority of the members of the Board, without the consent of the remaining members of the Board as to the appointment of the new Board members.

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

6. Compensation Upon Termination of Employment By the Company for Cause or By Executive without Good Reason.

In the event the Company terminates Executive's employment for Cause or Executive terminates his employment without Good Reason, the Company shall pay Executive any unpaid Annual Base Salary at the rate then in effect accrued through and

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including the date of termination. In addition, in such event, Executive shall be entitled (i) to receive any earned but unpaid incentive compensation or bonuses and (ii) to exercise any options which have vested and are exercisable in accordance with the terms of the applicable option grant agreement or plan, and (iii) to retain and/or receive any Restricted Shares which have vested as of the last day of the Company's fiscal year coincident or immediately preceding Executive's termination of employment and the corresponding Tax Gross-Up Payment (irrespective of whether the determination is made after Executive's termination of employment).

Except for any rights which Executive may have to unpaid salary amounts through and including the date of termination, earned but unpaid incentive compensation or bonuses, vested options, vested Restricted Shares and the corresponding Tax Gross-Up Payment, the Company shall have no further obligations hereunder following such termination. The aforesaid amounts shall be payable in full immediately upon such termination.

7. Compensation Upon Termination of Employment Upon Death or Disability.

In the event of termination of Executive's employment as a result of either Executive's death or Disability, the Company shall pay to Executive, his estate or his personal representative the aggregate of (i) a cash payment of two million five hundred thousand dollars (\$2,500,000) in full immediately upon such termination (the "Fixed Amount") and (ii) reimbursement of expenses incurred prior to date of termination ("Expense Reimbursement"). Executive (and Executive's dependents) shall also receive continuation of health coverage through the end of the Unexpired Employment

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Period on the same basis as health coverage is provided by the Company for active employees and as may be amended from time to time ("Medical Continuation").

In addition, all (A) incentive compensation payments or programs of any nature whether stock based or otherwise that are subject to a vesting schedule including, without limitation, the Restricted Share Award or any other restricted stock, phantom stock, units and any loan forgiveness arrangements granted to Executive ("Incentive Compensation") shall immediately vest as of the date of such termination ("Vested Incentive Compensation"), (B) options granted to Executive shall immediately vest as of the date of such termination (the "Vested Options") and Executive shall be entitled at the option of Executive, his estate or his personal representative, within one (1) year of the date of such termination, to exercise the Vested Options and/or other options which have vested (including, without limitation, all other options which have previously vested in accordance with the Prior Agreement, any applicable option grant agreement or plan) (the "Total Vested Options") and are exercisable in accordance with the terms of the applicable option grant agreement or plan and/or any other methods or procedures for exercise applicable to optionees or to require the Company (upon written notice delivered within one hundred eighty (180) days following the date of Executive's termination) to repurchase all or any portion of Executive's vested options to purchase shares of Common Stock at a price equal to the difference between the Repurchase Fair Market Value (as hereinafter defined) of the shares of Common Stock for which the options to be repurchased are exercisable and the exercise price of such options as of the date of Executive's termination of employment (the "Vested Option Exercise Election"), and (C) the Tax Gross-Up Payment(s) applicable to the Restricted Share

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Award shall vest and be paid to Executive at such time as provided in sub-paragraph 4(c) above (the "Vested Tax Gross-Up Payments"). In the event of a conflict between any Incentive Compensation grant agreement or program or any option grant agreement or plan and this Agreement, the terms of this Agreement shall control.

Except for any rights which Executive or Executive's estate in the event of Executive's death may have to all of the above including the Fixed Amount, Vested Incentive Compensation, Total Vested Options and the Vested Option Exercise Election, the Vested Tax Gross-Up Payment, Expense Reimbursement and Medical Continuation (which, in the event of Executive's death, shall be provided to Executive's dependents), the Company shall have no further obligations hereunder following such termination.

For purposes of this Agreement, "Repurchase Fair Market Value" shall mean the average of the closing price on the New York Stock Exchange (or such other exchange on which the Common Stock is primarily traded) of the Common Stock on each of the trading days within the thirty (30) days immediately preceding the date of termination of Executive's employment.

8. Compensation Upon Termination of Employment By the Company Without Cause or By Executive for Good Reason.

In the event the Company terminates Executive's employment for any reason other than Cause or Executive terminates his employment for Good Reason, the Company shall pay to Executive and Executive shall be entitled to receive the aggregate of (i) the Fixed Amount and (ii) Vested Incentive Compensation, Total Vested Options and the Vested Option Exercise Election, the Vested Tax Gross-Up Payment,

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Expense Reimbursement and Medical Continuation. In the event of a conflict between any Incentive Compensation grant agreement or program or any option grant agreement or plan and this Agreement, the terms of this Agreement shall control. Executive understands that any options exercised more than ninety (90) days following the date of his termination of employment which were granted as incentive stock options shall automatically be converted into non-qualified options.

Except for any rights which Executive may have to the Fixed Amount, Vested Incentive Compensation, Total Vested Options and the Vested Option Exercise Election, the Vested Tax Gross-Up Payment, Expense Reimbursement and Medical Continuation, the Company shall have no further obligations hereunder following such termination. The parties both agree that the agreement to make these payments was consideration and an inducement to obtain Executive's consent to enter into this Agreement. The payments are not a penalty and neither party will claim them to be a penalty. Rather, the payments represent a fair approximation of reasonable amounts due to Executive for the Employment Period.

9. Change in Control.

(a) Options. Any Incentive Compensation and options granted to Executive that have not vested as of the date of a Change in Control shall immediately vest upon the date of the Change in Control. Neither the occurrence of a Change in Control, nor the vesting in any options as a result thereof shall

require Executive to exercise any options. In the event of a conflict between any Incentive Compensation

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grant agreement or program or any option grant agreement or plan and this Agreement, the terms of this Agreement shall control.

(b) Upon Termination. In the event Executive terminates his employment on or following a Change in Control as set forth in sub-paragraph 5(a)(vii), the Company shall pay to Executive and Executive shall be entitled to all the payments and rights Executive would have had if Executive had terminated his employment with Good Reason as set forth in Paragraph 8.

Except for any rights which Executive may have to the Fixed Amount, Vested Incentive Compensation, Total Vested Options (including, without limitation, by acceleration in accordance with sub-paragraph 9(a)) and the Vested Option Exercise Election, the Vested Tax Gross-Up Payment, Expense Reimbursement, Medical Continuation and the Excise Tax Gross Up set forth in subparagraph 9(c), the Company shall have no further obligations hereunder following such termination.

(c) Excise Tax Gross Up. In addition, if it is determined by an independent accountant mutually acceptable to the Company and Executive that as a result of any payment in the nature of compensation made by the Company to (or for the benefit of) Executive pursuant to this Agreement or otherwise, an excise tax may be imposed on Executive pursuant to Section 4999 of the Code (or any successor provisions), the Company shall pay Executive in cash an amount equal to X determined under the following formula: (the "Excise Tax Gross Up"):

$$X = \frac{E \times P}{1 - [(FI \times (1 - SLI)) + SLI + E + M]}$$

where

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- E = the rate at which the excise tax is assessed under Section 4999 of the Code (or any successor provisions);
- P = the amount with respect to which such excise tax is assessed, determined without regard to the Excise Tax Gross Up;
- FI = the highest effective marginal rate of income tax applicable to Executive under the Code for the taxable year in question (taking into account any phase-out or loss of deductions, personal exemptions or other similar adjustments);
- SLI = the sum of the highest effective marginal rates of income tax applicable to Executive under all applicable state and local laws for the taxable year in question (taking into account any phase-out or loss of deductions, personal exemptions and other similar adjustments); and
- M = the highest marginal rate of Medicare tax applicable to Executive under the Code for the taxable year in question.

With respect to any payment in the nature of compensation that is made to (or for the benefit of) Executive under the terms of this Agreement or otherwise and on which an excise tax under Section 4999 of the Code (or any successor provisions) may be assessed, the payment determined under this sub-paragraph 9(c) shall be paid to Executive at the time of the Change in Control but prior to the consummation of the transaction with any successor. It is the intention of the parties that the Company provide Executive with a full tax gross-up under the provisions of this sub-paragraph, so that on a net after-tax basis, the result to Executive shall be the same as if the excise tax under Section 4999 of the Code (or any successor provisions) had not been imposed. The Excise Tax Gross Up may be adjusted if alternative minimum tax rules are applicable to Executive.

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10. Mitigation / Effect on Employee Benefit Plans and Programs.

(a) Mitigation. Executive shall not be required to mitigate amounts payable under this Agreement by seeking other employment or otherwise, and there shall be no offset against amounts due Executive under this Agreement on account

of subsequent employment. Amounts owed to Executive under this Agreement shall not be offset by any claims the Company may have against Executive and such payment shall not be affected by any other circumstances, including, without limitation, any counterclaim, recoupment, defense, or other right which the Company may have against Executive or others.

(b) Effect on Employee Benefit Programs. The termination of Executive's employment hereunder, whether by the Company or Executive, shall have no effect on the rights and obligations of the parties hereto under the Company's (i) welfare benefit plans including, without limitation, Medical Continuation as provided for herein and, health coverage thereafter but only to the extent required by law, and on the same basis applicable to other employees and (ii) 401(k) Plan but only to the extent required by law and pursuant to the terms of the 401(k) Plan.

11. Confidential Information.

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

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

(b) The term "Confidential Information" shall mean any information not generally known in the relevant trade or industry or otherwise not generally available to the public, which was obtained from the Company or its predecessors or which was learned, discovered, developed, conceived, originated or prepared during or as a result of the performance of any services by Executive on behalf of the Company or its predecessors. For purposes of this Paragraph 11, the Company shall be deemed to include any entity which is controlled, directly or indirectly, by the Company and any entity of which a majority of the economic interest is owned, directly or indirectly, by the Company.

12. Return of Documents.

Except for such items which are of a personal nature to Executive (e.g., daily business planner), all writings, records, and other documents and things containing any Confidential Information shall be the exclusive property of the Company, shall not be copied, summarized, extracted from, or removed from the premises of the Company,

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except in pursuit of the business of the Company and at the direction of the Company, and shall be delivered to the Company, without retaining any copies, upon the termination of Executive's employment or at any time as requested by the Company.

13. Noncompete.

Executive agrees that:

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

(b) If, at the time of enforcement of this Paragraph 13, a court shall hold that the duration, scope, area or other restrictions stated herein are unreasonable, the parties agree that reasonable maximum duration, scope, area or other restrictions may be substituted by such court for the stated duration, scope, area or other restrictions and upon substitution by such court, this Agreement shall be automatically modified without further action by the parties hereto.

(c) For purposes of this Paragraph 13, the Company shall be deemed to include any entity which is controlled, directly or indirectly, by the Company and any entity of which a majority of the economic interest is owned, directly or indirectly, by the Company.

14. Remedies.

The parties hereto agree that the Company would suffer irreparable harm from a breach by Executive of any of the covenants or agreements contained in Paragraphs 11, 12 or 13 of this Agreement. Therefore, in the event of the actual or threatened breach by Executive of any of the provisions of Paragraphs 11, 12 or 13 of this Agreement, the Company may, in addition and supplementary to other rights and remedies existing in its favor, apply to any court of law or equity of competent jurisdiction for specific performance and/or injunctive or other relief in order to enforce or prevent any violation of the provisions thereof.

15. Indemnification/Legal Fees.

(a) Indemnification. In the event the Executive is made party or threatened to be made a party to any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), by reason of Executive's employment with or serving as an officer or director of the Company, whether or not the basis of such Proceeding is alleged action in an official capacity, the Company shall indemnify, hold harmless and defend Executive to the fullest extent authorized by Maryland law, as the same exists and may hereafter be amended, against any and all claims, demands, suits, judgments, assessments and settlements including all expenses incurred or suffered by Executive in connection therewith (including, without limitation, all legal fees incurred using counsel reasonably acceptable to Executive) and such indemnification shall continue as to Executive even after Executive is no longer employed by the Company and shall inure to the benefit of his heirs, executors, and administrators. Expenses incurred by Executive in connection with any Proceeding shall be paid by the Company in advance upon request of Executive that the Company pay such expenses; but, only in the event that Executive shall have delivered in writing to the Company an undertaking to reimburse the Company for expenses with respect to which Executive is not entitled to indemnification. The provisions of this Paragraph shall remain in effect after this Agreement is terminated irrespective of the reasons for termination. The indemnification provisions of this Paragraph shall not supersede or reduce any indemnification provided to Executive under any separate agreement, or the by-laws of the Company since it is intended that this Agreement shall expand and extend the Executive's rights to receive indemnity.

(b) Legal Fees. If any contest or dispute shall arise between the Company and Executive regarding or as a result of any provision of this Agreement, the Company shall reimburse Executive for all legal fees and expenses reasonably incurred by Executive in connection with such contest or dispute, but only if Executive is successful in respect of substantially all of Executive's claims pursued or defended in connection with such contest or dispute. Such reimbursement shall be made as soon as practicable following the resolution of such contest or dispute (whether or not appealed).

16. Successors and Assigns.

(a) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, by agreement in form and substance satisfactory to Executive, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such agreement prior to the effectiveness of an such succession shall be a breach of this Agreement and shall entitle Executive to compensation from the Company in the same amount and on the same terms as he would be entitled to hereunder if Executive terminated his employment hereunder within six (6) months of a Change in Control as set forth in Paragraph 9, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the date of termination. In the event of such a breach of this Agreement, the Notice of Termination

shall specify such date as the date of termination. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to all or substantially all of its business and/or its assets as aforesaid which executes and delivers the agreement provided for in this Paragraph 16 or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law. Any cash payments owed to Executive pursuant to this Paragraph 16 shall be paid to Executive in a single sum without discount for early payment immediately prior to the consummation of the transaction with such successor.

(b) This Agreement and all rights of Executive hereunder may be transferred only by will or the laws of descent and distribution. Upon Executive's death, this Agreement and all rights of Executive hereunder shall inure to the benefit of and be enforceable by Executive's beneficiary or beneficiaries, personal or legal representatives, or estate, to the extent any such person succeeds to Executive's interests under this Agreement. Executive shall be entitled to select and change a beneficiary or beneficiaries to receive any benefit or compensation payable hereunder following Executive's death by giving Company written notice thereof. If Executive should die following the date of termination while any amounts would still be payable to him hereunder if he had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to such person or persons so appointed in writing by Executive, including, without limitation, under any applicable plan, or otherwise to his legal representatives or estate.

17. Timing of and No Duplication of Payments.

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

18. Modification or Waiver.

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

The respective rights and obligations of the parties hereunder shall survive the Executive's termination of employment and termination of this Agreement to the extent necessary for the intended preservation of such rights and obligations.

19. Notices.

All notices or other communications required or permitted hereunder shall be made in writing and shall be deemed to have been duly given if delivered by hand or delivered by a recognized delivery service or mailed, postage prepaid, by express, certified or registered mail, return receipt requested, and addressed to the Chief Executive Officer of the Company or Executive, as applicable, at the address set forth above (or to such other address as shall have been previously provided in accordance with this Paragraph 19).

20. Governing Law.

This agreement will be governed by and construed in accordance with the laws of the State of New Jersey except as to Paragraph 15(a), without regard to principles of conflicts of laws thereunder.

21. Severability.

Whenever possible, each provision and term of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision or term of this Agreement shall be held to be prohibited by or invalid under such applicable law, then, subject to the provisions of sub-paragraph 13(b) above, such provision or term shall be ineffective only to the extent of such prohibition or invalidity, without invalidating or affecting

in any manner whatsoever the remainder of such provisions or term or the remaining provisions or terms of this Agreement.

22. Legal Representation.

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Each of the Company and Executive have been represented by counsel with respect to this Agreement.

23. Counterparts.

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

24. Headings.

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

25. Entire Agreement.

This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes all other prior agreements and undertakings, both written and oral, among the parties with respect to the subject matter hereof. The parties recognize that the Prior Agreement has been amended and restated in its entirety by this Agreement and the terms of the Prior Agreement are of no further force and effect.

26. Survival of Agreements.

The covenants made in Paragraphs 5 through 15 and 21 each shall survive the termination of this Agreement.

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

MACK-CALI REALTY CORPORATION

By: /s/ Mitchell E. Hersh

Mitchell E. Hersh
Chief Executive Officer

/s/ Roger W. Thomas

Roger W. Thomas

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SCHEDULE A

61,342 square foot Shopping Center located at 267-71 Jericho Turnpike, Syosset, New York.

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MACK-CALI REALTY CORPORATION
 RESTRICTED SHARE AWARD AGREEMENT
 MITCHELL E. HERSH

AGREEMENT EVIDENCING THE GRANT
 OF A RESTRICTED SHARE AWARD PURSUANT
 TO THE EMPLOYEE STOCK OPTION PLAN
 OF MACK-CALI REALTY CORPORATION

AGREEMENT ("Agreement") effective as of July 1, 1999, ("Grant Date") by and between Mack-Cali Realty Corporation (the "Company") and Mitchell E. Hersh ("Recipient").

WHEREAS, pursuant to the Employee Stock Option Plan of Mack-Cali Realty Corporation which was originally effective August 31, 1994 and amended and restated as of December 11, 1998 (the "Plan"), the Company hereby awards shares of the Company's common stock, par value \$.01 per share ("Common Stock") to the Recipient subject to such terms, conditions, and restrictions (hereinafter, "Restricted Share Award") as set forth in the Plan, this Agreement, and the Amended and Restated Employment Agreement dated as of July 1, 1999 by and between the Company and Recipient (the "Employment Agreement"), and

WHEREAS, Recipient has agreed under the amended terms of the Employment Agreement to change his employment period to four (4) years, and to amend the amount of the severance payment Recipient may be eligible to receive upon termination of employment with the Company, and

WHEREAS, upon the vesting of Restricted Shares, Recipient is also entitled to receive a tax gross-up from the Company under the amended terms of the Employment Agreement to enable Recipient to retain as many shares of Common Stock as possible,

NOW THEREFORE, the parties hereto hereby agree as follows:

1. Award of Shares of Restricted Stock.

Pursuant to the Plan, the Committee hereby awards to the Recipient, effective as of the Grant Date, a Restricted Share Award representing the conditional receipt of 62,500 shares of Common Stock ("Restricted Shares") at no out-of-pocket cost to the Recipient subject to the terms, conditions and restrictions set forth herein. Except for defined terms set forth in Section 4 below, capitalized terms not otherwise defined in this Agreement shall be as defined in the Plan.

2. Award Restrictions.

(a) General Rules. Ownership of Restricted Shares shall not vest in the Recipient, and shall be subject to forfeiture until the conditions of Section 2(b) and (c) or Section 4 are fully satisfied. For purposes of this Agreement, the following concepts shall be defined as follows: (i) the lapse of restrictions on the Recipient's rights with respect to the Restricted Shares granted hereunder shall be referred to as "Vesting"; (ii) the period between the Grant Date and the date of Vesting shall be referred to as the "Vesting Period"; and (iii) the date Vesting occurs shall be referred to as the "Vesting Date."

(b) Vesting. An aggregate of 62,500 Restricted Shares may vest in the Recipient and vest on either a year by year basis over a five year Vesting Period or on a cumulative basis over a seven year maximum Vesting Period. The number of Restricted Shares scheduled to be vested and earned on each Vesting Date on a year by year basis provided the Performance Goals specified in Section 2(c) below are satisfied is as follows:

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Restricted Shares -----	Vesting Date -----
9,375	January 1, 2000
9,375	January 1, 2001
12,500	January 1, 2002
15,625	January 1, 2003
15,625	January 1, 2004

The Vesting Date for this Agreement shall be each January 1st through and including January 1, 2006. In determining the number of Restricted Shares which are earned and vested, fractional shares shall be rounded down to

the nearest whole number and shall be aggregated and earned on the next Vesting Date.

(c) Performance Goals. (i) The Restricted Shares shall vest on the applicable Vesting Date on a year by year basis provided one of the following financial tests ("Financial Tests") is met for the measurement period ending on the last day of the Company's fiscal year immediately preceding such Vesting Date: (A) the Company achieves an eight percent (8%) funds from operations per common share ("FFO") increase, or (B) shareholders receive a twelve and three quarters percent (12.75%) total return (dividends, assuming reinvestment upon applicable payment date, plus stock appreciation per share of Common Stock). For purposes of this Agreement, FFO shall mean (i) net income (loss) before minority interest of unit holders, computed in accordance with generally accepted accounting principles ("GAAP"), excluding the effect of straight lining of rents, gains (or losses) from debt restructuring, other extraordinary and significant non-recurring items, and gains (or losses) on sale of property and other property-related valuation allowances, plus real estate related depreciation and amortization, as calculated in accordance with the National Association of Real Estate Investment Trusts definition published in March 1995 after

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adjustment for straight lining of rents and as applied in accordance with the accounting practices and policies of the Company in effect from time to time on a consistent basis to the entire Vesting Period, divided by (ii) the sum of (A) the diluted weighted average number of outstanding shares of Common Stock and (B) the diluted weighted average number of outstanding common limited partnership units of Mack-Cali Realty, L.P., a Delaware limited partnership of which the Company is the sole general partner, for the applicable period with such calculations being made all before the effect on FFO and diluted common shares/common limited partnership units resulting from certain non-recurring cash payments made pursuant to certain written employment agreements and from the vesting of restricted share awards and other similar plans or compensation arrangements for the applicable period.

(ii) In the event that neither of the Financial Tests above is satisfied for the fiscal year of the Company corresponding to the applicable Vesting Date ("Non-Achievement Year"), any Restricted Shares that failed to vest under the annual performance goal criteria on such Date may vest on such Date or on a subsequent Vesting Date provided the test described below is satisfied (the "Cumulative Test"). The Cumulative Test shall be applied at the end of the Non-Achievement Year or any subsequent fiscal year ("Catch-Up Year") with respect to any Non-Achievement Year provided a Financial Test was satisfied in a prior fiscal year or is satisfied in a Catch-Up Year, by applying the aggregate Financial Test percentages and the performance goal requirement on a cumulative basis beginning with the first fiscal year of the Vesting Period and ending with the Non-Achievement Year or the Catch-Up Year, as applicable. In the event the Cumulative Test is satisfied (i.e., the

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aggregate increase in FFO or aggregate total return is not less than the minimum percentage required to satisfy the Financial Test after taking into account the applicable Non-Achievement Year), the Restricted Shares that failed to vest in the Non-Achievement Year shall automatically vest on the Vesting Date applicable to the Non-Achievement Year or the Catch-Up Year, as the case may be. For example, if vesting occurred in years one (1) and two (2), year three (3) is a Non-Achievement Year, and the Cumulative Test is met for the Non-Achievement Year (i.e., either FFO is not less than twenty-four (24%) percent or the aggregate return is not less than thirty-eight and one-quarter (38.25%) percent) vesting would occur on the Vesting Date applicable to the Non-Achievement Year. In the event the Cumulative Test is not met in the Non-Achievement Year, one of the Financial Tests is met in year four (4), the Cumulative Test may be used. Under this scenario, vesting in that portion of the Restricted Stock Award scheduled to vest in year three (3) will occur in year four (4) if either the aggregate FFO is not less than thirty-two percent (32%) or the aggregate total return is not less than fifty-one percent (51%) at the end of the fourth (4th) fiscal year. Rules for Application of the Cumulative Test: (a) the Cumulative Test will be applied first at the end of any Non-Achievement Year, (b) it is not necessary for any Catch-Up Year to immediately succeed a Non-Achievement Year in order for the Cumulative Test to be applicable as long as the Catch-Up Year occurs during the Vesting Period, (c) if two (2) or more Non-Achievement Years have occurred during the Vesting Period and remain non-vested, in the event that the Cumulative Test is met on a partial basis so that at least one (1) full year's vesting may occur, the Restricted Share Award granted with respect to the last Non-Achievement Year that has occurred, shall vest first and any

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excess shall be credited to another Non-Achievement Year and (d) the Cumulative Test may be met on a partial basis by aggregating percentages in excess of the

minimum annual requirement from more than one (1) fiscal year in the Vesting Period. For example, if vesting occurred in year one (1) and the FFO is sixteen (16%) percent, years two (2) and three (3) are Non-Achievement Years with a loss in year two (2) of two (2%) percent and year three (3) the FFO is four (4%) percent, the Restricted Shares awarded with respect to year three (3) would vest under the Cumulative Test and two (2%) percent of the remaining FFO would be available to be used in year two (2) or any other year (e.g., in the event that FFO were fourteen (14%) percent in year four (4), the Restricted Shares applicable to year two (2) would also vest. In the alternative, if FFO were six (6%) percent in year four (4), year four (4) would vest and year two (2) would remain a Non-Achievement Year). Notwithstanding any contrary provisions contained in this Section 2(c) and subject to Section 4 below, any Restricted Shares that have not been earned and vested by January 1, 2004 on a year by year basis or by January 1, 2006 pursuant to the Cumulative Test shall automatically be canceled and forfeited.

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

(e) Prohibition Against Assignment. During the Vesting Period, the Restricted Shares may not be transferred or encumbered by the Recipient by means of sale, assignment, mortgage, transfer, exchange, pledge, or otherwise. The

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levy of any execution, attachment, or similar process upon the Restricted Shares shall be null and void.

3. Stock Certificates.

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

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

(c) Effect of Vesting. Upon Vesting, the Company shall cause to be delivered to the Recipient (i) a certificate for the Shares which have vested free and clear of restrictive legends and (ii) any stock powers signed hereunder by the Recipient remaining in its possession related to the vested shares. In the event that

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the Recipient dies before delivery of the certificate, such certificate shall be delivered to, and registered in the name of, the Recipient's beneficiary or estate, as the case may be.

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

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

4. Termination of Employment; Change in Control.

(a) Termination Due to Disability, Death or for Good Reason; Change in Control. Unless otherwise provided in the Employment Agreement and

notwithstanding any provision of the Plan to the contrary, if the Recipient terminates employment with the Company due to Disability, death, for Good Reason or a termination initiated by the Company without Cause, all Restricted Shares subject to this Agreement and held by, or on behalf of, the Recipient shall be deemed earned and vested as of the Recipient's last day of employment with the Company. In addition, unless otherwise provided in the Employment Agreement and notwithstanding any

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provision of the Plan to the contrary, all Restricted Shares subject to this Agreement and held by the Recipient on the date a Change in Control occurs shall be deemed earned and vested as of such date.

(b) Termination for Any Other Reason. Unless otherwise provided in the Employment Agreement, if the Recipient's employment with the Company terminates prior to January 1, 2006 for reasons other than Disability, death, a termination initiated by the Company without Cause or for Good Reason or as a result of a Change in Control, any Restricted Shares subject to this Agreement that have not been earned and vested prior to the Recipient's termination of employment shall be immediately forfeited on the last day of the Recipient's employment with the Company.

5. Withholding.

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

6. Adjustments for Capital Changes.

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

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Plan and this Agreement to prevent dilution or enlargement of the rights granted to the Recipient.

7. No Right to Continued Employment.

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

8. Notice.

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

Mack-Cali Realty Corporation
11 Commerce Drive
Cranford, New Jersey 07016

Attn: Timothy M. Jones
President

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

Mr. Mitchell E. Hersh
15 Parkwood Drive
Wayne, New Jersey 07470

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

9. Entire Agreement; Effect of Employment Agreement.

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

(b) Effect of Employment Agreement. In the event the

obligations with respect to the Recipient, such terms and conditions shall govern the Recipient's Restricted Share Award as if such terms and conditions had been set forth herein; and in the event of any conflict or inconsistency between the terms of the Employment Agreement or this Agreement, the terms and conditions of the Employment Agreement shall control.

10. Construction.

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

11. Governing Law.

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

12. Successors.

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

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

Mack-Cali Realty Corporation

By: /s/ Timothy M. Jones

Timothy M. Jones
President

Recipient

/s/ Mitchell E. Hersh

Mitchell E. Hersh

MACK-CALI REALTY CORPORATION
RESTRICTED SHARE AWARD AGREEMENT
TIMOTHY M. JONES

AGREEMENT EVIDENCING THE GRANT
OF A RESTRICTED SHARE AWARD PURSUANT
TO THE EMPLOYEE STOCK OPTION PLAN
OF MACK-CALI REALTY CORPORATION

AGREEMENT ("Agreement") effective as of July 1, 1999, ("Grant Date") by and between Mack-Cali Realty Corporation (the "Company") and Timothy M. Jones ("Recipient").

WHEREAS, pursuant to the Employee Stock Option Plan of Mack-Cali Realty Corporation which was originally effective August 31, 1994 and amended and restated as of December 11, 1998 (the "Plan"), the Company hereby awards shares of the Company's common stock, par value \$.01 per share ("Common Stock") to the Recipient subject to such terms, conditions, and restrictions (hereinafter, "Restricted Share Award") as set forth in the Plan, this Agreement, and the Second Amended and Restated Employment Agreement dated as of July 1, 1999 by and between the Company and Recipient (the "Employment Agreement"), and

WHEREAS, Recipient has agreed under the amended terms of the Employment Agreement to change his employment period to four (4) years, and to amend the amount of the severance payment Recipient may be eligible to receive upon termination of employment with the Company, and

WHEREAS, upon the vesting of Restricted Shares, Recipient is also entitled to receive a tax gross-up from the Company under the amended terms of the Employment Agreement to enable Recipient to retain as many shares of Common Stock as possible,

NOW THEREFORE, the parties hereto hereby agree as follows:

1. Award of Shares of Restricted Stock.

Pursuant to the Plan, the Committee hereby awards to the Recipient, effective as of the Grant Date, a Restricted Share Award representing the conditional receipt of 37,500 shares of Common Stock ("Restricted Shares") at no out-of-pocket cost to the Recipient subject to the terms, conditions and restrictions set forth herein. Except for defined terms set forth in Section 4 below, capitalized terms not otherwise defined in this Agreement shall be as defined in the Plan.

2. Award Restrictions.

(a) General Rules. Ownership of Restricted Shares shall not vest in the Recipient, and shall be subject to forfeiture until the conditions of Section 2(b) and (c) or Section 4 are fully satisfied. For purposes of this Agreement, the following concepts shall be defined as follows: (i) the lapse of restrictions on the Recipient's rights with respect to the Restricted Shares granted hereunder shall be referred to as "Vesting"; (ii) the period between the Grant Date and the date of Vesting shall be referred to as the "Vesting Period"; and (iii) the date Vesting occurs shall be referred to as the "Vesting Date."

(b) Vesting. An aggregate of 37,500 Restricted Shares may vest in the Recipient and vest on either a year by year basis over a five year Vesting Period or on a cumulative basis over a seven year maximum Vesting Period. The number of Restricted Shares scheduled to be vested and earned on each Vesting Date on a year by year basis provided the Performance Goals specified in Section 2(c) below are satisfied is as follows:

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Restricted Shares -----	Vesting Date -----
5,625	January 1, 2000
5,625	January 1, 2001
7,500	January 1, 2002
9,375	January 1, 2003
9,375	January 1, 2004

The Vesting Date for this Agreement shall be each January 1st through and including January 1, 2006. In determining the number of Restricted

Shares which are earned and vested, fractional shares shall be rounded down to the nearest whole number and shall be aggregated and earned on the next Vesting Date.

(c) Performance Goals. (i) The Restricted Shares shall vest on the applicable Vesting Date on a year by year basis provided one of the following financial tests ("Financial Tests") is met for the measurement period ending on the last day of the Company's fiscal year immediately preceding such Vesting Date: (A) the Company achieves an eight percent (8%) funds from operations per common share ("FFO") increase, or (B) shareholders receive a twelve and three quarters percent (12.75%) total return (dividends, assuming reinvestment upon applicable payment date, plus stock appreciation per share of Common Stock). For purposes of this Agreement, FFO shall mean (i) net income (loss) before minority interest of unit holders, computed in accordance with generally accepted accounting principles ("GAAP"), excluding the effect of straight lining of rents, gains (or losses) from debt restructuring, other extraordinary and significant non-recurring items, and gains (or losses) on sale of property and other property-related valuation allowances, plus real estate related depreciation and amortization, as calculated in accordance with the National Association of Real Estate Investment Trusts definition published in March 1995 after

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adjustment for straight lining of rents and as applied in accordance with the accounting practices and policies of the Company in effect from time to time on a consistent basis to the entire Vesting Period, divided by (ii) the sum of (A) the diluted weighted average number of outstanding shares of Common Stock and (B) the diluted weighted average number of outstanding common limited partnership units of Mack-Cali Realty, L.P., a Delaware limited partnership of which the Company is the sole general partner, for the applicable period with such calculations being made all before the effect on FFO and diluted common shares/common limited partnership units resulting from certain non-recurring cash payments made pursuant to certain written employment agreements and from the vesting of restricted share awards and other similar plans or compensation arrangements for the applicable period.

(ii) In the event that neither of the Financial Tests above is satisfied for the fiscal year of the Company corresponding to the applicable Vesting Date ("Non-Achievement Year"), any Restricted Shares that failed to vest under the annual performance goal criteria on such Date may vest on such Date or on a subsequent Vesting Date provided the test described below is satisfied (the "Cumulative Test"). The Cumulative Test shall be applied at the end of the Non-Achievement Year or any subsequent fiscal year ("Catch-Up Year") with respect to any Non-Achievement Year provided a Financial Test was satisfied in a prior fiscal year or is satisfied in a Catch-Up Year, by applying the aggregate Financial Test percentages and the performance goal requirement on a cumulative basis beginning with the first fiscal year of the Vesting Period and ending with the Non-Achievement Year or the Catch-Up Year, as applicable. In the event the Cumulative Test is satisfied (i.e., the

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aggregate increase in FFO or aggregate total return is not less than the minimum percentage required to satisfy the Financial Test after taking into account the applicable Non-Achievement Year), the Restricted Shares that failed to vest in the Non-Achievement Year shall automatically vest on the Vesting Date applicable to the Non-Achievement Year or the Catch-Up Year, as the case may be. For example, if vesting occurred in years one (1) and two (2), year three (3) is a Non-Achievement Year, and the Cumulative Test is met for the Non-Achievement Year (i.e., either FFO is not less than twenty-four (24%) percent or the aggregate return is not less than thirty-eight and one-quarter (38.25%) percent) vesting would occur on the Vesting Date applicable to the Non-Achievement Year. In the event the Cumulative Test is not met in the Non-Achievement Year, one of the Financial Tests is met in year four (4), the Cumulative Test may be used. Under this scenario, vesting in that portion of the Restricted Stock Award scheduled to vest in year three (3) will occur in year four (4) if either the aggregate FFO is not less than thirty-two percent (32%) or the aggregate total return is not less than fifty-one percent (51%) at the end of the fourth (4th) fiscal year. Rules for Application of the Cumulative Test: (a) the Cumulative Test will be applied first at the end of any Non-Achievement Year, (b) it is not necessary for any Catch-Up Year to immediately succeed a Non-Achievement Year in order for the Cumulative Test to be applicable as long as the Catch-Up Year occurs during the Vesting Period, (c) if two (2) or more Non-Achievement Years have occurred during the Vesting Period and remain non-vested, in the event that the Cumulative Test is met on a partial basis so that at least one (1) full year's vesting may occur, the Restricted Share Award granted with respect to the last Non-Achievement Year that has occurred, shall vest first and any

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excess shall be credited to another Non-Achievement Year and (d) the Cumulative

Test may be met on a partial basis by aggregating percentages in excess of the minimum annual requirement from more than one (1) fiscal year in the Vesting Period. For example, if vesting occurred in year one (1) and the FFO is sixteen (16%) percent, years two (2) and three (3) are Non-Achievement Years with a loss in year two (2) of two (2%) percent and year three (3) the FFO is four (4%) percent, the Restricted Shares awarded with respect to year three (3) would vest under the Cumulative Test and two (2%) percent of the remaining FFO would be available to be used in year two (2) or any other year (e.g., in the event that FFO were fourteen (14%) percent in year four (4), the Restricted Shares applicable to year two (2) would also vest. In the alternative, if FFO were six (6%) percent in year four (4), year four (4) would vest and year two (2) would remain a Non-Achievement Year). Notwithstanding any contrary provisions contained in this Section 2(c) and subject to Section 4 below, any Restricted Shares that have not been earned and vested by January 1, 2004 on a year by year basis or by January 1, 2006 pursuant to the Cumulative Test shall automatically be canceled and forfeited.

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

(e) Prohibition Against Assignment. During the Vesting Period, the Restricted Shares may not be transferred or encumbered by the Recipient by means of sale, assignment, mortgage, transfer, exchange, pledge, or otherwise. The

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levy of any execution, attachment, or similar process upon the Restricted Shares shall be null and void.

3. Stock Certificates.

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

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

(c) Effect of Vesting. Upon Vesting, the Company shall cause to be delivered to the Recipient (i) a certificate for the Shares which have vested free and clear of restrictive legends and (ii) any stock powers signed hereunder by the Recipient remaining in its possession related to the vested shares. In the event that the

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Recipient dies before delivery of the certificate, such certificate shall be delivered to, and registered in the name of, the Recipient's beneficiary or estate, as the case may be.

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

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

4. Termination of Employment; Change in Control.

(a) Termination Due to Disability, Death or for Good Reason;

Change in Control. Unless otherwise provided in the Employment Agreement and notwithstanding any provision of the Plan to the contrary, if the Recipient terminates employment with the Company due to Disability, death, for Good Reason or a termination initiated by the Company without Cause, all Restricted Shares subject to this Agreement and held by, or on behalf of, the Recipient shall be deemed earned and vested as of the Recipient's last day of employment with the Company. In addition, unless otherwise provided in the Employment Agreement and notwithstanding any

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provision of the Plan to the contrary, all Restricted Shares subject to this Agreement and held by the Recipient on the date a Change in Control occurs shall be deemed earned and vested as of such date.

(b) Termination for Any Other Reason. Unless otherwise provided in the Employment Agreement, if the Recipient's employment with the Company terminates prior to January 1, 2006 for reasons other than Disability, death, a termination initiated by the Company without Cause or for Good Reason or as a result of a Change in Control, any Restricted Shares subject to this Agreement that have not been earned and vested prior to the Recipient's termination of employment shall be immediately forfeited on the last day of the Recipient's employment with the Company.

5. Withholding.

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

6. Adjustments for Capital Changes.

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

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Plan and this Agreement to prevent dilution or enlargement of the rights granted to the Recipient.

7. No Right to Continued Employment.

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

8. Notice.

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

Mack-Cali Realty Corporation
11 Commerce Drive
Cranford, New Jersey 07016

Attn: Mitchell E. Hersh
Chief Executive Officer

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

Mr. Timothy M. Jones
1165 Park Avenue
Apt. 7D
New York, New York 10128

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

9. Entire Agreement; Effect of Employment Agreement.

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

(b) Effect of Employment Agreement. In the event the Employment Agreement with the Company contains additional rights, duties and/or

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obligations with respect to the Recipient, such terms and conditions shall govern the Recipient's Restricted Share Award as if such terms and conditions had been set forth herein; and in the event of any conflict or inconsistency between the terms of the Employment Agreement or this Agreement, the terms and conditions of the Employment Agreement shall control.

10. Construction.

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

11. Governing Law.

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

12. Successors.

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

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

Mack-Cali Realty Corporation

By: /s/ Mitchell E. Hersh

Mitchell E. Hersh
Chief Executive Officer

Recipient

/s/ Timothy M. Jones

Timothy M. Jones

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MACK-CALI REALTY CORPORATION
RESTRICTED SHARE AWARD AGREEMENT

JOHN R. CALI

AGREEMENT EVIDENCING THE GRANT
OF A RESTRICTED SHARE AWARD PURSUANT
TO THE EMPLOYEE STOCK OPTION PLAN
OF MACK-CALI REALTY CORPORATION

AGREEMENT ("Agreement") effective as of July 1, 1999, ("Grant Date") by and between Mack-Cali Realty Corporation (the "Company") and John R. Cali ("Recipient").

WHEREAS, pursuant to the Employee Stock Option Plan of Mack-Cali Realty Corporation which was originally effective August 31, 1994 and amended and restated as of December 11, 1998 (the "Plan"), the Company hereby awards shares of the Company's common stock, par value \$.01 per share ("Common Stock") to the Recipient subject to such terms, conditions, and restrictions (hereinafter, "Restricted Share Award") as set forth in the Plan, this Agreement, and the Amended and Restated Employment Agreement dated as of July 1, 1999 by and between the Company and Recipient (the "Employment Agreement"), and

WHEREAS, Recipient has agreed under the amended terms of the Employment Agreement to change his employment period to four (4) years, and to amend the amount of the severance payment Recipient may be eligible to receive upon termination of employment with the Company, and

WHEREAS, upon the vesting of Restricted Shares, Recipient is also entitled to receive a tax gross-up from the Company under the amended terms of the Employment Agreement to enable Recipient to retain as many shares of Common Stock as possible,

NOW THEREFORE, the parties hereto hereby agree as follows:

1. Award of Shares of Restricted Stock.

Pursuant to the Plan, the Committee hereby awards to the Recipient, effective as of the Grant Date, a Restricted Share Award representing the conditional receipt of 22,031 shares of Common Stock ("Restricted Shares") at no out-of-pocket cost to the Recipient subject to the terms, conditions and restrictions set forth herein. Except for defined terms set forth in Section 4 below, capitalized terms not otherwise defined in this Agreement shall be as defined in the Plan.

2. Award Restrictions.

(a) General Rules. Ownership of Restricted Shares shall not vest in the Recipient, and shall be subject to forfeiture until the conditions of Section 2(b) and (c) or Section 4 are fully satisfied. For purposes of this Agreement, the following concepts shall be defined as follows: (i) the lapse of restrictions on the Recipient's rights with respect to the Restricted Shares granted hereunder shall be referred to as "Vesting"; (ii) the period between the Grant Date and the date of Vesting shall be referred to as the "Vesting Period"; and (iii) the date Vesting occurs shall be referred to as the "Vesting Date."

(b) Vesting. An aggregate of 22,031 Restricted Shares may vest in the Recipient and vest on either a year by year basis over a five year Vesting Period or on a cumulative basis over a seven year maximum Vesting Period. The number of Restricted Shares scheduled to be vested and earned on each Vesting Date on a year by year basis provided the Performance Goals specified in Section 2(c) below are satisfied is as follows:

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Restricted Shares -----	Vesting Date -----
3,304	January 1, 2000
3,305	January 1, 2001
4,406	January 1, 2002
5,508	January 1, 2003
5,508	January 1, 2004

The Vesting Date for this Agreement shall be each January 1st through and including January 1, 2006. In determining the number of Restricted Shares which are earned and vested, fractional shares shall be rounded down to

the nearest whole number and shall be aggregated and earned on the next Vesting Date.

(c) Performance Goals. (i) The Restricted Shares shall vest on the applicable Vesting Date on a year by year basis provided one of the following financial tests ("Financial Tests") is met for the measurement period ending on the last day of the Company's fiscal year immediately preceding such Vesting Date: (A) the Company achieves an eight percent (8%) funds from operations per common share ("FFO") increase, or (B) shareholders receive a twelve and three quarters percent (12.75%) total return (dividends, assuming reinvestment upon applicable payment date, plus stock appreciation per share of Common Stock). For purposes of this Agreement, FFO shall mean (i) net income (loss) before minority interest of unit holders, computed in accordance with generally accepted accounting principles ("GAAP"), excluding the effect of straight lining of rents, gains (or losses) from debt restructuring, other extraordinary and significant non-recurring items, and gains (or losses) on sale of property and other property-related valuation allowances, plus real estate related depreciation and amortization, as calculated in accordance with the National Association of Real Estate Investment Trusts definition published in March 1995 after

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adjustment for straight lining of rents and as applied in accordance with the accounting practices and policies of the Company in effect from time to time on a consistent basis to the entire Vesting Period, divided by (ii) the sum of (A) the diluted weighted average number of outstanding shares of Common Stock and (B) the diluted weighted average number of outstanding common limited partnership units of Mack-Cali Realty, L.P., a Delaware limited partnership of which the Company is the sole general partner, for the applicable period with such calculations being made all before the effect on FFO and diluted common shares/common limited partnership units resulting from certain non-recurring cash payments made pursuant to certain written employment agreements and from the vesting of restricted share awards and other similar plans or compensation arrangements for the applicable period.

(ii) In the event that neither of the Financial Tests above is satisfied for the fiscal year of the Company corresponding to the applicable Vesting Date ("Non-Achievement Year"), any Restricted Shares that failed to vest under the annual performance goal criteria on such Date may vest on such Date or on a subsequent Vesting Date provided the test described below is satisfied (the "Cumulative Test"). The Cumulative Test shall be applied at the end of the Non-Achievement Year or any subsequent fiscal year ("Catch-Up Year") with respect to any Non-Achievement Year provided a Financial Test was satisfied in a prior fiscal year or is satisfied in a Catch-Up Year, by applying the aggregate Financial Test percentages and the performance goal requirement on a cumulative basis beginning with the first fiscal year of the Vesting Period and ending with the Non-Achievement Year or the Catch-Up Year, as applicable. In the event the Cumulative Test is satisfied (i.e., the

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aggregate increase in FFO or aggregate total return is not less than the minimum percentage required to satisfy the Financial Test after taking into account the applicable Non-Achievement Year), the Restricted Shares that failed to vest in the Non-Achievement Year shall automatically vest on the Vesting Date applicable to the Non-Achievement Year or the Catch-Up Year, as the case may be. For example, if vesting occurred in years one (1) and two (2), year three (3) is a Non-Achievement Year, and the Cumulative Test is met for the Non-Achievement Year (i.e., either FFO is not less than twenty-four (24%) percent or the aggregate return is not less than thirty-eight and one-quarter (38.25%) percent) vesting would occur on the Vesting Date applicable to the Non-Achievement Year. In the event the Cumulative Test is not met in the Non-Achievement Year, one of the Financial Tests is met in year four (4), the Cumulative Test may be used. Under this scenario, vesting in that portion of the Restricted Stock Award scheduled to vest in year three (3) will occur in year four (4) if either the aggregate FFO is not less than thirty-two percent (32%) or the aggregate total return is not less than fifty-one percent (51%) at the end of the fourth (4th) fiscal year. Rules for Application of the Cumulative Test: (a) the Cumulative Test will be applied first at the end of any Non-Achievement Year, (b) it is not necessary for any Catch-Up Year to immediately succeed a Non-Achievement Year in order for the Cumulative Test to be applicable as long as the Catch-Up Year occurs during the Vesting Period, (c) if two (2) or more Non-Achievement Years have occurred during the Vesting Period and remain non-vested, in the event that the Cumulative Test is met on a partial basis so that at least one (1) full year's vesting may occur, the Restricted Share Award granted with respect to the last Non-Achievement Year that has occurred, shall vest first and any

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excess shall be credited to another Non-Achievement Year and (d) the Cumulative Test may be met on a partial basis by aggregating percentages in excess of the

minimum annual requirement from more than one (1) fiscal year in the Vesting Period. For example, if vesting occurred in year one (1) and the FFO is sixteen (16%) percent, years two (2) and three (3) are Non-Achievement Years with a loss in year two (2) of two (2%) percent and year three (3) the FFO is four (4%) percent, the Restricted Shares awarded with respect to year three (3) would vest under the Cumulative Test and two (2%) percent of the remaining FFO would be available to be used in year two (2) or any other year (e.g., in the event that FFO were fourteen (14%) percent in year four (4), the Restricted Shares applicable to year two (2) would also vest. In the alternative, if FFO were six (6%) percent in year four (4), year four (4) would vest and year two (2) would remain a Non-Achievement Year). Notwithstanding any contrary provisions contained in this Section 2(c) and subject to Section 4 below, any Restricted Shares that have not been earned and vested by January 1, 2004 on a year by year basis or by January 1, 2006 pursuant to the Cumulative Test shall automatically be canceled and forfeited.

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

(e) Prohibition Against Assignment. During the Vesting Period, the Restricted Shares may not be transferred or encumbered by the Recipient by means of sale, assignment, mortgage, transfer, exchange, pledge, or otherwise. The

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levy of any execution, attachment, or similar process upon the Restricted Shares shall be null and void.

3. Stock Certificates.

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

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

(c) Effect of Vesting. Upon Vesting, the Company shall cause to be delivered to the Recipient (i) a certificate for the Shares which have vested free and clear of restrictive legends and (ii) any stock powers signed hereunder by the Recipient remaining in its possession related to the vested shares. In the event that the

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Recipient dies before delivery of the certificate, such certificate shall be delivered to, and registered in the name of, the Recipient's beneficiary or estate, as the case may be.

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

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

4. Termination of Employment; Change in Control.

(a) Termination Due to Disability, Death or for Good Reason; Change in Control. Unless otherwise provided in the Employment Agreement and

notwithstanding any provision of the Plan to the contrary, if the Recipient terminates employment with the Company due to Disability, death, for Good Reason or a termination initiated by the Company without Cause, all Restricted Shares subject to this Agreement and held by, or on behalf of, the Recipient shall be deemed earned and vested as of the Recipient's last day of employment with the Company. In addition, unless otherwise provided in the Employment Agreement and notwithstanding any

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provision of the Plan to the contrary, all Restricted Shares subject to this Agreement and held by the Recipient on the date a Change in Control occurs shall be deemed earned and vested as of such date.

(b) Termination for Any Other Reason. Unless otherwise provided in the Employment Agreement, if the Recipient's employment with the Company terminates prior to January 1, 2006 for reasons other than Disability, death, a termination initiated by the Company without Cause or for Good Reason or as a result of a Change in Control, any Restricted Shares subject to this Agreement that have not been earned and vested prior to the Recipient's termination of employment shall be immediately forfeited on the last day of the Recipient's employment with the Company.

5. Withholding.

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

6. Adjustments for Capital Changes.

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

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Plan and this Agreement to prevent dilution or enlargement of the rights granted to the Recipient.

7. No Right to Continued Employment.

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

8. Notice.

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

Mack-Cali Realty Corporation
11 Commerce Drive
Cranford, New Jersey 07016

Attn: Mitchell E. Hersh
Chief Executive Officer

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

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

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

9. Entire Agreement; Effect of Employment Agreement.

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

(b) Effect of Employment Agreement. In the event the

Employment Agreement with the Company contains additional rights, duties and/or obligations with respect to the Recipient, such terms and conditions shall govern the

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Recipient's Restricted Share Award as if such terms and conditions had been set forth herein; and in the event of any conflict or inconsistency between the terms of the Employment Agreement or this Agreement, the terms and conditions of the Employment Agreement shall control.

10. Construction.

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

11. Governing Law.

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

12. Successors.

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

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

Mack-Cali Realty Corporation

By: /s/ Mitchell E. Hersh

Mitchell E. Hersh
Chief Executive Officer

Recipient

/s/ John R. Cali

John R. Cali

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MACK-CALI REALTY CORPORATION
RESTRICTED SHARE AWARD AGREEMENT
BRANT CALI

AGREEMENT EVIDENCING THE GRANT
OF A RESTRICTED SHARE AWARD PURSUANT
TO THE EMPLOYEE STOCK OPTION PLAN
OF MACK-CALI REALTY CORPORATION

AGREEMENT ("Agreement") effective as of July 1, 1999, ("Grant Date") by and between Mack-Cali Realty Corporation (the "Company") and Brant Cali ("Recipient").

WHEREAS, pursuant to the Employee Stock Option Plan of Mack-Cali Realty Corporation which was originally effective August 31, 1994 and amended and restated as of December 11, 1998 (the "Plan"), the Company hereby awards shares of the Company's common stock, par value \$.01 per share ("Common Stock") to the Recipient subject to such terms, conditions, and restrictions (hereinafter, "Restricted Share Award") as set forth in the Plan, this Agreement, and the Amended and Restated Employment Agreement dated as of July 1, 1999 by and between the Company and Recipient (the "Employment Agreement"), and

WHEREAS, Recipient has agreed under the amended terms of the Employment Agreement to change his employment period to four (4) years, and to amend the amount of the severance payment Recipient may be eligible to receive upon termination of employment with the Company, and

WHEREAS, upon the vesting of Restricted Shares, Recipient is also entitled to receive a tax gross-up from the Company under the amended terms of the Employment Agreement to enable Recipient to retain as many shares of Common Stock as possible,

NOW THEREFORE, the parties hereto hereby agree as follows:

1. Award of Shares of Restricted Stock.

Pursuant to the Plan, the Committee hereby awards to the Recipient, effective as of the Grant Date, a Restricted Share Award representing the conditional receipt of 23,437 shares of Common Stock ("Restricted Shares") at no out-of-pocket cost to the Recipient subject to the terms, conditions and restrictions set forth herein. Except for defined terms set forth in Section 4 below, capitalized terms not otherwise defined in this Agreement shall be as defined in the Plan.

2. Award Restrictions.

(a) General Rules. Ownership of Restricted Shares shall not vest in the Recipient, and shall be subject to forfeiture until the conditions of Section 2(b) and (c) or Section 4 are fully satisfied. For purposes of this Agreement, the following concepts shall be defined as follows: (i) the lapse of restrictions on the Recipient's rights with respect to the Restricted Shares granted hereunder shall be referred to as "Vesting"; (ii) the period between the Grant Date and the date of Vesting shall be referred to as the "Vesting Period"; and (iii) the date Vesting occurs shall be referred to as the "Vesting Date."

(b) Vesting. An aggregate of 23,437 Restricted Shares may vest in the Recipient and vest on either a year by year basis over a five year Vesting Period or on a cumulative basis over a seven year maximum Vesting Period. The number of Restricted Shares scheduled to be vested and earned on each Vesting Date on a year by year basis provided the Performance Goals specified in Section 2(c) below are satisfied is as follows:

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Restricted Shares -----	Vesting Date -----
3,515	January 1, 2000
3,515	January 1, 2001
4,687	January 1, 2002
5,859	January 1, 2003
5,861	January 1, 2004

The Vesting Date for this Agreement shall be each January 1st through and including January 1, 2006. In determining the number of Restricted Shares which are earned and vested, fractional shares shall be rounded down to

the nearest whole number and shall be aggregated and earned on the next Vesting Date.

(c) Performance Goals. (i) The Restricted Shares shall vest on the applicable Vesting Date on a year by year basis provided one of the following financial tests ("Financial Tests") is met for the measurement period ending on the last day of the Company's fiscal year immediately preceding such Vesting Date: (A) the Company achieves an eight percent (8%) funds from operations per common share ("FFO") increase, or (B) shareholders receive a twelve and three quarters percent (12.75%) total return (dividends, assuming reinvestment upon applicable payment date, plus stock appreciation per share of Common Stock). For purposes of this Agreement, FFO shall mean (i) net income (loss) before minority interest of unit holders, computed in accordance with generally accepted accounting principles ("GAAP"), excluding the effect of straight lining of rents, gains (or losses) from debt restructuring, other extraordinary and significant non-recurring items, and gains (or losses) on sale of property and other property-related valuation allowances, plus real estate related depreciation and amortization, as calculated in accordance with the National Association of Real Estate Investment Trusts definition published in March 1995 after

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adjustment for straight lining of rents and as applied in accordance with the accounting practices and policies of the Company in effect from time to time on a consistent basis to the entire Vesting Period, divided by (ii) the sum of (A) the diluted weighted average number of outstanding shares of Common Stock and (B) the diluted weighted average number of outstanding common limited partnership units of Mack-Cali Realty, L.P., a Delaware limited partnership of which the Company is the sole general partner, for the applicable period with such calculations being made all before the effect on FFO and diluted common shares/common limited partnership units resulting from certain non-recurring cash payments made pursuant to certain written employment agreements and from the vesting of restricted share awards and other similar plans or compensation arrangements for the applicable period.

(ii) In the event that neither of the Financial Tests above is satisfied for the fiscal year of the Company corresponding to the applicable Vesting Date ("Non-Achievement Year"), any Restricted Shares that failed to vest under the annual performance goal criteria on such Date may vest on such Date or on a subsequent Vesting Date provided the test described below is satisfied (the "Cumulative Test"). The Cumulative Test shall be applied at the end of the Non-Achievement Year or any subsequent fiscal year ("Catch-Up Year") with respect to any Non-Achievement Year provided a Financial Test was satisfied in a prior fiscal year or is satisfied in a Catch-Up Year, by applying the aggregate Financial Test percentages and the performance goal requirement on a cumulative basis beginning with the first fiscal year of the Vesting Period and ending with the Non-Achievement Year or the Catch-Up Year, as applicable. In the event the Cumulative Test is satisfied (i.e., the

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aggregate increase in FFO or aggregate total return is not less than the minimum percentage required to satisfy the Financial Test after taking into account the applicable Non-Achievement Year), the Restricted Shares that failed to vest in the Non-Achievement Year shall automatically vest on the Vesting Date applicable to the Non-Achievement Year or the Catch-Up Year, as the case may be. For example, if vesting occurred in years one (1) and two (2), year three (3) is a Non-Achievement Year, and the Cumulative Test is met for the Non-Achievement Year (i.e., either FFO is not less than twenty-four (24%) percent or the aggregate return is not less than thirty-eight and one-quarter (38.25%) percent) vesting would occur on the Vesting Date applicable to the Non-Achievement Year. In the event the Cumulative Test is not met in the Non-Achievement Year, one of the Financial Tests is met in year four (4), the Cumulative Test may be used. Under this scenario, vesting in that portion of the Restricted Stock Award scheduled to vest in year three (3) will occur in year four (4) if either the aggregate FFO is not less than thirty-two percent (32%) or the aggregate total return is not less than fifty-one percent (51%) at the end of the fourth (4th) fiscal year. Rules for Application of the Cumulative Test: (a) the Cumulative Test will be applied first at the end of any Non-Achievement Year, (b) it is not necessary for any Catch-Up Year to immediately succeed a Non-Achievement Year in order for the Cumulative Test to be applicable as long as the Catch-Up Year occurs during the Vesting Period, (c) if two (2) or more Non-Achievement Years have occurred during the Vesting Period and remain non-vested, in the event that the Cumulative Test is met on a partial basis so that at least one (1) full year's vesting may occur, the Restricted Share Award granted with respect to the last Non-Achievement Year that has occurred, shall vest first and any

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excess shall be credited to another Non-Achievement Year and (d) the Cumulative Test may be met on a partial basis by aggregating percentages in excess of the

minimum annual requirement from more than one (1) fiscal year in the Vesting Period. For example, if vesting occurred in year one (1) and the FFO is sixteen (16%) percent, years two (2) and three (3) are Non-Achievement Years with a loss in year two (2) of two (2%) percent and year three (3) the FFO is four (4%) percent, the Restricted Shares awarded with respect to year three (3) would vest under the Cumulative Test and two (2%) percent of the remaining FFO would be available to be used in year two (2) or any other year (e.g., in the event that FFO were fourteen (14%) percent in year four (4), the Restricted Shares applicable to year two (2) would also vest. In the alternative, if FFO were six (6%) percent in year four (4), year four (4) would vest and year two (2) would remain a Non-Achievement Year). Notwithstanding any contrary provisions contained in this Section 2(c) and subject to Section 4 below, any Restricted Shares that have not been earned and vested by January 1, 2004 on a year by year basis or by January 1, 2006 pursuant to the Cumulative Test shall automatically be canceled and forfeited.

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

(e) Prohibition Against Assignment. During the Vesting Period, the Restricted Shares may not be transferred or encumbered by the Recipient by means of sale, assignment, mortgage, transfer, exchange, pledge, or otherwise. The

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levy of any execution, attachment, or similar process upon the Restricted Shares shall be null and void.

3. Stock Certificates.

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

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

(c) Effect of Vesting. Upon Vesting, the Company shall cause to be delivered to the Recipient (i) a certificate for the Shares which have vested free and clear of restrictive legends and (ii) any stock powers signed hereunder by the Recipient remaining in its possession related to the vested shares. In the event that the

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Recipient dies before delivery of the certificate, such certificate shall be delivered to, and registered in the name of, the Recipient's beneficiary or estate, as the case may be.

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

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

4. Termination of Employment; Change in Control.

(a) Termination Due to Disability, Death or for Good Reason; Change in Control. Unless otherwise provided in the Employment Agreement and

notwithstanding any provision of the Plan to the contrary, if the Recipient terminates employment with the Company due to Disability, death, for Good Reason or a termination initiated by the Company without Cause, all Restricted Shares subject to this Agreement and held by, or on behalf of, the Recipient shall be deemed earned and vested as of the Recipient's last day of employment with the Company. In addition, unless otherwise provided in the Employment Agreement and notwithstanding any

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provision of the Plan to the contrary, all Restricted Shares subject to this Agreement and held by the Recipient on the date a Change in Control occurs shall be deemed earned and vested as of such date.

(b) Termination for Any Other Reason. Unless otherwise provided in the Employment Agreement, if the Recipient's employment with the Company terminates prior to January 1, 2006 for reasons other than Disability, death, a termination initiated by the Company without Cause or for Good Reason or as a result of a Change in Control, any Restricted Shares subject to this Agreement that have not been earned and vested prior to the Recipient's termination of employment shall be immediately forfeited on the last day of the Recipient's employment with the Company.

5. Withholding.

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

6. Adjustments for Capital Changes.

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

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Plan and this Agreement to prevent dilution or enlargement of the rights granted to the Recipient.

7. No Right to Continued Employment.

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

8. Notice.

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

Mack-Cali Realty Corporation
11 Commerce Drive
Cranford, New Jersey 07016

Attn: Mitchell E. Hersh
Chief Executive Officer

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

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

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

9. Entire Agreement; Effect of Employment Agreement.

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

(b) Effect of Employment Agreement. In the event the

Employment Agreement with the Company contains additional rights, duties and/or obligations with respect to the Recipient, such terms and conditions shall govern the

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Recipient's Restricted Share Award as if such terms and conditions had been set forth herein; and in the event of any conflict or inconsistency between the terms of the Employment Agreement or this Agreement, the terms and conditions of the Employment Agreement shall control.

10. Construction.

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

11. Governing Law.

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

12. Successors.

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

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

Mack-Cali Realty Corporation

By: /s/ Mitchell E. Hersh

Mitchell E. Hersh
Chief Executive Officer

Recipient

/s/ Brant Cali

Brant Cali

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MACK-CALI REALTY CORPORATION
RESTRICTED SHARE AWARD AGREEMENT
BARRY LEFKOWITZ

AGREEMENT EVIDENCING THE GRANT
OF A RESTRICTED SHARE AWARD PURSUANT
TO THE EMPLOYEE STOCK OPTION PLAN
OF MACK-CALI REALTY CORPORATION

AGREEMENT ("Agreement") effective as of July 1, 1999, ("Grant Date") by and between Mack-Cali Realty Corporation (the "Company") and Barry Lefkowitz ("Recipient").

WHEREAS, pursuant to the Employee Stock Option Plan of Mack-Cali Realty Corporation which was originally effective August 31, 1994 and amended and restated as of December 11, 1998 (the "Plan"), the Company hereby awards shares of the Company's common stock, par value \$.01 per share ("Common Stock") to the Recipient subject to such terms, conditions, and restrictions (hereinafter, "Restricted Share Award") as set forth in the Plan, this Agreement, and the Second Amended and Restated Employment Agreement dated as of July 1, 1999 by and between the Company and Recipient (the "Employment Agreement"), and

WHEREAS, Recipient has agreed under the amended terms of the Employment Agreement to change his employment period to four (4) years, and to amend the amount of the severance payment Recipient may be eligible to receive upon termination of employment with the Company, and

WHEREAS, upon the vesting of Restricted Shares, Recipient is also entitled to receive a tax gross-up from the Company under the amended terms of the Employment Agreement to enable Recipient to retain as many shares of Common Stock as possible,

NOW THEREFORE, the parties hereto hereby agree as follows:

1. Award of Shares of Restricted Stock.

Pursuant to the Plan, the Committee hereby awards to the Recipient, effective as of the Grant Date, a Restricted Share Award representing the conditional receipt of 26,094 shares of Common Stock ("Restricted Shares") at no out-of-pocket cost to the Recipient subject to the terms, conditions and restrictions set forth herein. Except for defined terms set forth in Section 4 below, capitalized terms not otherwise defined in this Agreement shall be as defined in the Plan.

2. Award Restrictions.

(a) General Rules. Ownership of Restricted Shares shall not vest in the Recipient, and shall be subject to forfeiture until the conditions of Section 2(b) and (c) or Section 4 are fully satisfied. For purposes of this Agreement, the following concepts shall be defined as follows: (i) the lapse of restrictions on the Recipient's rights with respect to the Restricted Shares granted hereunder shall be referred to as "Vesting"; (ii) the period between the Grant Date and the date of Vesting shall be referred to as the "Vesting Period"; and (iii) the date Vesting occurs shall be referred to as the "Vesting Date."

(b) Vesting. An aggregate of 26,094 Restricted Shares may vest in the Recipient and vest on either a year by year basis over a five year Vesting Period or on a cumulative basis over a seven year maximum Vesting Period. The number of Restricted Shares scheduled to be vested and earned on each Vesting Date on a year by year basis provided the Performance Goals specified in Section 2(c) below are satisfied is as follows:

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Restricted Shares -----	Vesting Date -----
3,914	January 1, 2000
3,914	January 1, 2001
5,218	January 1, 2002
6,523	January 1, 2003
6,525	January 1, 2004

The Vesting Date for this Agreement shall be each January 1st through and including January 1, 2006. In determining the number of Restricted

Shares which are earned and vested, fractional shares shall be rounded down to the nearest whole number and shall be aggregated and earned on the next Vesting Date.

(c) Performance Goals. (i) The Restricted Shares shall vest on the applicable Vesting Date on a year by year basis provided one of the following financial tests ("Financial Tests") is met for the measurement period ending on the last day of the Company's fiscal year immediately preceding such Vesting Date: (A) the Company achieves an eight percent (8%) funds from operations per common share ("FFO") increase, or (B) shareholders receive a twelve and three quarters percent (12.75%) total return (dividends, assuming reinvestment upon applicable payment date, plus stock appreciation per share of Common Stock). For purposes of this Agreement, FFO shall mean (i) net income (loss) before minority interest of unit holders, computed in accordance with generally accepted accounting principles ("GAAP"), excluding the effect of straight lining of rents, gains (or losses) from debt restructuring, other extraordinary and significant non-recurring items, and gains (or losses) on sale of property and other property-related valuation allowances, plus real estate related depreciation and amortization, as calculated in accordance with the National Association of Real Estate Investment Trusts definition published in March 1995 after

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adjustment for straight lining of rents and as applied in accordance with the accounting practices and policies of the Company in effect from time to time on a consistent basis to the entire Vesting Period, divided by (ii) the sum of (A) the diluted weighted average number of outstanding shares of Common Stock and (B) the diluted weighted average number of outstanding common limited partnership units of Mack-Cali Realty, L.P., a Delaware limited partnership of which the Company is the sole general partner, for the applicable period with such calculations being made all before the effect on FFO and diluted common shares/common limited partnership units resulting from certain non-recurring cash payments made pursuant to certain written employment agreements and from the vesting of restricted share awards and other similar plans or compensation arrangements for the applicable period.

(ii) In the event that neither of the Financial Tests above is satisfied for the fiscal year of the Company corresponding to the applicable Vesting Date ("Non-Achievement Year"), any Restricted Shares that failed to vest under the annual performance goal criteria on such Date may vest on such Date or on a subsequent Vesting Date provided the test described below is satisfied (the "Cumulative Test"). The Cumulative Test shall be applied at the end of the Non-Achievement Year or any subsequent fiscal year ("Catch-Up Year") with respect to any Non-Achievement Year provided a Financial Test was satisfied in a prior fiscal year or is satisfied in a Catch-Up Year, by applying the aggregate Financial Test percentages and the performance goal requirement on a cumulative basis beginning with the first fiscal year of the Vesting Period and ending with the Non-Achievement Year or the Catch-Up Year, as applicable. In the event the Cumulative Test is satisfied (i.e., the

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aggregate increase in FFO or aggregate total return is not less than the minimum percentage required to satisfy the Financial Test after taking into account the applicable Non-Achievement Year), the Restricted Shares that failed to vest in the Non-Achievement Year shall automatically vest on the Vesting Date applicable to the Non-Achievement Year or the Catch-Up Year, as the case may be. For example, if vesting occurred in years one (1) and two (2), year three (3) is a Non-Achievement Year, and the Cumulative Test is met for the Non-Achievement Year (i.e., either FFO is not less than twenty-four (24%) percent or the aggregate return is not less than thirty-eight and one-quarter (38.25%) percent) vesting would occur on the Vesting Date applicable to the Non-Achievement Year. In the event the Cumulative Test is not met in the Non-Achievement Year, one of the Financial Tests is met in year four (4), the Cumulative Test may be used. Under this scenario, vesting in that portion of the Restricted Stock Award scheduled to vest in year three (3) will occur in year four (4) if either the aggregate FFO is not less than thirty-two percent (32%) or the aggregate total return is not less than fifty-one percent (51%) at the end of the fourth (4th) fiscal year. Rules for Application of the Cumulative Test: (a) the Cumulative Test will be applied first at the end of any Non-Achievement Year, (b) it is not necessary for any Catch-Up Year to immediately succeed a Non-Achievement Year in order for the Cumulative Test to be applicable as long as the Catch-Up Year occurs during the Vesting Period, (c) if two (2) or more Non-Achievement Years have occurred during the Vesting Period and remain non-vested, in the event that the Cumulative Test is met on a partial basis so that at least one (1) full year's vesting may occur, the Restricted Share Award granted with respect to the last Non-Achievement Year that has occurred, shall vest first and any

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excess shall be credited to another Non-Achievement Year and (d) the Cumulative

Test may be met on a partial basis by aggregating percentages in excess of the minimum annual requirement from more than one (1) fiscal year in the Vesting Period. For example, if vesting occurred in year one (1) and the FFO is sixteen (16%) percent, years two (2) and three (3) are Non-Achievement Years with a loss in year two (2) of two (2%) percent and year three (3) the FFO is four (4%) percent, the Restricted Shares awarded with respect to year three (3) would vest under the Cumulative Test and two (2%) percent of the remaining FFO would be available to be used in year two (2) or any other year (e.g., in the event that FFO were fourteen (14%) percent in year four (4), the Restricted Shares applicable to year two (2) would also vest. In the alternative, if FFO were six (6%) percent in year four (4), year four (4) would vest and year two (2) would remain a Non-Achievement Year). Notwithstanding any contrary provisions contained in this Section 2(c) and subject to Section 4 below, any Restricted Shares that have not been earned and vested by January 1, 2004 on a year by year basis or by January 1, 2006 pursuant to the Cumulative Test shall automatically be canceled and forfeited.

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

(e) Prohibition Against Assignment. During the Vesting Period, the Restricted Shares may not be transferred or encumbered by the Recipient by means of sale, assignment, mortgage, transfer, exchange, pledge, or otherwise. The

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levy of any execution, attachment, or similar process upon the Restricted Shares shall be null and void.

3. Stock Certificates.

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

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

(c) Effect of Vesting. Upon Vesting, the Company shall cause to be delivered to the Recipient (i) a certificate for the Shares which have vested free and clear of restrictive legends and (ii) any stock powers signed hereunder by the Recipient remaining in its possession related to the vested shares. In the event that the

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Recipient dies before delivery of the certificate, such certificate shall be delivered to, and registered in the name of, the Recipient's beneficiary or estate, as the case may be.

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

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

4. Termination of Employment; Change in Control.

(a) Termination Due to Disability, Death or for Good Reason;

Change in Control. Unless otherwise provided in the Employment Agreement and notwithstanding any provision of the Plan to the contrary, if the Recipient terminates employment with the Company due to Disability, death, for Good Reason or a termination initiated by the Company without Cause, all Restricted Shares subject to this Agreement and held by, or on behalf of, the Recipient shall be deemed earned and vested as of the Recipient's last day of employment with the Company. In addition, unless otherwise provided in the Employment Agreement and notwithstanding any

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provision of the Plan to the contrary, all Restricted Shares subject to this Agreement and held by the Recipient on the date a Change in Control occurs shall be deemed earned and vested as of such date.

(b) Termination for Any Other Reason. Unless otherwise provided in the Employment Agreement, if the Recipient's employment with the Company terminates prior to January 1, 2006 for reasons other than Disability, death, a termination initiated by the Company without Cause or for Good Reason or as a result of a Change in Control, any Restricted Shares subject to this Agreement that have not been earned and vested prior to the Recipient's termination of employment shall be immediately forfeited on the last day of the Recipient's employment with the Company.

5. Withholding.

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

6. Adjustments for Capital Changes.

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

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Plan and this Agreement to prevent dilution or enlargement of the rights granted to the Recipient.

7. No Right to Continued Employment.

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

8. Notice.

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

Mack-Cali Realty Corporation
11 Commerce Drive
Cranford, New Jersey 07016

Attn: Mitchell E. Hersh
Chief Executive Officer

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

Mr. Barry Lefkowitz
4 Borden Place
Livingston, New Jersey 07039

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

9. Entire Agreement; Effect of Employment Agreement.

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

(b) Effect of Employment Agreement. In the event the Employment Agreement with the Company contains additional rights, duties and/or obligations with respect to the Recipient, such terms and conditions shall govern the

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Recipient's Restricted Share Award as if such terms and conditions had been set forth herein; and in the event of any conflict or inconsistency between the terms of the Employment Agreement or this Agreement, the terms and conditions of the Employment Agreement shall control.

10. Construction.

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

11. Governing Law.

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

12. Successors.

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

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

Mack-Cali Realty Corporation

By: /s/ Mitchell E. Hersh

Mitchell E. Hersh
Chief Executive Officer

Recipient

/s/ Barry Lefkowitz

Barry Lefkowitz

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MACK-CALI REALTY CORPORATION
RESTRICTED SHARE AWARD AGREEMENT
ROGER W. THOMAS

AGREEMENT EVIDENCING THE GRANT
OF A RESTRICTED SHARE AWARD PURSUANT
TO THE EMPLOYEE STOCK OPTION PLAN
OF MACK-CALI REALTY CORPORATION

AGREEMENT ("Agreement") effective as of July 1, 1999, ("Grant Date") by and between Mack-Cali Realty Corporation (the "Company") and Roger W. Thomas ("Recipient").

WHEREAS, pursuant to the Employee Stock Option Plan of Mack-Cali Realty Corporation which was originally effective August 31, 1994 and amended and restated as of December 11, 1998 (the "Plan"), the Company hereby awards shares of the Company's common stock, par value \$.01 per share ("Common Stock") to the Recipient subject to such terms, conditions, and restrictions (hereinafter, "Restricted Share Award") as set forth in the Plan, this Agreement, and the Second Amended and Restated Employment Agreement dated as of July 1, 1999 by and between the Company and Recipient (the "Employment Agreement"), and

WHEREAS, Recipient has agreed under the amended terms of the Employment Agreement to change his employment period to four (4) years, and to amend the amount of the severance payment Recipient may be eligible to receive upon termination of employment with the Company, and

WHEREAS, upon the vesting of Restricted Shares, Recipient is also entitled to receive a tax gross-up from the Company under the amended terms of the Employment Agreement to enable Recipient to retain as many shares of Common Stock as possible,

NOW THEREFORE, the parties hereto hereby agree as follows:

1. Award of Shares of Restricted Stock.

Pursuant to the Plan, the Committee hereby awards to the Recipient, effective as of the Grant Date, a Restricted Share Award representing the conditional receipt of 22,031 shares of Common Stock ("Restricted Shares") at no out-of-pocket cost to the Recipient subject to the terms, conditions and restrictions set forth herein. Except for defined terms set forth in Section 4 below, capitalized terms not otherwise defined in this Agreement shall be as defined in the Plan.

2. Award Restrictions.

(a) General Rules. Ownership of Restricted Shares shall not vest in the Recipient, and shall be subject to forfeiture until the conditions of Section 2(b) and (c) or Section 4 are fully satisfied. For purposes of this Agreement, the following concepts shall be defined as follows: (i) the lapse of restrictions on the Recipient's rights with respect to the Restricted Shares granted hereunder shall be referred to as "Vesting"; (ii) the period between the Grant Date and the date of Vesting shall be referred to as the "Vesting Period"; and (iii) the date Vesting occurs shall be referred to as the "Vesting Date."

(b) Vesting. An aggregate of 22,031 Restricted Shares may vest in the Recipient and vest on either a year by year basis over a five year Vesting Period or on a cumulative basis over a seven year maximum Vesting Period. The number of Restricted Shares scheduled to be vested and earned on each Vesting Date on a year by year basis provided the Performance Goals specified in Section 2(c) below are satisfied is as follows:

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Restricted Shares -----	Vesting Date -----
3,304	January 1, 2000
3,305	January 1, 2001
4,406	January 1, 2002
5,508	January 1, 2003
5,508	January 1, 2004

The Vesting Date for this Agreement shall be each January 1st through and including January 1, 2006. In determining the number of Restricted

Shares which are earned and vested, fractional shares shall be rounded down to the nearest whole number and shall be aggregated and earned on the next Vesting Date.

(c) Performance Goals. (i) The Restricted Shares shall vest on the applicable Vesting Date on a year by year basis provided one of the following financial tests ("Financial Tests") is met for the measurement period ending on the last day of the Company's fiscal year immediately preceding such Vesting Date: (A) the Company achieves an eight percent (8%) funds from operations per common share ("FFO") increase, or (B) shareholders receive a twelve and three quarters percent (12.75%) total return (dividends, assuming reinvestment upon applicable payment date, plus stock appreciation per share of Common Stock). For purposes of this Agreement, FFO shall mean (i) net income (loss) before minority interest of unit holders, computed in accordance with generally accepted accounting principles ("GAAP"), excluding the effect of straight lining of rents, gains (or losses) from debt restructuring, other extraordinary and significant non-recurring items, and gains (or losses) on sale of property and other property-related valuation allowances, plus real estate related depreciation and amortization, as calculated in accordance with the National Association of Real Estate Investment Trusts definition published in March 1995 after

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adjustment for straight lining of rents and as applied in accordance with the accounting practices and policies of the Company in effect from time to time on a consistent basis to the entire Vesting Period, divided by (ii) the sum of (A) the diluted weighted average number of outstanding shares of Common Stock and (B) the diluted weighted average number of outstanding common limited partnership units of Mack-Cali Realty, L.P., a Delaware limited partnership of which the Company is the sole general partner, for the applicable period with such calculations being made all before the effect on FFO and diluted common shares/common limited partnership units resulting from certain non-recurring cash payments made pursuant to certain written employment agreements and from the vesting of restricted share awards and other similar plans or compensation arrangements for the applicable period.

(ii) In the event that neither of the Financial Tests above is satisfied for the fiscal year of the Company corresponding to the applicable Vesting Date ("Non-Achievement Year"), any Restricted Shares that failed to vest under the annual performance goal criteria on such Date may vest on such Date or on a subsequent Vesting Date provided the test described below is satisfied (the "Cumulative Test"). The Cumulative Test shall be applied at the end of the Non-Achievement Year or any subsequent fiscal year ("Catch-Up Year") with respect to any Non-Achievement Year provided a Financial Test was satisfied in a prior fiscal year or is satisfied in a Catch-Up Year, by applying the aggregate Financial Test percentages and the performance goal requirement on a cumulative basis beginning with the first fiscal year of the Vesting Period and ending with the Non-Achievement Year or the Catch-Up Year, as applicable. In the event the Cumulative Test is satisfied (i.e., the

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aggregate increase in FFO or aggregate total return is not less than the minimum percentage required to satisfy the Financial Test after taking into account the applicable Non-Achievement Year), the Restricted Shares that failed to vest in the Non-Achievement Year shall automatically vest on the Vesting Date applicable to the Non-Achievement Year or the Catch-Up Year, as the case may be. For example, if vesting occurred in years one (1) and two (2), year three (3) is a Non-Achievement Year, and the Cumulative Test is met for the Non-Achievement Year (i.e., either FFO is not less than twenty-four (24%) percent or the aggregate return is not less than thirty-eight and one-quarter (38.25%) percent) vesting would occur on the Vesting Date applicable to the Non-Achievement Year. In the event the Cumulative Test is not met in the Non-Achievement Year, one of the Financial Tests is met in year four (4), the Cumulative Test may be used. Under this scenario, vesting in that portion of the Restricted Stock Award scheduled to vest in year three (3) will occur in year four (4) if either the aggregate FFO is not less than thirty-two percent (32%) or the aggregate total return is not less than fifty-one percent (51%) at the end of the fourth (4th) fiscal year. Rules for Application of the Cumulative Test: (a) the Cumulative Test will be applied first at the end of any Non-Achievement Year, (b) it is not necessary for any Catch-Up Year to immediately succeed a Non-Achievement Year in order for the Cumulative Test to be applicable as long as the Catch-Up Year occurs during the Vesting Period, (c) if two (2) or more Non-Achievement Years have occurred during the Vesting Period and remain non-vested, in the event that the Cumulative Test is met on a partial basis so that at least one (1) full year's vesting may occur, the Restricted Share Award granted with respect to the last Non-Achievement Year that has occurred, shall vest first and any

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excess shall be credited to another Non-Achievement Year and (d) the Cumulative

Test may be met on a partial basis by aggregating percentages in excess of the minimum annual requirement from more than one (1) fiscal year in the Vesting Period. For example, if vesting occurred in year one (1) and the FFO is sixteen (16%) percent, years two (2) and three (3) are Non-Achievement Years with a loss in year two (2) of two (2%) percent and year three (3) the FFO is four (4%) percent, the Restricted Shares awarded with respect to year three (3) would vest under the Cumulative Test and two (2%) percent of the remaining FFO would be available to be used in year two (2) or any other year (e.g., in the event that FFO were fourteen (14%) percent in year four (4), the Restricted Shares applicable to year two (2) would also vest. In the alternative, if FFO were six (6%) percent in year four (4), year four (4) would vest and year two (2) would remain a Non-Achievement Year). Notwithstanding any contrary provisions contained in this Section 2(c) and subject to Section 4 below, any Restricted Shares that have not been earned and vested by January 1, 2004 on a year by year basis or by January 1, 2006 pursuant to the Cumulative Test shall automatically be canceled and forfeited.

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

(e) Prohibition Against Assignment. During the Vesting Period, the Restricted Shares may not be transferred or encumbered by the Recipient by means of sale, assignment, mortgage, transfer, exchange, pledge, or otherwise. The

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levy of any execution, attachment, or similar process upon the Restricted Shares shall be null and void.

3. Stock Certificates.

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

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

(c) Effect of Vesting. Upon Vesting, the Company shall cause to be delivered to the Recipient (i) a certificate for the Shares which have vested free and clear of restrictive legends and (ii) any stock powers signed hereunder by the Recipient remaining in its possession related to the vested shares. In the event that the

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Recipient dies before delivery of the certificate, such certificate shall be delivered to, and registered in the name of, the Recipient's beneficiary or estate, as the case may be.

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

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

4. Termination of Employment; Change in Control.

(a) Termination Due to Disability, Death or for Good Reason;

Change in Control. Unless otherwise provided in the Employment Agreement and notwithstanding any provision of the Plan to the contrary, if the Recipient terminates employment with the Company due to Disability, death, for Good Reason or a termination initiated by the Company without Cause, all Restricted Shares subject to this Agreement and held by, or on behalf of, the Recipient shall be deemed earned and vested as of the Recipient's last day of employment with the Company. In addition, unless otherwise provided in the Employment Agreement and notwithstanding any

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provision of the Plan to the contrary, all Restricted Shares subject to this Agreement and held by the Recipient on the date a Change in Control occurs shall be deemed earned and vested as of such date.

(b) Termination for Any Other Reason. Unless otherwise provided in the Employment Agreement, if the Recipient's employment with the Company terminates prior to January 1, 2006 for reasons other than Disability, death, a termination initiated by the Company without Cause or for Good Reason or as a result of a Change in Control, any Restricted Shares subject to this Agreement that have not been earned and vested prior to the Recipient's termination of employment shall be immediately forfeited on the last day of the Recipient's employment with the Company.

5. Withholding.

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

6. Adjustments for Capital Changes.

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

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Plan and this Agreement to prevent dilution or enlargement of the rights granted to the Recipient.

7. No Right to Continued Employment.

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

8. Notice.

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

Mack-Cali Realty Corporation
11 Commerce Drive
Cranford, New Jersey 07016

Attn: Mitchell E. Hersh
Chief Executive Officer

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

Mr. Roger W. Thomas
95 Mathews Drive
Bedminster, New Jersey 07921

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

9. Entire Agreement; Effect of Employment Agreement.

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

(b) Effect of Employment Agreement. In the event the Employment Agreement with the Company contains additional rights, duties and/or obligations with respect to the Recipient, such terms and conditions shall govern the

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Recipient's Restricted Share Award as if such terms and conditions had been set forth herein; and in the event of any conflict or inconsistency between the terms of the Employment Agreement or this Agreement, the terms and conditions of the Employment Agreement shall control.

10. Construction.

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

11. Governing Law.

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

12. Successors.

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

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

Mack-Cali Realty Corporation

By: /s/ Mitchell E. Hersh

Mitchell E. Hersh
Chief Executive Officer

Recipient

/s/ Roger W. Thomas

Roger W. Thomas

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Contract
for the
Purchase and Sale
of
Real Estate
located at
795 Folsom Street
San Francisco, California,
between
AT&T Corp.,
Seller,
and
Mack-Cali Realty Acquisition Corp.,
Buyer
* * * *

The mailing, delivery or negotiation of this document by AT&T Corp. or its agent or attorney does not constitute an offer to sell, an offer to enter into any transaction, an offer to enter into any contractual or other legal relationship whatsoever, or an undertaking to negotiate or continue negotiations, whether on the terms contained in this document or on any other terms. This document will not be binding on AT&T Corp., and AT&T Corp. will not have any obligations or liability under this document or with respect to the property described in this document, and no person, corporation or other entity will have any rights under this document or with respect to such property, unless and until AT&T Corp. and the buyer designated in this document have fully executed and delivered this document. AT&T Corp. fully reserves the right to terminate all negotiation and discussion of the subject matter of this document at any time, without cause or for any reason or for no reason, in the complete and unlimited discretion of AT&T Corp., without incurring any obligation or liability whatsoever.

* * * *

This document is a contract for the purchase and sale of real property. Buyer and Seller agree as follows:

ARTICLE 1. DEFINITIONS

Section 1.1 Usage Of Defined Terms.

As used in this Agreement, each of the following terms have the meaning set forth in this Article 1 where such term appears in this Agreement with the initial letter of each word of the term capitalized.

Section 1.2 Specific Defined Terms.

(a) "Additional Consideration" means the payment of \$200,000 that Buyer shall be obligated to pay Seller at the time of payment of the purchase price if Seller elects to lease the Additional Space pursuant to Section 2.5.

(b) "Additional Space" means the space that Seller may elect to lease pursuant to Section 2.5.

(c) "Agreement" means this contract for the purchase and sale of real

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property, consisting of fifty-nine (59) consecutively numbered pages, including the signature pages, and ten exhibits and one schedule attached to this contract and incorporated by reference into this contract, such exhibits and schedules being labeled Exhibit A (Description of the Land), Exhibit B (Permitted Exceptions), Exhibit C (Form of affidavit of nonforeign status), Exhibit D (Form of Bill of Sale), Exhibit E (List of FF&E), Exhibit F (Form of Assignment Agreement), Exhibit G (Form of Lease), Exhibit H (Environmental Documents), Exhibit I (Form of Assignment of Leases), Exhibit J (Litigation), Schedule 1 (Permits and Licenses).

(d) "AT&T and Affiliates" means AT&T Corp., and all corporations, companies, and other business entities directly or indirectly controlled by AT&T Corp., and all current and former officers, directors and employees of AT&T Corp. and all corporations, companies, and other business entities directly or indirectly controlled by AT&T Corp.

(e) "Building" means the office building and all other improvements located on the Land.

(f) "Building Evaluation Reports" means the report, dated August 19, 1998, entitled "Building Assessment Report for the 795 Folsom Street Building" prepared for Seller by M. Bruce Ottolini & Douglas A. Booth, Architects, Inc., 101 Howard Street, Suite 480, San Francisco, California 94105, the Steven Tipping Associates structural review dated October 8, 1998, and the Cannon Constructors letter dated October 15, 1998.

(g) "Building Fixtures" means the heating, air conditioning, compressed air, steam, ventilation, plumbing, substations and electrical wiring systems, the elevators and all other systems and equipment designed and utilized for the maintenance and operation of the Building which are owned by AT&T and Affiliates as of the Effective Date, including spare parts

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and supplies that are located in the Building and specifically designed and used exclusively for the maintenance or operation of such systems and equipment.

(h) "Building Records" means plans and specifications of the Building and Building Fixtures (including any available "as built" drawings), maintenance records, warranties, guaranties, books and records that concern and pertain to the Property, licenses, permits, reports, certificates and such other documents relating to the construction and operation of the Property, if any, which may be in the possession or control of AT&T and Affiliates at the Property (or in the files of Eleanor Rigney, Dale Tetzloff or Craig Bruch, wherever located) at the time that Seller receives a request from Buyer to make copies of such documents.

(i) "Business Days" means all days other than Saturdays, Sundays and days designated by the federal government as legal holidays.

(j) "Buyer" means Mack-Cali Realty Acquisition Corp., a Delaware corporation, or its assigns who have taken an assignment of rights hereunder as permitted in Section 15.3.

(k) "Buyer's Intended Use" means office use and usual and customary auxiliary uses incident to office use, including a cafeteria or restaurant for the use of tenants and other occupants of the Building, and an underground storage area and motor vehicle parking garage in the basement for use by tenants and other occupants of the Building.

(l) "Casualty" means damage to the Property or destruction of the Property by reason of fire or any other cause before the Closing.

(m) "Closing" means the simultaneous performance by Seller of Seller's obligations described in Section 3.2 of this Agreement and by Buyer of Buyer's obligations

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described in Section 3.3 of this Agreement.

(n) "Closing Date" means a Business Day selected by the parties that is not later than ten (10) calendar days after the end of the Due Diligence Period.

(o) "Code" means the Internal Revenue Code, as amended, including all regulations issued pursuant to the Internal Revenue Code.

(p) "Contracts" means the service contracts, equipment leases, any property management and leasing agreements, and other contracts and agreements affecting the Property or the operation thereof.

(q) "Days" means calendar days unless otherwise expressly stated in this Agreement.

(r) "Deposit" means five hundred thousand dollars (\$500,000.00), which will be in the form of a certified check or cashier's check payable to Escrow Agent, or wire transfer of funds to a bank account designated by Escrow Agent.

(s) "Due Diligence Period" means the period of time ending at 5:00 p.m. P.S.T. on April 30, 1999.

(t) "Effective Date" means April 28, 1999.

(u) "Environmental Documents" means the environmental documentation listed on Exhibit H, attached hereto and incorporated herein by reference thereto.

(v) "Environmental Laws" means all federal, state, county and local environmental laws, statutes, ordinances, rules, regulations, codes, requirements, orders and directives concerning or related to Hazardous Substances or their manufacture, processing, distribution, use, treatment, storage, disposal, transport, handling, discharge or release into the

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environment, or otherwise concerning or related to the protection of the environment.

(w) "Environmental Report" means the report entitled Phase I Environmental Site Assessment 795 Folsom Street, San Francisco, California, dated May 20, 1998, prepared by AT&T Environmental Health and Safety Organization, Pleasanton, California 94107.

(x) "Escrow Agent" means the Title Company.

(y) "FF&E" means those items of furniture, furnishings, fixtures, fittings, trade fixtures, equipment, machinery, apparatus, appliances and other articles of personal property that are owned by AT&T and Affiliates and located in the Building or elsewhere on the Land as of the Effective Date and that are identified in Exhibit E attached to this Agreement.

(z) "Governmental Authority" means the federal, state, county or municipal government, or any department, agency, bureau, commission or other similar type body obtaining authority therefrom or created pursuant to any law.

(aa) "Hazardous Substances" means those substances identified as regulated substances, toxic substances, hazardous substances, hazardous wastes, pollution, pollutants or contaminants under the Resource Conservation and Recovery Act or the Comprehensive Environmental Response, Compensation and Liability Act, or any other applicable Environmental Law.

(bb) "Indemnify" means to defend, indemnify and save harmless against all claims, liabilities, losses, damages, costs and expenses (including reasonable attorney's fees, expert witness fees and other costs of defense).

(cc) "Information" means all specifications, drawings, sketches, diagrams, computer programs, data, manuals, technical information, business information and Building

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Records which AT&T and Affiliates may furnish to Buyer or that Buyer otherwise may obtain in connection with the transaction covered by this Agreement.

(dd) "Intermediary" means a qualified intermediary in accordance with the provisions of Section 1031 of the Code.

(ee) "Land" means those parcels of land located in the City and County of San Francisco, California, designated as tax assessor's lots 105, 112, and 155, block 3751, and more particularly described in Exhibit A that is attached to this Agreement.

(ff) "Lease" means a lease agreement to be entered into at the Closing by Buyer, as lessor, and Seller, as lessee, in the form that is attached to this Agreement as Exhibit G.

(gg) "Listing Broker" means Grubb & Ellis Company.

(hh) "Material Casualty" means any Casualty resulting in damage to the Property of one million dollars (\$1,000,000) or more or any Casualty that can be the basis for any tenant to terminate any lease or leases that, in the aggregate, are for more than ten thousand (10,000) square feet of net rentable area in the Building, in each case as reasonably estimated by Buyer.

(ii) "Notice" means any written communication of any nature, whether in the form of correspondence, memorandum, order, directive or otherwise.

(jj) "Permitted Exceptions" means the matters specified in Exhibit B that is attached to this Agreement.

(kk) "Property" means the Land; the Building; the Building Fixtures; all right, title and interest of Seller, if any, in and to the Land lying in the bed of any street or highway in front of or adjoining the Land and to any unpaid

award for any Taking by condemnation, or any

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damage to the Land by reason of a change of grade of any street or highway; and the appurtenances and all the estate and rights of Seller in and to the Land and Building.

(ll) "Purchase Price" means thirty-four million dollars (\$34,000,000.00).

(mm) "Seller" means AT&T Corp., a New York corporation, successor by merger to AT&T Resource Management Corporation.

(nn) "Seller's Knowledge" means actual knowledge that Craig Bruch, Real Estate Dispositions Manager, and Seller's current property manager for the Building, Eleanor Rigney, and her supervisor, Dale Tetzloff have, as a result of the performance of their respective duties as employees of Seller but without additional inquiry or investigation.

(oo) "Substantial Part" means a part of the Property without which the remainder of the Property will not be reasonably sufficient for Buyer's Intended Use.

(pp) "Taking" means any taking by condemnation or eminent domain of all or a portion of the Property.

(qq) "Tank Laws" means Cal. Health & Safety Code ss. 25280 et seq., the federal underground storage tank law (Subtitle I) of the Resource Conservation and Recovery Act, as amended, 42 U.S.C. ss. 6901 et seq., and any other state, county or municipal statute, ordinance, code, rule or regulation applicable to underground or above ground tanks, together with any amendments thereto, regulations promulgated thereunder, and all substitutions thereof, and any successor legislation and regulations.

(rr) "Title Company" means Partners Title Company, with an office located at 712 Main Street, Suite 2000E, Houston, Texas 77002-3218.

(ss) "Title Report" means the revised preliminary report for a policy of title

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insurance issued by Chicago Title Insurance Company, Order No. 9560070, dated January 29, 1999.

(tt) "Underground Storage Tank" means each and every "underground storage tank," whether or not subject to the Tank Laws, as well as the "monitoring system," the "leak detection system," the "discharge detection system" and the "tank system" associated with the "underground storage tank," as those terms in quotations are defined by the Tank Laws.

(uu) "Violations" means any actual or alleged violations of any applicable covenants, conditions, servitudes, restrictions, easements or other obligations binding on the Property or the owner of the Property or any statute, code, ordinance, regulation, rule, requirement, administrative order or directive issued by any governmental authority having jurisdiction over the Property.

(vv) "Works of Art" has the meaning set forth in Section 5.1(a).

(ww) "Work of Visual Art" has the meaning set forth in Section 5.1(b).

ARTICLE 2. TERMS OF SALE

Section 2.1 Purchase Price.

Subject to the terms and conditions of this Agreement, Seller shall sell and convey the Property to Buyer, and Buyer shall purchase the Property from Seller and pay the Purchase Price to Seller and, if Seller makes the election to lease the Additional Space, pay the Additional Consideration to Seller. As additional consideration, Buyer and Seller shall enter into the Lease, to be effective and to be delivered as of the Closing as hereinafter provided.

Section 2.2 Deposit.

Buyer shall pay the Deposit to the Escrow Agent within two Business Days after the

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Effective Date. The Deposit shall be credited against the Purchase Price at the Closing. The Deposit shall be held by the Escrow Agent in an interest-bearing account. Except as otherwise expressly set forth in this Agreement, all interest on the Deposit shall accrue to the benefit of Purchaser and shall be credited against the Purchase Price if the purchase and sale is consummated. If the sale of the Property is not consummated due to the failure of any condition of Closing set forth herein, or any other reason except a default under this Agreement solely on the part of Buyer, Buyer shall be entitled to the return of the Deposit, including any interest accrued thereon.

IF SAID SALE IS NOT CONSUMMATED BECAUSE OF A DEFAULT UNDER THIS AGREEMENT SOLELY ON THE PART OF BUYER, THE DEPOSIT, TOGETHER WITH INTEREST ACCRUED THEREON, SHALL BE PAID TO AND RETAINED BY SELLER AS LIQUIDATED DAMAGES. THE PARTIES HAVE AGREED THAT SELLER'S ACTUAL DAMAGES, IN THE EVENT OF A DEFAULT BY BUYER, WOULD BE EXTREMELY DIFFICULT OR IMPRACTICABLE TO DETERMINE. THEREFORE, BY PLACING THEIR INITIALS BELOW, THE PARTIES ACKNOWLEDGE THAT THE DEPOSIT, TOGETHER WITH INTEREST ACCRUED THEREON, HAS BEEN AGREED UPON, AFTER NEGOTIATION, AS THE PARTIES' REASONABLE ESTIMATE OF SELLER'S DAMAGES AND AS SELLER'S EXCLUSIVE REMEDY AGAINST BUYER, AT LAW

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OR IN EQUITY, IN THE EVENT OF A DEFAULT UNDER THIS AGREEMENT SOLELY ON THE PART OF BUYER.

Initials of authorized officer of Seller acting on behalf of Seller: _____

Initials of authorized officer of Buyer acting on behalf of Buyer: _____

Section 2.3 Payment of the Purchase Price.

At the Closing, Buyer will pay to Seller the Purchase Price, less the Deposit and less any interest that has accrued thereon and that is paid to Seller.

Section 2.4 Buyer's Right To Terminate.

During the Due Diligence Period, Buyer will be entitled to investigate (i) the condition of the Building on the Property as to its resistance to seismic stress and the necessity, feasibility, desirability and cost of structural upgrades related thereto; (ii) the suitability of the Property under the Planning Code, the Yerba Buena Center Redevelopment Plan (the "Redevelopment Plan") and related documents and other regulations of the City and County of San Francisco and its constituent agencies for Buyer's Intended Use, both at the time of Closing and after the expiration date of the Redevelopment Plan; and (iii) whether parking for the Property complies with the regulations of the City and County of San Francisco and its constituent agencies. If Buyer is not satisfied with Buyer's investigation of such matters in Buyer's sole discretion, Buyer shall so advise Seller in writing prior to the expiration of the Due Diligence Period. If Buyer gives such notice to Seller prior to the expiration of the Due Diligence Period, this Agreement shall terminate without further obligation of either Buyer or Seller, except that (i) Seller shall authorize the Escrow Agent to return to Buyer the Deposit held by the Escrow Agent, together with such interest as may have been earned thereon, and

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(ii) within five (5) Days after termination, Buyer shall, without cost to Seller, deliver to Seller all originals and copies of all Information furnished by Seller to Buyer in Buyer's possession or control, as well as copies of all Information obtained by Buyer and in Buyer's possession or control, to the extent the preparer of such Information permits Buyer to deliver such copies to Seller. Buyer will not be obligated to provide copies of any documents prepared by Buyer, including business plans or projections relating to the transaction contemplated by this Agreement. Failure on the part of Buyer to give notice of dissatisfaction with respect to any of the matters stated above within the Due Diligence Period as above provided shall constitute a waiver of the right to terminate this Agreement pursuant to this Section 2.4.

Section 2.5 Lease Of Additional Space; Additional Consideration.

(a) Seller shall have the right to lease Additional Space in the Building consisting of either (i) one-half (1/2) of the net rentable square feet on the main floor (that portion located on the west side of the Building) at a full-service rental rate of \$32.00 per rentable square foot (i.e., having a base rent of \$32.00 per rentable square foot and charging additional rent for the tenant's pro rata share of operating costs that exceed the cost of operating expenses in the Base Year as described in the Lease), or (ii) one-half (1/2) of the net rentable square feet on the fourth floor at a full-service rental rate of \$32.00 per rentable square foot, as Buyer may elect, upon all of the terms, covenants and conditions contained in the Lease. Seller shall exercise its

election by duly executing and delivering to Buyer the election to lease Additional Space that Buyer shall select pursuant to the Lease. Seller's failure to (i) elect to lease Additional Space, and (ii) commence payment of rent therefor as provided in the Lease, shall constitute an irrevocable election to relinquish the right to lease the Additional Space.

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(b) Within ten (10) Days after receipt of Seller's election to lease Additional Space, Buyer shall duly execute and return to Seller notice of the specific Additional Space to which the election shall apply as specified above at Buyer's election. Buyer's failure to notify Seller of the Additional Space to which the election shall apply within ten (10) Days after Seller's delivery of the notice of election to lease Additional Space shall constitute a waiver of the right so to elect, but it shall not in any way diminish or reduce Seller's right to lease the Additional Space and select the Premises to which it shall apply, given Buyer's failure to do so.

(c) Notwithstanding the foregoing Sections 2.5(a) and 2.5(b), if, before the exercise by Seller of its option to lease Additional Space as set forth in Section 2.5(a), Buyer (i) has leased either of the spaces as to which Seller has an option, and (ii) has received a letter of intent or other written proposal to lease the other space as to which Seller has an option, which said proposal Buyer desires to accept, then Buyer shall give written notice to Seller that Buyer has received such letter of intent or proposal, and Seller shall have twenty-five (25) Days within which to exercise its option to lease Additional Space under this Section 2.5, applying only to the space that Buyer has not yet leased to a third party. If Seller fails to exercise its option within such twenty-five (25) Day period, Seller's option under this Section 2.5 shall terminate.

(d) If Seller elects to lease Additional Space and Seller's option to do so has not terminated under Section 2.5(c), then Buyer shall pay to Seller the Additional Consideration not later than five (5) Business Days after Buyer receives the first payment of rent for the Additional Space.

(e) The rights and obligations of the parties under this Section 2.5 shall survive the Closing.

ARTICLE 3. CLOSING

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Section 3.1 Closing.

The Closing shall take place through the Escrow Agent at 10:00 a.m. on the Closing Date at the office of the Title Company or at such other place as Seller and Buyer may mutually agree in writing.

Section 3.2 Seller's Closing Obligations.

At the Closing, and as a condition to the payment of the Purchase Price, Seller shall deliver or cause to be delivered to Buyer the following:

(a) a grant deed in the customary and proper form for recording, properly executed and acknowledged so as to convey the real estate portion of the Property to Buyer, subject only to the Permitted Exceptions, sufficient to allow for issuance by Title Company of an ALTA owner's title insurance policy, 1970 Owner's Form (or if such form is unavailable, the ALTA 1992 form with the creditor's rights and arbitration exceptions deleted), including such endorsements as Buyer shall reasonably require, subject only to the Permitted Exceptions and such matters as Buyer elects to take subject to pursuant to Section 4.4, with a liability limit equal to the Purchase Price plus, if applicable, the Additional Consideration (the "Title Policy");

(b) such affidavits of title and other customary documents and instruments as the Title Company may reasonably require in accordance with customary practice, including a duly executed affidavit that Seller is not a "foreign corporation" as defined in the Code in the form attached to this Agreement as Exhibit C and a duly executed California Franchise Tax Board Form 590-RE;

(c) a bill of sale transferring the FF&E in accordance with Section 5.2 of this Agreement to the Buyer in the form attached to this Agreement as Exhibit D;

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(d) an assignment of license affecting the Property in the form attached to this Agreement as Exhibit I;

(e) a certificate stating that the representations and warranties of

Seller made in this Agreement are true and correct in all material respects as of the Closing Date;

(f) any other documents reasonably necessary for the consummation of the transaction contemplated by this Agreement;

(g) two (2) duplicate originals of the Lease executed by Seller, as tenant, dated as of the date of Closing;

(h) originals (or legible copies, where originals are not available) of all documents and instruments being transferred to Buyer in accordance with this Agreement, including without limitation all assigned Contracts and all Building Records;

(i) a computer diskette containing this Agreement and all closing documents prepared by Seller; and

(j) a UCC search of Seller run in San Francisco County, California and the California Secretary of State dated within five (5) Business Days of the Closing Date, showing that no liens affect the Property to be conveyed at Closing other than liens being released on or before the Closing Date.

Section 3.3 Buyer's Closing Obligations.

At the Closing, as a condition to the delivery of the deed and the other documents to be delivered by Seller under this Agreement, Buyer shall deliver or cause to be delivered to Seller the following:

(a) the balance of the Purchase Price in the manner specified in Section 2.3;

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(b) duplicate originals of the Lease executed by Buyer, as landlord; and

(c) any other documents reasonably necessary for the consummation of the transaction described in this Agreement.

ARTICLE 4. TITLE AND SURVEY

Section 4.1 Title Insurance Commitment and Survey.

Seller has delivered the Title Report to Buyer. Within fifteen (15) Days after the Effective Date, Buyer shall advise Seller in writing of any title defects, liens, encumbrances, other objections to title or items shown on the Survey (as defined below) other than the Permitted Exceptions. Buyer's failure to give such notice shall constitute an irrevocable waiver of all such matters disclosed by the Title Report and Survey. Buyer's rights under this Article 4 are in addition to Buyer's rights under Section 2.4. For purposes hereof, the "Survey" shall be the ALTA/ACSM survey of the Property obtained by Buyer at its cost and expense.

Section 4.2 Seller's Right To Extend Closing.

If Buyer objects properly and in a timely manner to any title or Survey matter under Section 4.1 of this Agreement, then Seller shall, at its option, be entitled to an adjournment of the Closing, if necessary, for a period not to exceed thirty (30) Days after the scheduled Closing Date, to enable Seller to attempt to remove any claimed title defect, lien, encumbrance or objection that Seller is willing to remove or is obligated to remove pursuant to Section 4.3 of this Agreement.

Section 4.3 Limitation On Seller's Title Obligations.

If Buyer notifies Seller of any title defect, lien, encumbrance or objection pursuant to Section 4.1 of this Agreement, Seller shall not be required or obligated to (i) commence any

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litigation or (ii) incur any costs or expenses to cure or remove any defect, lien, encumbrance or objection, except that Seller shall be obligated to (x) cure, remove or provide for the satisfaction of any defect, lien, encumbrance or objection that arises from Seller's actions after the Effective Date of this Agreement, (y) remove any mortgage, deed of trust, tax, mechanic's, materialman's or similar lien (other than the lien of non-delinquent real property taxes) created by, through or under Seller and existing at any time prior to the Closing Date, and (z) remove any liens created by, through or under third parties to the extent that the cost of such removal does not exceed two hundred thousand dollars (\$200,000). Notwithstanding anything to the contrary herein contained, Seller has disclosed to Buyer that the Survey will show the possibility of immaterial gaps and immaterial overlaps due to minor

discrepancies between the record and survey descriptions. Any such gaps and overlaps due to such discrepancies shall not constitute ground for objection to title by Buyer so long as Title Company is willing to insure title to the Property in accordance with the requirements hereof without exception for any such matters, with Seller's share of the cost of such title insurance not to exceed fifty cents (\$0.50) per one thousand dollars (\$1,000) of coverage.

Section 4.4 Buyer's Rights In the Event Of A Title Defect.

If Seller advises Buyer that Seller is unable or unwilling to remove any defect, lien, encumbrance or objection of which Seller is notified pursuant to Section 4.1 of this Agreement (other than matters Seller is obligated to cure pursuant to Section 4.3 of this Agreement), Buyer shall have the right to terminate this Agreement and be entitled to the return of the Deposit with interest or Buyer may nevertheless elect to accept such title as Seller may be able or willing to convey, and Buyer shall not be entitled to any abatement, reduction of or any credit or allowance

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against the Purchase Price by reason of any such title defect, lien or encumbrance, and Seller shall have no further liability with respect to any such title defect, lien or encumbrance.

Section 4.5 Seller's Inability To Perform.

If for any reason whatsoever, other than Seller's default, Seller is unable to perform any of Seller's obligations under this Agreement (including, without limitation, Seller's obligation to deliver lien-free title to the Property to Buyer at Closing), or is otherwise unable to convey the Property to Buyer in accordance with this Agreement, then the only liability and obligation of Seller shall be to authorize the Escrow Agent to return the Deposit to Buyer with interest; and when the Deposit with interest is returned to Buyer, this Agreement shall be terminated and neither party shall have any further liability to the other except as otherwise expressly reserved in this Agreement. If Seller defaults, then Buyer shall have the right to elect one of the following as Buyer's sole and exclusive remedy: (i) Buyer shall have the right to terminate this Agreement and receive a refund of the Deposit actually paid with interest; or (ii) Buyer shall have the right to institute an action for specific performance, and if Buyer is successful in such action Buyer may recover Buyer's reasonable attorneys' fees and costs incurred directly in connection with such action. In no event shall Buyer be entitled to seek, claim or recover any direct, consequential or punitive damages from Seller, all of which are expressly and irrevocably waived by Buyer.

ARTICLE 5. FF&E

Section 5.1 Works Of Art.

(a) Buyer acknowledges that all Works of Art that are at the Property as of the Effective Date are not included in FF&E, will not be sold and conveyed to Buyer and shall

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remain the property of Seller unless Seller is otherwise prohibited from removing such Works of Art from the Building or the Land under applicable laws, ordinances or regulations, conditions of any governmental permits or approvals, or recorded agreements or restrictions. For purposes of this Section 5.1, "Works of Art" means and includes (but without limitation) the eight (8) plexiglass world globes located in the Building, the exterior decorative coverings on the elevator doors and other works of art located in the Building that can be easily removed therefrom (e.g. paintings), including works of art that may be stored in the basement of the Building, and the bronze sculpture outside of the Building titled "Communication At Our Fingertips" if it is determined that the same may be removed without violating any law, ordinance, rule or regulation. All Works of Art removed from the Property by Seller shall be removed at Seller's sole cost and expense and Seller shall repair, at its expense, any damage to the Property caused by such removal.

(b) Buyer's execution hereof constitutes Buyer's conclusive acknowledgement that (i) no work of visual art, as defined in 17 U.S.C. ss. 101 ("Work of Visual Art"), has been incorporated in or made a part of the Building, or (ii) any Works of Visual Art that are to become the property of Buyer after the Closing comply in all respects with the requirements of applicable law and regulations.

(c) Seller will not, prior to Closing, incorporate or permit the incorporation of any additional Work of Visual Art in the Building unless Seller first delivers to Buyer a written instrument duly executed by (i) Seller, (ii) the tenant of the space in which the Work of Visual Art will be incorporated, if applicable, and (iii) the artist who created the Work of Visual Art that acknowledges that installation of the Work of Visual Art may subject the Work of

destruction, distortion, mutilation or other modification by reason of its removal from the Building.

(d) Except in the case of the removal of a Work of Visual Art incorporated into the Building for which the statement referred to in Section 5.1(c) has been obtained and that either (i) cannot be removed without its destruction, distortion, mutilation or other modification or (ii) can be removed without its destruction, distortion, mutilation or other modification and as to which Seller has complied with the provisions of Section 5.1(e), Seller shall not, prior to Closing, permit (x) any intentional distortion, mutilation or other modification of a Work of Visual Art or (y) any destruction of a Work of Visual Art that might be considered a Work of Visual Art of recognized stature.

(e) Seller shall not permit the removal of a Work of Visual Art from the Building that can be removed without its destruction, distortion, mutilation or other modification, unless Seller complies with the requirements of 17 U.S.C. ss. 113(d)(2), as amended from time to time, pertaining to the giving of notice to the artist who created the Work of Visual Art of such intended action and the opportunity for the artist to remove the Work of Visual Art or to pay for its removal.

(f) Seller shall Indemnify Buyer from any loss, cost or expense, including without limitation, reasonable attorneys' fees, that may arise out of or in connection with Seller's failure to comply with the Visual Artists' Rights Act of 1990 in removing any Work of Art from the Property that also constitutes a Work of Visual Art as defined in 17 U.S.C. Section 101.

Section 5.2 Sale To Buyer Of Remaining FF&E.

(a) At the Closing, Seller shall convey to Buyer all FF&E free and clear of all

liens, encumbrances, licenses, or leases. The cost of the FF&E is included in the Purchase Price.

THE FF&E SOLD UNDER THIS AGREEMENT IS SOLD AS USED OR SURPLUS MATERIAL AND IS SOLD AS IS, WHERE IS, WITH ALL FAULTS, LATENT AND PATENT. EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, SELLER MAKES NO WARRANTIES, EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR WARRANTY AGAINST PATENT, TRADEMARK, OR COPYRIGHT INFRINGEMENT.

(b) The purchase of the FF&E under this Agreement does not convey by implication or otherwise any licenses under any patent, domestic or foreign. AT&T and Affiliates make no representations or warranties that the use of any material, equipment or technical information furnished under this Agreement will not infringe any patent, trademark, copyright, trade secret, or other proprietary interests of any third party and it shall be Buyer's sole responsibility to make such determination as is necessary with respect to the acquisition of licenses or other rights under patents or with respect to other rights of third parties.

ARTICLE 6. AS IS SALE

Section 6.1 Buyer's Access To the Property.

Subject to Seller's reasonable requirements for security and the protection of Seller's confidential information, Buyer and Buyer's employees and other representatives shall be permitted access to the Property on prior notice and at mutually convenient times prior to Closing in order to inspect the Property, take measurements, and conduct tests; provided that, in

the case of physical and environmental tests, Seller gives its prior written approval, which approval shall not be unreasonably withheld or delayed. During such access, Buyer and Buyer's employees and other representatives shall not cause any material interference with the operation of Seller or damage to the Property. Seller may require that persons having access to the Property be accompanied by representatives of Seller while inside the Building.

Section 6.2 Buyer's Use Of Building Records.

If requested by Buyer, Seller shall permit Buyer to make, at Buyer's expense, photocopies or other reproductions of those Building Records that may be reasonably reproducible by mechanical means. To the extent Building Records

are not reasonably reproducible by mechanical means, Seller shall make such nonreproducible items available for inspection by Buyer or Buyer's employees at Seller's office at the Property or such other location that Seller shall reasonably designate. Seller makes no representation or warranty of, and assumes no liability for, the accuracy, availability, or completeness of the Building Records and Buyer assumes all risk in connection with the use of the Building Records. Buyer releases AT&T and Affiliates from all liability in connection with the use of the Building Records by Buyer or by any other person. If the Closing does not occur, then, within ten (10) days after the date set for the Closing, Buyer shall return to Seller all photocopies and reproductions of the Building Records that Buyer may have obtained, without retaining any copies thereof.

Section 6.3 Buyer's Obligation To Indemnify.

The rights granted under this Article 6 of this Agreement shall be exercised by Buyer at Buyer's sole risk. Buyer shall Indemnify AT&T and Affiliates for injury, including death, to any person, or damage or loss of any kind to any property, including the Property and other property

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of Seller, that may occur as a result of Buyer's exercise of any of the rights granted under this Article 6, including, but without limitation, use of the Building Records.

Section 6.4 Buyer's Insurance.

At all times that Buyer or any of Buyer's employees or representatives may be on the Property in accordance with this Article 6 of this Agreement, Buyer or Buyer's consultants or representatives shall keep in force commercial general liability insurance issued by a good and solvent insurance company with coverage of at least \$5,000,000 for personal injury and property damage, combined single limit. A certificate evidencing the existence of such insurance shall be delivered to Seller prior to such entry to the Property. Such certificate shall provide that it may not be canceled or modified unless Seller is given at least fifteen (15) Days prior written notice. Buyer may maintain the coverage required under this Section 6.4 under a primary and an excess insurance policy and a blanket insurance policy.

Section 6.5 Building Evaluation Reports.

Buyer acknowledges receipt of the Building Evaluation Reports. The foregoing reports are subject to the confidentiality obligations of Section 12.1 of this Agreement. Seller makes no representation or warranty and assumes no liability for the accuracy or completeness of the foregoing or any of the information contained in or referred to in the Building Evaluation Reports, and Buyer assumes all risk in connection with the use of the foregoing reports and releases AT&T and Affiliates from all liability in connection with the use thereof by Buyer. If for any reason the Closing does not occur, Buyer shall return to Seller all copies of the reports and documents referred to above within ten (10) days after the date when the Closing was to occur, without retaining any copies thereof.

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Section 6.6 Environmental Report.

Seller has disclosed to Buyer and Buyer acknowledges receipt of a copy of the Environmental Report. The Environmental Report is subject to the confidentiality obligations of Section 12.1 of this Agreement. Seller makes no representation or warranty and assumes no liability for the accuracy or completeness of the Environmental Report or any of the information contained in or referred to in the Environmental Report, and Buyer assumes all risk in connection with the use of the Environmental Report and releases AT&T and Affiliates from all liability in connection with the use of the Environmental Report by Buyer. If for any reason the Closing does not occur, Buyer shall return to Seller all copies of the Environmental Report within ten (10) days after the date when the Closing was to occur, without retaining any copies thereof.

Section 6.7 Survival Of Buyer's Obligations.

Buyer's obligation to make repairs under this Article 6 shall survive any termination or cancellation of this Agreement. Buyer's obligation to Indemnify under this Article 6 shall survive the Closing or any termination or cancellation of this Agreement.

Section 6.8 Property To Be Sold As Is.

(a) Buyer has not been induced by and has not relied on any reports or documents provided by Seller or the Environmental Report, or by any representations, warranties or statements, whether express or implied, made by

Seller or by any agent, employee, attorney or other representative of Seller or by any broker or any other person representing or purporting to represent Seller, that are not expressly stated in this Agreement or the closing documents to be delivered hereunder, whether or not any such representations, warranties or statements were made in writing or orally. Without limiting the general nature of the foregoing statement, except

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as expressly stated in this Agreement and the closing documents to be delivered hereunder, Buyer has not been induced by, and has not relied upon, any representations, warranties or statements by Seller or any person representing or purporting to represent Seller about any of the following: (a) the condition of the Property, including without limitation the FF&E, or the Property's compliance with laws, ordinances or governmental regulations, or its suitability for Buyer's Intended Use; (b) the need to undertake work of improvement to increase the Building's resistance to seismic stresses, (c) zoning, building codes, subdivision, land use, or environmental regulations that may apply to the Property or any part of the Property, or the impact, if any, of such requirements on Buyer's Intended Use; (d) the assignability of licenses or contractual or other rights or permits now held by Seller in regard to the Property or any part of the Property, if any; or (e) any other matter or thing affecting the Property or any part of the Property. The Property is to be sold and conveyed in its present condition, AS IS, as of the Effective Date, subject to reasonable wear and tear occurring after the Effective Date until Closing. Buyer acknowledges that Buyer has had an opportunity to inspect the Property and relies entirely on Buyer's own inspection of the Property and investigations concerning the Property, including the reports of consultants retained by Buyer. Without limitation of any of the other terms contained in this Section 6.8 of this Agreement, Buyer expressly acknowledges that by entering into this Agreement, Buyer has confirmed conclusively that Buyer has not relied upon any representations or warranties whatsoever except those expressly set forth in this Agreement and the closing documents to be delivered hereunder. Without limiting any of the other terms contained in this Section 6.8 from and after the Closing, if Buyer is required by any federal, state or local law or authority to remove asbestos from the Building, or if Buyer elects to remove asbestos from the

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Building, then Buyer shall do so at Buyer's sole cost and expense without any consideration or compensation from Seller.

(b) Buyer waives, releases and agrees not to make any claim against Seller and AT&T and Affiliates, for any cost recovery, or for any other relief whatsoever, under the Comprehensive Environmental Response, Compensation and Liability Act, the Resource Conservation and Recovery Act, or any federal, state or local statute or regulation, or any federal or state common law whether now existing or applicable or hereinafter enacted or applicable, providing for any right of recovery for any environmental matter relating to or arising out of the Property.

ARTICLE 7. REPRESENTATIONS AND WARRANTIES

Section 7.1 Seller's Representations and Warranties.

Seller represents and warrants that the following are true and correct as of the Effective Date and shall be true and correct when the Closing occurs:

(a) Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of New York, is qualified to do business in and is in good standing under the laws of the State of California and has all necessary power, corporate and otherwise, to execute and deliver this Agreement and to perform all obligations under this Agreement, and this Agreement has been duly authorized by all requisite action on Seller's part, and this Agreement is valid and legally binding on Seller.

(b) (i) To Seller's Knowledge, Seller has received no Notices of any Violations. If any Notice of Violations (other than Notice of Violations arising from the acts or omissions of Buyer or Buyer's employees, agents, contractors, representatives or invitees, which

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shall be Buyer's sole responsibility) are received by Seller prior to the Closing, Seller shall promptly provide copies of such notices to Buyer, and such Violations shall be subject to the provisions of Section 7.1(b)(ii) of this Agreement.

(ii) Seller shall use reasonable efforts to cure any Violations specified in Section 7.1(b)(i) prior to Closing. If the Violations are not cured before the Closing, Seller, at its option, shall have the right to cure such

Violations within sixty (60) Days after Closing or to pay to Buyer at the Closing the reasonably estimated unpaid cost to effect or complete such removal or compliance, in which event Buyer shall be required to accept title to the Property subject thereto or Buyer may, at its election, terminate this Agreement and receive a refund of the Deposit, with interest. If Seller elects to cure Violations after Closing, that election shall bind Seller after Closing. If the Closing takes place in accordance with this Agreement, then Buyer will have the sole and exclusive obligation, at Buyer's own expense, to cure all Violations identified in notices of Violations issued or received after the Closing.

(c) To Seller's Knowledge, Seller is in full compliance with all Environmental Laws and all terms and conditions of environmental permits, licenses and authorizations held by Seller related to the Property except as otherwise disclosed in the Environmental Report and the Environmental Documents and, to Seller's Knowledge, there are no above ground storage tanks or Underground Storage Tanks on the Property (other than a fuel tank for the generator on the roof of the Building), regardless of whether such tanks are regulated tanks or not.

(d) To Seller's Knowledge, there is no civil, criminal or administrative action, suit, demand, claim, hearing, Notice or demand letter, notice of violation, investigation, condemnation proceeding or other proceeding pending or threatened against the Property or, in

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connection with the Property, against Seller. Seller shall Indemnify Buyer from any loss, cost or expense, including, without limitation, reasonable attorneys' fees that may arise out of or in connection with any proceedings pending against the Property either (i) commenced prior to the Closing Date, or (ii) that names Seller or an Affiliate as a defendant, including, without limitation, those cases listed on Exhibit J.

(e) There are no Contracts that will give rise to obligations against the Property, the Building (or any part thereof or interest therein) or Buyer, from and after the Closing.

(f) To Seller's Knowledge, all permits and licenses required to operate and occupy the Building have been obtained, are in full force and effect, and are listed on Schedule 1 attached hereto. True, accurate and complete copies of all permits and licenses for the Property have been delivered to Buyer to Seller's Knowledge.

(g) To Seller's Knowledge, Seller has received no written notices of any proceedings to change the zoning classification of all or any part of the Property. If any such notices are received by Seller to Seller's Knowledge prior to Closing, Seller shall promptly provide copies of such notices to Buyer.

(h) There are no tenant leases (other than the Lease and the TCG License Agreement, dated as of August 6, 1998, between Seller and TCG San Francisco, (the "TCG License Agreement")) or ground leases in effect that affect the Property, and there are no leasing commissions or fees due in connection with any leases.

(i) Upon execution and delivery by Buyer and Seller, the Lease will be valid, binding and enforceable against Seller in accordance with their terms.

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(j) To Seller's Knowledge, no consent, authorization, order or approval of, or filing or registration with, any governmental authority or other person is required for the execution and delivery by Seller of this Agreement and the consummation by Seller of the transaction contemplated by this Agreement.

(k) Seller hereby makes the following natural hazard disclosures:

(i) To Seller's Knowledge, the Property is not located within a Special Flood Hazard Area (Zone "A" or "V") designated by the Federal Emergency Management Agency.

(ii) To Seller's Knowledge, the Property is not located within an Area of Potential Flooding as property shown on an inundation map designated pursuant to Section 8589.5 of the California Government Code ("CGC").

(iii) To Seller's Knowledge, the Property is not located within a Very High Fire Hazard Severity Zone as defined in Section 51179 of the CGC.

(iv) To Seller's Knowledge, the Property is not located within a delineated Earthquake Fault Zone as determined and described in Section 2622 of the California Public Resources Code ("CPRC").

(v) To Seller's Knowledge, the Property is located within a Seismic Hazard Zone as determined and described in Section 2696 of the CPRC.

(vi) To Seller's Knowledge, the Property is not located within a Wildland Area That May Contain Substantial Forest Fire Risks and Hazards pursuant to Section 4125 of the CPRC.

Buyer acknowledges that, notwithstanding the provisions of Sections 7.1(k)(i) through

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7.1(k)(iv), inclusive, the Property nonetheless may be situated within an Earthquake Fault Zone, Seismic Hazard Zone, Special Flood Hazard Area, Area of Potential Flooding, Fire Hazard Severity Zone or Wildland Fire Zone. If so situated, these hazards may limit the Buyer's ability to develop the Property, obtain insurance, or receive assistance after a disaster. The maps on which the disclosures contained in Section 7.1(k)(i) through 7.1(k)(iv) are based only estimate where natural hazards exist, and are not definitive indications of whether or not a property will be affected by a natural disaster. Except as expressly provided herein, Seller is not making and has made no representations regarding the seismic, geological or other natural hazards affecting the Property, or the effect thereof on the future use or development of the Property, and Buyer should make its own inquiry and investigation of such hazards, including confirmation whether, as of the Closing, a notice or map identifying the Property as being located in an Earthquake Fault Zone, Seismic Hazard Zone, Special Flood Hazard Area, Area of Potential Flooding, Fire Hazard Severity Zone or Wildland Fire Zone has been posted in the Office of the Recorder, County Assessor or planning agency of the City and County of San Francisco. Further, Buyer waives, to the fullest extent permitted by law, any disclosure requirements relating to seismic, geological and other natural hazards imposed on Seller by California law.

(l) To Seller's Knowledge, the Environmental Documents constitute all of the material environmental documentation concerning the Property that is in the possession or control of AT&T and Affiliates.

(m) The TCG License Agreement is in full force and effect, and to Seller's Knowledge, there are no uncured defaults thereunder as of the date hereof.

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Section 7.2 Buyer's Representations and Warranties.

Buyer represents and warrants the following are true and correct as of the Effective Date and shall be true and correct when the Closing occurs:

(a) Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, prior to Closing will be qualified to do business and in good standing in the State of California, and shall have all necessary power, corporate and otherwise, to execute and deliver this Agreement and to perform all obligations under this Agreement, and this Agreement has been duly authorized by all requisite action on Buyer's part, and this Agreement is valid and legally binding on Buyer.

(b) There is no litigation or proceeding pending that would interfere with Buyer's ability to comply with any of Buyer's obligations under this Agreement.

(c) In the course of Buyer's inspection of the Property, the Building Records and Information, Buyer has not discovered any fact, that Buyer has not disclosed to Seller in writing, that would constitute a breach by Seller of any representation or warranty made by Seller in this Agreement, the foregoing covenant being limited to the knowledge of Darryl Freling, Tim Jones and Al Maher and not to other officers, agents, employees or contractors of Buyer.

Section 7.3 Survival; No Third-Party Beneficiaries.

The representations and warranties contained in Section 7.1 and Section 7.2 of this Agreement shall survive for one year after the date on which the Closing occurs, and are personal to the parties to this Agreement. No such representation or warranty, nor any other provisions of this Agreement, shall confer any rights or remedies on any third parties, nor discharge any obligations of any third parties nor give any third party any right of subrogation over or action

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against any party to this Agreement.

ARTICLE 8. ADJUSTMENTS AND EXPENSES

Section 8.1 Seller's Expenses.

Seller shall pay at or prior to Closing (i) the cost of the Title Report, (ii) the premium for the Title Policy up to but not in excess of fifty cents (\$0.50) per one thousand dollars (\$1,000) of coverage, (iii) all state, county and municipal real property transfer taxes and documentary stamps incident to this sale, (v) one-half (1/2) of all escrow fees, and (vi) the costs of recording the deed and other documents required to be recorded in connection with the transaction herein contemplated.

Section 8.2 Buyer's Expenses.

Buyer shall pay at or prior to Closing the cost of (i) the premium for the Title Policy that exceeds the amount that Seller is obligated to pay, (ii) all sales and use taxes incident to this sale, (iii) the cost of the Survey, and (iv) one-half (1/2) of all escrow fees.

Section 8.3 Closing Adjustments.

The following shall be apportioned as of midnight of the day immediately before the Closing:

(a) Real estate and, if applicable, personal property taxes on the basis of the fiscal year for which assessed;

(b) Water meter and sewer charges, and any other applicable public utility charges on the basis of the fiscal year for which assessed or in accordance with the amounts fixed with respect thereto by meter reading made as of the Closing Date, as the case may be;

(c) License fees, if any, payable under the TCG License Agreement, and

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(d) Value of fuel, if any, stored in the Property at the price, including any taxes, then charged by Seller's supplier.

Seller shall be responsible for items of operating cost accruing prior to the Closing Date and Buyer shall be responsible for items of operating cost accruing after the Closing Date.

Section 8.4 Assessments.

If, at Closing, the Property or any part of the Property is affected by any assessments that are or may become payable in installments, then Seller will pay only those installments that are due and payable on or prior to the Closing. Buyer shall assume liability for payment of all installments that are due and payable after the Closing, and assessments during the year of Closing shall be prorated between Buyer and Seller. Seller shall remain responsible for any supplemental taxes that are attributable to the time period prior to the Closing Date and that are not levied by reason of a reassessment caused by the transaction contemplated herein.

Section 8.5 Tax Adjustment.

(a) If the Closing occurs after a tax rate for the then current tax year is fixed, then the apportionment of taxes shall be based on the tax rate in effect as of the day immediately prior to the date of the Closing, and Seller shall have no obligation to make any further adjustment or apportionment or otherwise compensate Buyer for any increase in real estate taxes resulting from a change in the tax rate effective on or after the date of the Closing by reason of a change of use, conveyance of the Property, or change of ownership.

(b) Seller shall be entitled to the benefits of any refunds for any tax years prior to Closing, and shall pay all expenses for any administrative or judicial proceedings brought at any time to secure such refunds. Buyer shall execute all necessary documents and consents

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reasonably required by Seller in any such proceedings without cost or expense to Seller.

(c) Any refund and associated expenses relating to the tax year during which Closing occurs shall be apportioned between Buyer and Seller based upon the Closing Date. Unless otherwise agreed between Buyer and Seller, if Buyer owns the Property for fifty percent (50%) or more of the tax year Buyer shall control any proceedings brought to secure such tax refund. In all other

cases, Seller shall control such proceedings.

Section 8.6 Post-Closing Adjustments. If any prorations or computations made under this Article 8 are based on estimates or prove to be incorrect, then either party shall be entitled to an adjustment to correct the same provided that demand for correction is made in writing within forty-five (45) days after the Closing Date, specifying with particularity the basis therefor.

ARTICLE 9. FIRE AND OTHER CASUALTY

Section 9.1 Risk of Loss.

The risk of loss or damage to the Property by Casualty shall, until Closing, be borne by Seller. After Closing, the risk of any loss or damage to the Property by Casualty shall be borne by Buyer.

Section 9.2 Notice of Casualty.

Seller shall promptly give Buyer written notice if all or any portion of the Property is damaged or destroyed by Casualty prior to Closing and the extent of such damage or destruction.

Section 9.3 Rights Upon Casualty.

If a Material Casualty occurs, either party may, by written notice to the other given within ten (10) Days after receipt of notice of the occurrence of such Material Casualty, elect to terminate this Agreement. If either party terminates this Agreement under this Section 9.3, the

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Deposit with interest shall be returned to Buyer and both parties shall be relieved and released of and from any further liability hereunder except as otherwise provided in this Agreement. If a Material Casualty occurs and this Agreement is not so terminated, or if there is a Casualty that is not a Material Casualty, this Agreement shall not be affected except that Seller shall assign to Buyer all of Seller's right, title and interest in any insurance proceeds and claims related to the Casualty, and the Purchase Price shall be reduced by the amount of any applicable insurance policy deductible, except and to the extent that the insurance proceeds are paid to repair or reconstruct building elements or components that Buyer would have been required to repair or reconstruct for seismic upgrade purposes.

ARTICLE 10. CONDEMNATION

Section 10.1 Taking Of Less Than Substantial Part.

If, prior to the Closing, a Taking that does not involve any Substantial Part of the Building or the Property occurs or is threatened, then the Closing shall take place without any abatement of the Purchase Price, and neither party shall have any right to terminate its obligations under this Agreement by reason of the Taking. At the Closing, Seller shall assign to Buyer all of Seller's rights to awards in respect to the Taking. Seller shall not settle or compromise any such award without the consent of Buyer, which consent shall not be unreasonably withheld or delayed.

Section 10.2 Taking of Substantial Part.

If, prior to the Closing, a Taking of any Substantial Part of the Building or the Property occurs or is threatened, then either Seller or Buyer may terminate this Agreement by notice to the other given not later than thirty (30) Days after the date on which Seller notifies Buyer of such

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Taking or threatened Taking. If either party elects to terminate this Agreement, Buyer shall be entitled to the return of the Deposit, with interest, and neither party shall have any further liability to the other, except as expressly reserved in this Agreement. If neither party elects to terminate this Agreement as permitted above, the Closing shall take place on the terms specified in Section 10.1.

ARTICLE 11. BROKERS

Section 11.1 Brokers.

Buyer and Seller each represents to the other that no broker or similar party has been involved in bringing about or negotiating this transaction except the Listing Broker. Seller shall pay a commission to the Listing Broker in accordance with a separate written agreement between Seller and Listing Broker. Buyer shall Indemnify AT&T and Affiliates for matters arising out of the breach of the foregoing representation by Buyer, and from any claim by any person (other than Listing Broker) that such person has dealt with Buyer as a broker in

connection with this transaction. Seller shall Indemnify Buyer and its partners, shareholders, officers, directors, employees and affiliates for matters arising out of the breach of the foregoing representation by Seller and from any claim by any person that such person has dealt with Seller as a broker in connection with this transaction. The provisions of this Section 11.1 shall survive the Closing or any termination or cancellation of this Agreement.

ARTICLE 12. CONFIDENTIALITY AND USE OF NAME

Section 12.1 Confidentiality.

Prior to Closing, all Information shall be held in confidence by Buyer and will not be published or otherwise disclosed (except (a) to Buyer's attorneys, accountants, consultants,

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employees, investors, lenders, partners, shareholders and prospective tenants, who shall be instructed as to the confidential nature of the Information, (b) if disclosure is required by law or by a court of competent jurisdiction upon the written directive or order of said court and (c) in filings with the Securities and Exchange Commission following expiration of the Due Diligence Period as Buyer may deem reasonably prudent or required by law). Unless the Information was previously known to Buyer free of any obligation to accept it in confidence or has been or is subsequently made public by Seller, the Information shall be kept in confidence by Buyer until the Closing Date, if this transaction is consummated, and for a period of one (1) year after the projected Closing Date if this transaction is not consummated; and the Information may be used solely in connection with the transaction described in this Agreement and shall not be used by Buyer for other purposes for the term provided for in this Section.

Section 12.2 Use Of AT&T Name.

Buyer shall not use the name "AT&T" either alone or in connection with other words or phrases with respect to Buyer's advertising or marketing of the Property.

Section 12.3 Press Release.

Buyer shall not make any public announcement or press release concerning this transaction without the prior written approval of Seller (which shall not be unreasonably withheld or delayed), except as required by law or rule of any stock exchange or as permitted by Section 12.1, and Buyer shall not use any advertising or marketing material, either of which states or implies that AT&T has any continuing ownership interest in any way in the Property without the prior written approval of Seller, which shall not be unreasonably withheld or delayed. This provision shall survive termination hereof for a period of one (1) year.

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Section 12.4 Survival Of Seller's and Buyer's Obligations.

Seller's and Buyer's obligations under this Article 12 shall survive the Closing or any termination or cancellation of this Agreement.

ARTICLE 13. BUILDING OPERATION

Section 13.1 Building Operation.

Prior to the Closing and so long as this Agreement remains in full force and effect, Seller shall operate and manage the Building in accordance with ordinary and customary practices and maintain its existing insurance coverage with respect to the Building, undertaking and not deferring routine maintenance and preserving to the extent reasonably possible under the circumstances relationships with vendors, janitorial, elevator and other maintenance contractors as well as other suppliers of goods, services and labor to or for the operation of the Building and maintenance of the Property. Prior to the Closing and so long as this Agreement remains in full force and effect, Seller will refrain from offering the Property for sale or marketing the same or negotiating with respect to or entering into any other agreement for the sale of the Property. Seller will refrain from creating any easements, liens, mortgages, deeds of trust, or other encumbrances or interests on the Property that will survive Closing and will not apply for or otherwise initiate any changes to the zoning classification of the Property. Seller's obligations under this Section 13.1 shall survive the Closing.

Section 13.2 Leases and Contracts.

From and after the Effective Date, Seller will not enter into any new leases for all or any part of the Property or any new Contracts or materially modify any existing leases without Buyer's prior written consent. Buyer acknowledges that the Contracts are not assignable and that

Seller intends to cancel them. Seller's obligations under this Section 13.2 shall survive the Closing.

ARTICLE 14. INDEMNIFICATION

Section 14.1 Seller's Indemnity.

Except with respect to environmental matters or as otherwise set forth in this Agreement, Seller agrees to Indemnify Buyer, Buyer from any liability, claim, demand, loss, expense or damages (each, a "Loss") (a) suffered by, or asserted by any person or entity against, Buyer that arises from any act or omission of Seller, its agents, employees or contractors occurring on or before the Closing Date or (b) that arises from any breach by Seller of any obligation related to the Property other than those obligations that by this Agreement or any closing document required hereunder specifically become the obligation of Buyer. Seller's obligation under this Section 14.1 shall survive the Closing.

Section 14.2 Buyer's Indemnity.

Except with respect to environmental matters or as otherwise set forth in this Agreement, Buyer agrees to Indemnify Seller from any Loss (a) suffered by, or asserted by any person or entity against, Seller that arises from any act or omission of Buyer, its agents, employees or contractors occurring on or after the Closing Date or (b) that arises from any breach by Buyer of any obligation related to the Property other than those obligations that by this Agreement or any closing document required hereunder specifically become the obligation of Seller. Buyer's obligations under this Section 14.2 shall survive the Closing.

ARTICLE 15. MISCELLANEOUS

Section 15.1 Attorneys' Fees.

The prevailing party to any action or proceeding between Buyer and Seller with respect to the interpretation of or breach of this Agreement or the transaction contemplated hereunder shall be entitled to have and recover all reasonable costs, expenses, attorneys' fees, expert witness fees and other costs of defense incurred in connection therewith, other than costs associated with non-binding mediation, which shall be borne by the parties as set forth in Section 15.11(b).

Section 15.2 Recordation Prohibited.

This Agreement shall not be recorded. Any recordation of this Agreement will entitle Seller, at Seller's option, to terminate this Agreement and retain the Deposit with any interest earned on the Deposit.

Section 15.3 Assignment.

This Agreement is personal to Buyer and shall not be assigned by Buyer without Seller's prior written consent, which consent Seller shall have the right to withhold in its absolute and sole discretion; provided, however, that Buyer may assign this Agreement without Seller's prior written consent to effect an exchange pursuant to Section 15.6 and to any affiliate of Mack-Cali Realty Corporation. Any assignment or purported assignment of this Agreement in violation of the foregoing shall constitute a breach hereof and entitle Seller, at Seller's option, to terminate this Agreement and retain the Deposit with any interest earned on the Deposit as liquidated damages.

Section 15.4 Merger.

The acceptance of a deed by Buyer shall be deemed to be a full performance and discharge of every agreement and obligation on the part of Seller to be performed pursuant to the provisions of this Agreement, except those, if any, that are expressly stated to survive the

Closing.

Section 15.5 Applicable Law.

This Agreement shall be governed by the laws of the State of California without giving effect to its principles of conflicts of law.

Section 15.6 Exchange Of Properties.

(a) Any other provision of this Agreement notwithstanding, Seller

and Buyer each has the right to exchange the Property to qualify as a tax-deferred exchange under the provisions of Section 1031 of the Code.

(b) Buyer shall cooperate with Seller in consummating this transaction as an exchange, through a qualified intermediary but not by acquiring a property designated by Seller to be exchanged; provided, however, that (i) Buyer incurs no additional cost or expense attributable to the exchange beyond the costs or expenses that it would incur in consummating this transaction as a straight purchase and sale, including reasonable attorneys' fees, deed excise taxes and recording fees; (ii) Seller shall Indemnify and hold Buyer and its partners, shareholders, officers, directors, employees and affiliates harmless from and against all liability arising out of Buyer's cooperation in effecting the exchange as requested by Seller; (iii) Buyer shall have no greater liability by reason of participating in the exchange than it would have hereunder in consummating this transaction as a straight purchase and sale; (iv) Buyer shall have no responsibility for the tax treatment of the transaction or the characterization thereof for income tax purposes, and (v) Buyer shall have no personal liability with respect to the deferred exchange and shall not be required to purchase any replacement property.

(c) Seller shall cooperate with Buyer in consummating this transaction as an

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exchange, through a qualified intermediary but not by acquiring a property designated by Buyer to be exchanged; provided, however, that (i) Seller incurs no additional cost or expense attributable to the exchange beyond the costs or expenses that it would incur in consummating this transaction as a straight purchase and sale, including reasonable attorneys' fees, deed excise taxes and recording fees; (ii) Buyer shall Indemnify and hold Seller and its partners, shareholders, officers, directors, employees and affiliates harmless from and against all liability arising out of Seller's cooperation in effecting the exchange as requested by Buyer; (iii) Seller shall have no greater liability by reason of participating in the exchange than it would have hereunder in consummating this transaction as a straight purchase and sale; (iv) Seller shall have no responsibility for the tax treatment of the transaction or the characterization thereof for income tax purposes; and (v) Seller shall have no personal liability with respect to the deferred exchange and shall not be required to purchase any replacement property.

(d) Seller and Buyer acknowledge that Buyer shall not be deemed Seller's agent and Seller shall not be deemed Buyer's agent in connection with said exchange. Seller and Buyer further acknowledge that all agreements in connection with performing the exchange shall be prepared at Seller's expense by Seller's counsel in the event Seller effectuates a 1031 exchange and at Buyer's expense by Buyer's counsel in the event Buyer effectuates a 1031 exchange.

(e) Seller has the right to transfer Seller's interests under this Agreement to an Intermediary and if such transfer is made, then the Intermediary will acquire an equitable interest in the title to the Property. At the request of Seller, Buyer agrees, within five (5) Days after request, to enter into an assignment agreement in the form attached as Exhibit F.

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Section 15.7 Entire Agreement.

This Agreement constitutes the entire agreement between Buyer and Seller with respect to the sale of the Property and supersedes all prior written or oral agreements or understandings between Buyer and Seller, all of which are merged herein.

Section 15.8 All Amendments In Writing.

This Agreement may not be modified or changed in any respect except in the event of a written amendment executed by Buyer and Seller.

Section 15.9 Invalidity.

If any of the terms or conditions of this Agreement are determined to be invalid, void or illegal, such determination shall in no way affect or invalidate any of the other provisions of this Agreement.

Section 15.10 Notices.

Except as otherwise expressly stated in this Agreement, all demands, requests, consents, approvals and other communications required or permitted to be given under this Agreement must be in writing in order to be effective, and must be sent by postage prepaid certified, registered or express mail, return receipt requested, or a commercial next-business-day delivery service that provides a written receipt, addressed to the party to be so notified, as follows:

If to Seller: Attention: Real Estate
Dispositions Manager
AT&T Corp.
150 Mt. Airy Road
Basking Ridge, NJ 07920

with a copy to: Attention: General Attorney -
Real Estate
AT&T Corp.
150 Mt. Airy Road
Basking Ridge, NJ 07920

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with a copy to: Howard N. Ellman
Ellman, Burke, Hoffman & Johnson, P.C.
One Ecker, Suite 200
San Francisco, CA 94105

If to Buyer: Mitchell Hersh, President and Chief
Operating Officer
Mack-Cali Realty Acquisition Corp.
c/o Mack-Cali Realty Corporation
11 Commerce Drive
Cranford, NJ 07016

with a copy to: Roger Thomas, General Counsel
Mack-Cali Realty Corporation
11 Commerce Drive
Cranford, NJ 07016

and a copy to: David J. Lowery
Jones, Day, Reavis & Pogue
2001 Ross Avenue, Suite 2300
Dallas, TX 75201

and a copy to: Darryl E. Freling
Mack-Cali Realty Corporation
3030 LBJ Freeway, Suite 1000
Dallas, TX 75234

Any such demand, request, consent, approval or other communication required or permitted to be given under this Agreement shall be deemed given on receipt or three (3) Business Days after mailing, whichever occurs first. Each party may change the address for notices to such party by giving the other party a notice of such changed address in accordance with the procedures stated in this Section 15.10. Any such demand, request, consent, approval or other communication required or permitted to be given under this Agreement may be given on behalf of a party by such party's attorney.

Section 15.11 Non-Binding Mediation.

(a) If a dispute arises out of or relates to this Agreement and the parties have

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not been successful in resolving such dispute through negotiation, the parties will attempt to resolve the dispute through non-binding mediation by submitting the dispute to a sole mediator selected by the parties or, at the option of a party, to mediation by the American Arbitration Association. If such dispute is not resolved by such non-binding mediation, then, except as limited under this Agreement, the parties shall have the right to resort to any remedies permitted by law. All defenses based on passage of time shall be tolled during the mediation.

(b) The direct expenses of the mediation, including the compensation and expenses of the mediator and the fees of the American Arbitration Association, shall be borne equally by the parties. All other costs incurred by the parties to this Agreement, including the parties' legal expenses and their witnesses' expenses, shall be borne by the party incurring the expense. The parties, their representatives, other participants and the mediator shall hold the existence, content and result of the mediation in confidence.

Section 15.12 Time.

Time is of the essence of each and every provision hereof.

[The remainder of this page is intentionally left blank].

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IN WITNESS WHEREOF, Seller and Buyer have executed this Agreement as of the Effective Date.

"Seller"

AT&T Corp., a New York corporation

By:

Name:

Title:

"Buyer"

MACK CALI REALTY ACQUISITION CORP., a Delaware corporation

By:

Name:

Title:

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EXHIBIT A

(Description of the Land)

PARCEL ONE:

BEGINNING at a point on the Southeasterly line of Folsom Street, distant thereon 57 feet and 6 inches Northeastly line of Fourth Street; running thence Northeastly along said line of Folsom Street 197 feet and 6 inches to the Southwesterly line of Alice Street; thence at a right angle Southeasterly along said line of Alice Street 160 feet to the Northwesterly line of Shipley Street; thence at a right angle Southwesterly along said line of Shipley Street 177 feet and 6 inches to a point distant thereon 77 feet and 6 inches Northeastly from the Northeastly line of Fourth Street; thence at a right angle Northwesterly 80 feet; thence at a right angle Southwesterly 20 feet; thence at a right angle Northwesterly 80 feet to the point of beginning.

Being a portion of 100 Vara Block No. 365

PARCEL TWO:

BEGINNING at the point of intersection of the Northeastly line of Fourth Street and the Southeasterly line of Folsom Street; running thence Southeasterly along said Northeastly line of Fourth Street 20 feet; thence at a right angle Northeastly 57 feet and 6 inches; thence at a right angle Northwesterly 20 feet to the Southeasterly line of Folsom Street; thence at a right angle Southwesterly along said Southeasterly line of Folsom Street 57 feet and 6 inches to the point of beginning.

BEING a portion of 100 Vara Block No. 365.

PARCEL THREE:

BEGINNING at a point on the Northeastly line of Fourth Street, distant thereon 20 feet Southeasterly from the Southeasterly line of Folsom Street; running thence Southeasterly along said Northeastly line of Fourth Street 140.167 feet to the Northwesterly line of Shipley Street; thence at a right angle Northeastly along said Northwesterly line of Shipley Street 77.50 feet; thence at a right angle Northwesterly 80 feet; thence at a right angle Southwesterly 20 feet; thence at a right angle Northwesterly 60.167 feet to a line drawn parallel with and perpendicularly distant 20 feet Southeasterly from the Southeasterly line of Folsom Street; thence at a right angle Southwesterly along said parallel line so drawn 57.50 feet to the point of beginning.

BEING a portion of 100 Vara Block No. 365.

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EXHIBIT B

(Permitted Exceptions)

1. Any matter recorded in the Official Records of the City and County of

San Francisco, California, prior to the Effective Dated, against which the Title Company shall insure Buyer without additional cost to Buyer, provided same does not substantially impair or restrict Buyer's Intended Use of the Property.

2. Zoning regulations and ordinances.

3. Unpaid installments of assessments not due and payable on or before the Closing Date.

4. All matters identified as Items 1, 5, 6, 7, 8, 9, 10, 11, 12 and 13 on Schedule B of the Title Report.

5. Unrecorded license agreement dated August 6, 1998 between AT&T Corp., as licensor, and TCG San Francisco, as licensee, to install, construct, own, operate, use, maintain, repair, replace and remove fiber optic cable and other types of telecommunications cables, wires, transmission media, wireless transmission devices, wireless reception devices, and two transmission or reception antennas on the roof of the Premises and associated equipment in the locations at the Property described in the license agreement, including the exclusive right to use a room with a floor area of approximately one hundred square feet that is located on the basement floor of the Building for the purpose of operating, maintaining, repairing and replacing the licensee's facilities.

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EXHIBIT C

(Form of affidavit of nonforeign status)

Section 1445 of the United States ("U.S.") Internal Revenue Code provides that a transferee of a U.S. real Property interest must withhold tax if the transferor is a foreign person. To inform the transferee that the withholding of tax is not required upon the disposition of a U.S. real property interest by AT&T Corp., a New York corporation ("Transferor"), the undersigned hereby certifies on behalf of Transferor that:

1. Transferor is not a foreign corporation, foreign partnership, foreign trust or foreign estate, as those terms are defined in the U.S. Internal Revenue Code and Income Tax Regulations.

2. Transferor's U.S. taxpayer identification number is 13-4924710.

3. Transferor's office address is 295 North Maple Avenue, Basking Ridge, New Jersey 07920.

Transferor understands that this certification may be disclosed to the U.S. Internal Revenue Service by the transferee and that any false statement contained herein could be punished by fine or imprisonment, or both.

Under penalties of perjury, I, the undersigned individual, do hereby declare that I have examined this certificate, and to the best of my knowledge and belief, it is true, correct and complete; and I further declare that I have authority to sign this certificate on behalf of Transferor.

Transferor:

AT&T Corp., a New York corporation

By:

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Name:

Title:

Dated as of: _____, 1999

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EXHIBIT D

(Form of bill of sale)

FOR VALUABLE CONSIDERATION, as set forth in that certain Contract for the Purchase and Sale of Real Estate between AT&T Corp., a New York corporation ("Transferor"), and Mack-Cali Realty Acquisition Corp., a Delaware corporation ("Transferee"), dated as of _____, 1999 (the "Agreement"), Transferor hereby transfers to Transferee all of Transferor's right, title and interest in and to the FF&E (as that term is defined in the Agreement) more particularly described on the attachment hereto.

This Bill of Sale shall not supersede the Agreement and in the event of conflict between this Bill of Sale and the Agreement, the Agreement shall control.

The FF&E transferred under this Bill of Sale is used or surplus material and is transferred "AS IS, WHERE IS" with all faults, latent and patent. Transferor makes no warranties, express or implied, including any warranty of merchantability or fitness for a particular purpose or warranty against patent, trademark or copyright infringement, except that Transferor hereby represents and warrants to Transferee that Transferor is the absolute owner of the FF&E, that the FF&E is free and clear of all liens, charges and encumbrances, and that Transferor has full right, power and authority to sell the FF&E.

IN WITNESS WHEREOF, this Bill of Sale has been executed by Transferor as of _____, 1999.

AT&T Corp., a New York corporation

By:

Name:

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Title:

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EXHIBIT E

(List of FF&E)

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EXHIBIT F

(Form of assignment agreement)

THIS ASSIGNMENT AGREEMENT is made as of this ____ day of _____, 1999, among AT&T Corp., a New York corporation, having an office at 295 North Maple Avenue, Basking Ridge, New Jersey 07920 ("Transferor"), MACK-CALI REALTY ACQUISITION CORP., a Delaware corporation, having an office at 11 Commerce Drive, Cranford, New Jersey 07016 ("Buyer"), and _____, a _____, having an office at _____ ("Intermediary").

WHEREAS, on _____, 1999, Transferor entered into that certain Contract for the Purchase and Sale of Real Estate (the "Agreement") to sell real estate located at 795 Folsom Street in San Francisco, California (the "Property") to Buyer; and

WHEREAS, the Agreement provides that Transferor may transfer the Property by means of a 1031 exchange to Buyer; and

WHEREAS, Transferor wishes to transfer its interest in the Agreement in connection with disposing of the Property.

NOW, THEREFORE, in consideration of the mutual promises set out below, the parties hereby agree as follows:

1. Transferor hereby assigns to Intermediary all of Transferor's equitable interest in the Agreement. Buyer acknowledges that there has been an assignment of the equitable interest in the Property to Intermediary and agrees to make all payments due under the Agreement to Intermediary. The obligation to directly deed or transfer the Property to Buyer remains with

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Transferor.

2. Intermediary hereby covenants and warrants to Buyer that Intermediary will not transfer, assign, mortgage or hypothecate the interest that it is receiving from Transferor. Concurrently with Buyer's receipt of the deed to the Property, Intermediary will transfer and assign to Buyer and to Buyer's successors and assigns whatever remaining incidents of ownership Intermediary may have to the Property.

3. Intermediary hereby represents and warrants to, and covenants with, Transferor that Intermediary will not amend, terminate, modify, supplement or otherwise alter any term, condition or other provision of the Agreement without

Transferor's prior written consent.

4. Intermediary is participating in this transaction only as an Intermediary and for purposes of any dispute regarding the Property, Transferor and Buyer will look solely to each other with respect to resolving any such dispute and neither one shall look to Intermediary.

5. This Assignment Agreement will be binding on, and will inure to the benefit of, the parties and on the successors and permitted assigns of Transferor and Buyer.

6. Except as expressly stated herein, all of the terms and conditions of the Agreement remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Assignment Agreement.

AT&T CORP.,
Transferor

By: _____ Date: _____

Title: _____

MACK-CALI REALTY ACQUISITION CORP.,

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Buyer

By: _____ Date: _____

Title: _____

Intermediary

By: _____ Date: _____

Title: _____

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EXHIBIT G

(Form of the Lease)

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EXHIBIT H

(Environmental Documents)

1. AT&T Asbestos Building Survey and Management Plan, prepared for AT&T 795 Folsom Street, San Francisco, California by Dames & Moore, 12 Commerce Drive, Cranford, New Jersey, dated March 27, 1997.

2. Phase 1 Environmental Site Assessment, 795 Folsom Street, San Francisco, California; prepared by AT&t Environmental Health and Safety, Pleasanton, California 94107, dated May 20, 1998.

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EXHIBIT I

(Assignment of Leases)

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EXHIBIT J

SCHEDULE 1

(Permits and Licenses)

1. Permits to operate elevators issued by California Department of Industrial Relations, Division of Occupational Safety and Health.

- (a) Elevator 061679, dated 1/15/99;
- (b) Elevator 061680, dated 12/29/98;
- (c) Elevator 061681, dated 12/29/98;
- (d) Elevator 061682, dated 12/29/98;

2. California Department of Industrial Relations, Division of Occupational Safety and Health, permit to operate air pressure tank No. 33134-77.

3. Permits issued by San Francisco Water Department cross-connection control section;

- (a) For boiler with test date of January 15, 1998;
- (b) Basement irrigation sprinkler system with test date January 15, 1998;
- (c) Detectors in the fire pump room with test date of January 15, 1997;
- (d) Fire sprinklers with test date of January 15, 1998;
- (e) Domestic water main system with test date of January 15, 1998.

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1201 CONNECTICUT AVENUE, N.W.
WASHINGTON, D.C.

* * * * *

PURCHASE AND SALE AGREEMENT

BETWEEN

THE EQUITABLE LIFE ASSURANCE SOCIETY
OF THE UNITED STATES,
a New York corporation (solely on behalf of and for
the benefit of its Separate Account 16-III,
known as the "Value Enhancement Fund"),

AS SELLER

AND

MACK-CALI REALTY ACQUISITION CORP.,
a Delaware corporation

AS PURCHASER

As of June 30, 1999

PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT (the "Agreement") is made as June 30, 1999 (the "Effective Date"), by and between THE EQUITABLE LIFE ASSURANCE SOCIETY OF THE UNITED STATES, a New York corporation (solely on behalf of and for the benefit of its Separate Account 16-III, known as the "Value Enhancement Fund") ("Seller"), having its home office at 1290 Avenue of the Americas, New York, New York 10104, and MACK-CALI REALTY ACQUISITION CORP., a Delaware corporation ("Purchaser"), having an office c/o Mack-Cali Realty Corporation, 11 Commerce Drive, Cranford, New Jersey 07016.

W I T N E S S E T H:

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I.1 Agreement of Purchase and Sale. Subject to the terms and conditions hereinafter set forth, Seller agrees to sell and convey and Purchaser agrees to purchase the following:

(1) that certain tract or parcel of land situated in Washington, D.C., more particularly described on Exhibit A attached hereto and made a part hereof, together with all and singular the rights and appurtenances pertaining to such property, including any right, title and interest of Seller in and to adjacent streets, alleys or rights-of-way, all mineral and water rights, all easements, licenses, and covenants, and other appurtenances used in connection with the beneficial use and enjoyment of the Land and the Improvements (as hereinafter defined) (the property described in clause (a) of this Section 1.1 being herein referred to collectively as the "Land");

(2) the buildings, structures, fixtures and other improvements on the Land, including specifically, without limitation, that certain office building located thereon having a street address of 1201 Connecticut Avenue, N.W., Washington, D.C. (the property described in clause (b) of this Section 1.1 being herein referred to collectively as the "Improvements");

(3) all of Seller's right, title and interest in and to all tangible personal property upon the Land or within the Improvements, including specifically, without limitation, appliances, fixtures, furniture, carpeting, draperies and curtains, equipment, tools and supplies, and other items of personal property (excluding cash) used exclusively in connection with the operation of the Land and the Improvements and only as specifically described on Exhibit B attached hereto and made a part hereof (the property described in clause (c) of this Section 1.1 being herein referred to collectively as the "Personal Property");

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(4) all of Seller's right, title and interest in and to all agreements listed and described on Exhibit C (the "Lease Schedule") attached hereto and made a part hereof (all of which are in full force and effect as of the Effective Date), pursuant to which any portion of the Land or the Improvements is used or occupied by anyone other than Seller ("the Leases"), together with all guaranties provided thereunder (if any) and

all rents, additional rents, reimbursements, profits, income, receipts and the amount deposited, whether in the form of cash or letter of credit (the "Security Deposit"), under any Lease in the nature of security for the performance of the obligations of the tenant (individually, a "Tenant", and collectively, "Tenants") under the Leases; and

(5) all of Seller's right, title and interest in and to (i) all assignable contracts and agreements (collectively, the "Operating Agreements") listed and described on Exhibit D (the "Operating Agreements Schedule") attached hereto and made a part hereof, relating to the upkeep, repair, maintenance or operation of the Land, the Improvements or the Personal Property which will extend beyond the date of Closing (as such term is defined in Section 4.1 hereof), including specifically, without limitation, all assignable equipment leases, and (ii) all assignable existing warranties and guaranties (expressed or implied), and all permits, licenses, approvals and telephone numbers issued or assigned to Seller in connection with the Improvements or the Personal Property (the property described in clause (e) of this Section 1.1 being sometimes herein referred to collectively as the "Intangibles"); provided, however, that Purchaser shall not be obligated to assume any management agreements, leasing commission agreements, or any Operating Agreement (A) which Purchaser has advised Seller in writing (not later than ten (10) days after the Effective Date) to terminate as of Closing and which can, by its terms, be so terminated without the payment of any penalties, fees or liquidated amounts, or (B) which requires the payment of a penalty, fee or liquidated amount in order to terminate the same; and further provided that with respect to any leasing commission agreements, the respective rights and obligations of Seller and Purchaser shall be as set forth in this Agreement;

(6) all promotional material, marketing materials, brochures, photographs (collectively, "Promotional Materials"), books, records, tenant data, leasing material and forms, past and current rent rolls, files, statements, real property tax returns, market studies, keys, plans, specifications, reports, tests and other materials of any kind owned by or in the possession of Seller or Seller's property manager which are or may be used by Seller in the use and operation of the Land, the Improvements or the Personal Property (collectively, and together with the Promotional Materials, the "Books and Records") (it being understood, however, that such materials shall not include any materials not directly related to leasing, maintenance and/or management of the Property such as, without limitation, Seller's internal memoranda, financial projections, budgets, appraisals, accounting and tax records and similar proprietary, elective or confidential information); and

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(7) all other rights, privileges and appurtenances owned by Seller, if any, and in any way related to the rights and interests described above in this Section 1.1

I.2 Property Defined. The Land, the Improvements, the Personal Property, the Leases, the Intangibles and the Books and Records and the other property interests being conveyed hereunder and the Intangibles are hereinafter sometimes referred to collectively as the "Property."

I.3 Permitted Exceptions. The Property shall be conveyed as required by this Agreement, but shall be subject to the matters which are, or are deemed to be, Permitted Exceptions pursuant to Article II hereof (herein referred to collectively as the "Permitted Exceptions").

I.4 Purchase Price. Seller is to sell and Purchaser is to purchase the Property for a total of THIRTY-TWO MILLION FIVE HUNDRED FIFTY THOUSAND AND 00/100 DOLLARS (\$32,550,000.00) (the "Purchase Price").

I.5 Payment of Purchase Price. The Purchase Price, as increased or decreased by prorations and adjustments as herein provided, shall be payable in full at Closing in cash by wire transfer of immediately available federal funds to a bank account designated by Seller in writing, together with wire transfer instructions, to Purchaser not less than two (2) business days prior to the Closing.

I.6 Earnest Money.

(a) Simultaneously with the execution and delivery of this Agreement, Purchaser is depositing with Commercial Settlements, Inc. (the "Escrow Agent"), having its office at 1413 K Street, N.W., 12th Floor, Washington, D.C. 20005 Attention: Stuart S. Levin, the sum of One Million and No/100 Dollars (\$1,000,000.00) (the "Earnest Money") in good funds, either by certified bank or cashier's check or by federal wire transfer. Purchaser shall provide Purchaser's federal tax identification number to Escrow Agent concurrently with the making of such deposit. The Escrow Agent shall hold the Earnest Money in an interest-bearing account in accordance with the terms and conditions of this Agreement. All interest accruing on such sum

shall become a part of the Earnest Money and shall be distributed as Earnest Money in accordance with the terms of this Agreement.

- (b) In the event of termination of this Agreement prior to Closing, the Escrow Agent shall disburse the Earnest Money in accordance with the provisions of this Agreement governing such termination. Upon receipt of a party's written demand for the Earnest Money, the Escrow Agent shall promptly mail a copy of such demand to the other party, who shall then have five (5) days to dispute the disbursement by sending written notice of such objection to the Escrow Agent. In the event of any dispute between Seller and Purchaser regarding the disbursement

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of the Earnest Money, or in the event the Escrow Agent shall receive conflicting demands or instructions with respect thereto, the Escrow Agent shall withhold disbursement of the Earnest Money until such dispute is resolved. Alternatively, the Escrow Agent shall be entitled to deposit the Earnest Money into a court of general jurisdiction in the District of Columbia or the United States District Court for the District of Columbia, and to interplead Seller and Purchaser in connection therewith. The costs of any such action for interpleader shall be paid by whichever of Seller or Purchaser is the losing party. The Escrow Agent shall not be liable for any damage, liability or loss arising out of its services pursuant to this Agreement, except for damage, liability or loss resulting from the willful or negligent conduct of the Escrow Agent or any of its officers or employees.

I.7 Independent Contract Consideration. In addition to the Earnest Money, Purchaser shall, concurrently with its execution hereof, deliver to Seller a check in the amount of ONE HUNDRED AND NO/100ths DOLLARS (\$100.00), which amount Seller and Purchaser agree has been bargained for as consideration for Seller's execution and delivery of this Agreement and Purchaser's right to inspect the Property pursuant to Article III. Such sum is in addition to and independent of any other consideration or payment provided for in this Agreement and is nonrefundable in all events.

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II.1 Title Examination; Commitment for Title Insurance. Seller has obtained and delivered to Purchaser at no cost to Purchaser and the surveyor preparing the Survey, from Commonwealth Land Title Insurance Company (the "Title Company"), a current ALTA title insurance commitment No. 99-1135 (the "Title Commitment") covering the Property and a copy of each document referenced in the Title Commitment as an exception to title to the Property. Purchaser shall have until June 21, 1999 (the "Title Exam Deadline"), to review the Title Commitment (regardless if such date occurs prior to the Effective Date). At Closing, at Purchaser's expense, Purchaser shall obtain from the Title Company an Owner's Policy of Title Insurance in the full amount of the Purchase Price pursuant to Section 2.4 hereof.

II.2 Survey. Seller has obtained and delivered to Purchaser and the Title Company at no cost to Purchaser a current ALTA survey of the Property prepared by Bernard F. Locraft Civil Engineers (the "Survey") reflecting the total area of the Property, the location of all improvements, recorded easements and encroachments, if any, located thereon and other matters of record with respect thereto. Purchaser shall pay any costs associated with any changes to the Survey (or certifications thereon or updates thereto) requested by Purchaser.

II.3 Title Objections; Cure of Title Objections.

- (a) Purchaser shall have until the Title Exam Deadline to notify Seller, in writing, of such objections as Purchaser may have to anything contained in the Title

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Commitment or the Survey. (Seller shall use good faith efforts, but without any cost or liability to Seller, to remove or cure title objections raised by Purchaser as to matters set forth on the Title Commitment.) Any item contained in the Title Commitment or any matter shown on the Survey to which Purchaser does not object prior to the Title Exam Deadline shall be deemed a Permitted Exception. In the event Purchaser shall notify Seller of objections to title or to matters shown on the Survey prior to the Title Exam Deadline, Seller shall have the right, but not the obligation, to cure such objections; provided, however, that notwithstanding anything to the contrary contained in this Agreement, Seller shall be obligated, at its sole cost and expense, to take such actions as may be necessary to cause the Title Company to delete as an exception, by payment or other appropriate measure of satisfaction, any mechanic's lien, IRS

payment lien, judgment lien or deed of trust or other financing lien created prior to Closing by any action or inaction of Seller, which liens shall be deemed to be excluded from the term "Permitted Exceptions."

- (b) Within ten (10) days after receipt of Purchaser's notice of objections, Seller shall notify Purchaser in writing whether Seller elects to attempt to cure such objections. If Seller fails to give Purchaser such notice of election, then Seller shall be deemed to have elected not to attempt to cure the matter. If Seller elects to attempt to cure, and provided that Purchaser shall not have terminated this Agreement in accordance with Section 3.2 hereof, Seller shall have until the date of Closing to attempt to remove, satisfy or cure the same and for this purpose Seller shall be entitled to a reasonable adjournment of the Closing if additional time is required, but in no event shall the adjournment exceed thirty (30) days after the date for Closing set forth in Section 4.1 hereof. If Seller elects not to cure any objections specified in Purchaser's notice, or if Seller is unable to effect a cure prior to the Closing (or any date to which the Closing has been adjourned), Purchaser shall have the following options: (i) to accept a conveyance of the Property subject to the Permitted Exceptions, specifically including any matter objected to by Purchaser which Seller is unwilling or unable to cure, and without reduction of the Purchase Price; or (ii) to terminate this Agreement by sending written notice thereof to Seller, and upon delivery of such notice of termination, this Agreement shall terminate and the Earnest Money shall be returned to Purchaser, and thereafter neither party hereto shall have any further rights, obligations or liabilities hereunder except to the extent that any right, obligation or liability set forth herein expressly survives termination of this Agreement. If Seller notifies Purchaser that Seller does not intend to attempt to cure any title objection or objections, or if, having commenced attempts to cure any objection or objections, Seller later notifies Purchaser that Seller will be unable to effect a cure thereof, Purchaser shall, within ten (10) days after such notice has been given, notify Seller in writing whether Purchaser shall elect to accept the

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conveyance under clause (i) or to terminate this Agreement under clause (ii). In the event Purchaser does not so timely notify Seller within such 10-day period, then Purchaser shall be deemed to have elected to terminate this Agreement under clause (ii).

II.4 Conveyance of Title. As a condition of Closing, Seller shall convey and transfer to Purchaser, and the Title Company shall insure by a standard 1970-B ALTA Owner's Policy of Title Insurance (or its equivalent) (the "Title Policy"), at Purchaser's sole cost, good and marketable title to the Property (as defined in such Title Policy), in the full amount of the Purchase Price (at such rates as Purchaser may negotiate with the Title Company), in the name of Purchaser or Purchaser's designee, and with such endorsements as Purchaser shall reasonably require and which the Title Company shall agree to issue to Purchaser prior to the Title Exam Deadline (all of which shall be at Purchaser's sole expense). Notwithstanding anything contained herein to the contrary, the Property shall be conveyed subject only to the following matters, which shall be deemed to be Permitted Exceptions:

- (1) the rights of Tenants, as tenants only, under the Leases and any new Leases entered into between the Effective Date and Closing and, where required, approved by Purchaser in accordance with the terms of this Agreement;
- (2) the lien of all ad valorem real estate taxes and assessments not yet due and payable as of the date of Closing, subject to adjustment as herein provided;
- (3) local, state and federal laws, ordinances or governmental regulations, including but not limited to, building and zoning laws, ordinances and regulations, now or hereafter in effect relating to the Property; and
- (4) items as shown on the Title Commitment or the Survey which are not objected to by Purchaser or which are waived by Purchaser in accordance with Sections 2.3 or 2.5 hereof.

II.5 Pre-Closing "Gap" Title Defects. Whether or not Purchaser shall have furnished to Seller any notice of title objections pursuant to the foregoing provisions of this Section 2, Purchaser may, at or prior to Closing, notify Seller in writing of any objections to title first raised by the Title Company or the Surveyor between (a) the date which is the earlier of (i) the effective date of Purchaser's Title Commitment referred to above or (ii) the expiration of the Inspection Period, and (b) the date on which the transaction contemplated herein is scheduled to close. With respect to any objections to title set forth

in such notice, Seller shall have the same option to cure and Purchaser shall have the same option to accept title subject to such matters or to terminate this Agreement as those which apply to any notice of objections made by Purchaser before the expiration of the Inspection Period. If Seller elects to attempt to cure any such matters, the date for Closing shall be automatically extended by a reasonable additional time to effect such a cure, but in no event shall the extension exceed thirty (30) days after the date for Closing set forth in

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Section 4.1 hereof.

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III.1 Right of Inspection.

- (a) During the period beginning upon the Effective Date and ending at 5:00 p.m. Eastern time on June 30, 1999, with time being of the essence thereto (such period hereinafter referred to as the "Inspection Period"), Purchaser shall have the right to make a physical inspection of the Property and to examine at such place or places at the Property, in the offices of the property manager or elsewhere as the same may be located, any operating files maintained by Seller or its property manager in connection with the leasing, maintenance and/or management of the Property, including, without limitation, the Leases, lease files, Operating Agreements, insurance policies, bills, invoices, receipts and other general records relating to the income and expenses of the Property, correspondence, surveys, plans and specifications, warranties for services and materials provided to the Property, environmental audits and similar materials, but excluding materials not directly related to the leasing, maintenance and/or management of the Property such as, without limitation, Seller's internal memoranda, financial projections, budgets, appraisals, accounting and tax records and similar proprietary, elective or confidential information. Purchaser understands and agrees that any on-site inspections of the Property shall be conducted upon at least twenty-four (24) hours' prior written notice to Seller and in the presence of Seller or its representative. Such physical inspection shall not unreasonably interfere with the use of the Property by Seller or its tenants nor shall Purchaser's inspection damage the Property in any respect. Such physical inspection shall not be invasive in any respect (unless Purchaser obtains Seller's prior written consent, which consent shall not be unreasonably withheld or delayed), and in any event shall be conducted in accordance with standards customarily employed in the industry and in compliance with all governmental laws, rules and regulations. Seller acknowledges that Purchaser may request the right to conduct certain customary invasive tests with respect to testing the environmental condition of the Property. During the Inspection Period and at all times prior to Closing, Purchaser, its agents and contractors, shall have reasonable access to the Property and other information pertaining thereto in the possession or within the control of Seller or its property manager for the purpose of performing such studies, tests, borings, investigations and inspections as Purchaser shall deem necessary or desirable (it being understood that physical testing shall require Seller's prior written approval, which approval shall not be unreasonably withheld or delayed). Following each entry by Purchaser with respect to inspections and/or tests on the Property, Purchaser shall restore the Property to a condition which is as near to its original condition as existed prior to any such inspections and/or tests. Except as

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specifically set forth in Section 5.3, Purchaser's right of inspection and the exercise of such right shall not constitute a waiver by Purchaser of a breach of any representation, warranty, covenant or agreement of Seller which might, or should, have been disclosed by such inspection.

- (b) Seller shall cooperate with Purchaser in Purchaser's due diligence but Seller shall not be obligated to incur any liability or expense in connection therewith. Purchaser shall not contact any tenants of the Property or any governmental or quasi-governmental authorities without obtaining Seller's prior written consent (which consent shall not be unreasonably withheld or delayed), and Purchaser and its agents shall not disrupt Seller's or Seller's tenants' activities on the Property. Seller acknowledges that Purchaser shall require contact with such parties prior to the expiration of the Inspection Period in order to complete its due diligence. Purchaser agrees to indemnify against and hold Seller harmless from any claim

for liabilities, costs, expenses (including reasonable attorneys' fees actually incurred by Seller or Seller's agents or management company), damages or injuries to the extent arising out of, or resulting from any acts or omissions of Purchaser or Purchaser's agents in connection with the inspection of the Property by Purchaser or its agents (but the foregoing indemnity shall not apply to any claims arising out of, or resulting from, the discovery by Purchaser of any existing environmental conditions or matters). Notwithstanding anything to the contrary in this Agreement, Purchaser's obligation to indemnify Seller and hold Seller harmless shall survive Closing or any termination of this Agreement. All inspections shall occur at reasonable times agreed upon by Seller and Purchaser.

III.2 Right of Termination. Seller agrees that in the event Purchaser determines (such determination to be made in Purchaser's sole discretion) that the Property is not suitable for its purposes, or for any reason or for no reason, Purchaser shall have the right to terminate this Agreement by giving written notice thereof to Seller prior to the expiration of the Inspection Period. If Purchaser or Purchaser's attorneys shall give or fail to give such notice of termination prior to expiration of the Inspection Period, then this Agreement shall terminate and the Earnest Money shall be returned to Purchaser. Time is of the essence with respect to the provisions of this Section 3.2.

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IV.1 Time and Place. The consummation of the transaction contemplated hereby ("Closing") shall be held at the offices of Rudnick & Wolfe, 1201 New York Avenue, N.W., Penthouse, Washington, D.C., at 10:30 a.m. on July 15, 1999, or such earlier date to which Seller and Purchaser may agree. At Closing, Seller and Purchaser shall perform the obligations set forth in, respectively, Section 4.2 and Section 4.3, the performance of which obligations shall be concurrent conditions. Notwithstanding anything in this Section 4.1 to the contrary, the parties agree to use commercially reasonable efforts to pre-close the transaction contemplated hereby

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(i.e., sign documents into escrow) on the business day immediately preceding the then-scheduled date of Closing.

IV.2 Seller's Obligations at Closing. At Closing, Seller shall:

- (1) deliver to Purchaser a duly executed special warranty deed with a covenant of further assurances in recordable form (the "Deed"), conveying the Land and Improvements, subject only to the Permitted Exceptions;
- (2) deliver to Purchaser a duly executed bill of sale conveying the Personal Property without warranty of title or use and without warranty, expressed or implied, as to merchantability and fitness for any purpose;
- (3) deliver to Purchaser all original Leases and Lease files (or complete copies of such Leases or other documents where such documents are not in Seller's, Lend Lease's (as defined below) or Seller's management company's possession) and assign to Purchaser, and Purchaser shall assume from and after Closing, the landlord/lessor interest in and to the Leases by duly executed assignment and assumption agreement in the form attached to this agreement as Exhibit F;
- (4) deliver to Purchaser all original Operating Agreements as well as all other documents referred to herein (or complete copies of such Operating Agreements or other documents where such documents are not in Seller's or Seller's management company's possession) and to the extent assignable, assign to Purchaser, and Purchaser shall assume from and after Closing, Seller's interest in the Operating Agreements and the other Intangibles by duly executed assignment and assumption agreement;
- (5) deliver to Purchaser all original Tenant Estoppels (as such term is defined in Section 5.4(b) hereof) as are in Seller's possession. Notwithstanding anything contained in this Agreement to the contrary, in no event shall Seller be liable to Purchaser for, or deemed to be in default hereunder by reason of, its failure to obtain any Tenant Estoppel which Seller is required to deliver to Purchaser pursuant to Section 5.4(b) (it being understood, however, that such failure shall constitute a non-fulfillment of a condition precedent to Purchaser's obligation to close hereunder and Purchaser's remedies shall be as set forth in this Agreement);
- (6) join with Purchaser to execute (i) a notice in form and content reasonably satisfactory to Purchaser and Seller which Purchaser shall send to each tenant under each of the Leases (A) informing such tenant of the sale of the Property and of the assignment to Purchaser of Seller's interest in, and obligations under, the Leases (including, if applicable any security deposits) effective from and after the Closing, and (B)

directing that all rent and other sums payable after the Closing under each such Lease shall be paid as set forth in the notice, and (ii) a notice in form and content reasonably satisfactory to Purchaser and Seller which Purchaser shall send to each vendor under each of the

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Operating Agreements in effect at Closing informing such vendor of the sale of the Property and of the assignment to Purchaser of Seller's interest in, and obligations under, the Operating Agreements and directing that all sums payable after the Closing under each such Operating Agreement shall be paid as set forth in the notice;

(7) deliver to Purchaser a certificate, dated as of the date of Closing and executed on behalf of Seller by a duly authorized officer thereof, stating that the representations and warranties of Seller contained in Section 5.1 hereof are true and correct in all material respects as of the date of Closing (with appropriate modifications of those representations and warranties made in Section 5.1 hereof to reflect any changes therein including without limitation any changes resulting from actions under Section 5.4 hereof) or identifying any representation or warranty which is not, or no longer is, true and correct and explaining the state of facts giving rise to the change. In no event shall Seller be liable to Purchaser for, or be deemed to be in default hereunder by reason of, any breach of representation or warranty which results from any change that (i) occurs between the Effective Date and the date of Closing and (ii) is (A) expressly permitted under the terms of this Agreement or (B) beyond the reasonable control of Seller to prevent; provided, however, that the occurrence of a change which is not expressly permitted in this Agreement shall constitute a non-fulfilment of a condition precedent to Purchaser's obligations to close under this Agreement, and Purchaser's remedies shall be as set forth in this Agreement. If, despite changes or other matters described in such certificate, Purchaser proceeds to the Closing and the Closing occurs, then Seller's representations and warranties set forth in this Agreement shall be deemed to have been modified by all statements made in such certificate;

(8) deliver to Purchaser such evidence as Purchaser's counsel and/or the Title Company may reasonably require as to the authority of the person or persons executing documents on behalf of Seller;

(9) deliver to Purchaser an affidavit duly executed by Seller stating that Seller is not a "foreign person" as defined in the Federal Foreign Investment in Real Property Tax Act of 1980 and the 1984 Tax Reform Act;

(10) deliver to Purchaser the Leases, Operating Agreements, Environmental Documents (as defined below) and licenses and permits, if any, in the possession of Seller or Seller's agents, together with all leasing and property files and records in connection with the continued operation, leasing and maintenance of the Property, to the extent not previously delivered to Purchaser. Purchaser shall cooperate with Seller for a period of seven (7) years after Closing in case of Seller's need in response to any tax audit, tax return preparation or litigation threatened or brought against Seller, by allowing Seller and its agents or representatives access, upon reasonable advance notice (which notice shall identify the nature of the information sought by Seller), and at reasonable times to examine and make copies of any and all instruments, files and records related to the

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period of Seller's ownership of the Property and which Seller has delivered to Purchaser at Closing, which right shall survive the Closing;

(11) deliver to Purchaser possession and occupancy of the Property, subject to the Permitted Exceptions;

(12) deliver such additional documents as shall be reasonably required to consummate the transaction expressly contemplated by this Agreement, which additional documents may include transfer and recordation tax declarations and other tax certificates; and

(13) deliver an affidavit (and such other documents or instruments reasonably required by the Title Company) executed by Seller (and in form and substance reasonably satisfactory to Seller and Seller's counsel) (i) certifying against any work done or supplies delivered to the Property which might be grounds for a materialman's or mechanic's lien under or pursuant to applicable law, in form sufficient to enable the Title Company to delete any exception to any such lien, and (ii) which the Title Company may require to eliminate the pre-printed standard exceptions in the Title Policy;

(14) deliver such transfer and other tax declarations and returns and

information returns, duly executed and sworn to by Seller as may be required of Seller by law in connection with the conveyance of the Property to Purchaser (including, but not limited to, Internal Revenue Service forms, if required);

(15) execute a closing statement setting forth the Purchase Price and all adjustments and prorations;

(16) deliver an updated Schedule 4.4(b)(8) (delinquent rents);

(17) deliver an updated Schedule 5.1(s) (Rent Roll);

(18) deliver to Purchaser any letters of credit given by Tenants as Security Deposits, and if requested by Purchaser, Seller shall execute such transfer instruments in form and substance as may be required by the issuer of such letters of credit in connection with the transfer of such letters of credit to Purchaser; and

(19) such other documents as are required under this Agreement to be delivered by Seller at Closing.

IV.3 Purchaser's Obligations at Closing. At Closing, Purchaser shall:

(1) pay to Seller the full amount of the Purchase Price, as increased or decreased by prorations and adjustments as herein provided, in immediately available wire transferred federal funds pursuant to Section 1.5 above, it being agreed that at Closing the Earnest

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Money shall be delivered to Seller and applied towards payment of the Purchase Price, and it being further understood that Seller shall receive such proceeds at its bank account no later than 3:00 p.m. Eastern time on the date of Closing, failing which the pro-rations shall be redetermined to coincide with the date on which said funds are received prior to 3:00 p.m. Eastern time (time being of the essence with respect to this subparagraph);

(2) join Seller in execution of the instruments described in Sections 4.2(c), 4.2(d), and 4.2(f) above;

(3) deliver to Seller a letter duly executed by Purchaser, confirming that Purchaser is not acquiring the Property with the assets of an employee benefit plan as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974 ("ERISA"), and, if Purchaser is unable or unwilling to make such a representation, then Purchaser shall be deemed to be in default hereunder, and Seller shall have the right to terminate this Agreement and to receive and retain the Earnest Money;

(4) deliver to Seller such evidence as Seller's counsel and/or the Title Company may reasonably require as to the authority of the person or persons executing documents on behalf of Purchaser; and

(5) deliver such additional documents as shall be reasonably required to consummate the transaction contemplated by this Agreement.

IV.4 Credits and Prorations.

(1) The following shall be apportioned with respect to the Property as of 12:01 a.m., on the day of Closing, as if Purchaser were vested with title to the Property during the entire day upon which Closing occurs:

- (1) rents, if any, as and when collected (the term "rents" as used in this Agreement includes all payments due and payable by tenants under the Leases);
- (2) taxes (including personal property taxes on the Personal Property) and assessments levied against the Property;
- (3) payments under the Operating Agreements;
- (4) gas, electricity, water, sewer and other utility charges in connection with the Property for which Seller is liable, if any, such charges to be apportioned at Closing on the basis of the most recent meter reading occurring prior to Closing (and Seller shall use commercially reasonable efforts to cause the utilities to read the meters as close as possible to the date of Closing); and

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- (5) any other operating expenses or other items pertaining to the Property which are customarily prorated between a purchaser

and a seller in the area in which the Property is located.

- (2) Notwithstanding anything contained in the foregoing provisions:
- (1) At Closing, Seller shall credit to the account of Purchaser the amount of all cash security deposits held by Seller, \$608 (which represents an additional security deposit for Belay & Belay Investment, Inc.) and any interest on such security deposits if and only to the extent required by the applicable Lease.
 - (2) Any taxes paid at or prior to Closing shall be prorated based upon the amounts actually paid. If taxes and assessments for the current year have not been paid before Closing, Seller shall be charged at Closing an amount equal to that portion of such taxes and assessments (together with interest and penalties thereon) which relates to the period before Closing and Purchaser shall pay the taxes and assessments prior to their becoming delinquent. Any such apportionment made with respect to a tax year for which the tax rate or assessed valuation, or both, have not yet been fixed shall be based upon the tax rate and/or assessed valuation last fixed. To the extent that the actual taxes and assessments for the current year differ from the amount apportioned at Closing, the parties shall make all necessary adjustments by appropriate payments between themselves following Closing.
 - (3) Charges referred to in Section 4.4(a) above which have been contracted for by a Tenant to a third party and are payable by such Tenant directly to said third party shall not be apportioned hereunder, and Purchaser shall accept title subject to any of such charges unpaid and Purchaser shall look solely to the tenant responsible therefor for the payment of the same.
 - (4) Seller shall receive the entire advantage of any discounts for the prepayment by it of any taxes, water rates or sewer rents.
 - (5) As to gas, electricity and other utility charges referred to in Section 4.4(a)(iv) above, Seller may on notice to Purchaser elect to pay one or more of all of said items accrued to the date hereinabove fixed for apportionment directly to the person or entity entitled thereto, and to the extent Seller so elects, such item shall not be apportioned hereunder, and Seller's obligation to pay such item directly in such case shall survive the Closing.
 - (6) The Personal Property is included in this sale, without further charge.
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- (7) If (i) Purchaser approves any new Lease, or the renewal or extension of an existing Lease which is not provided for thereunder, which approval includes an approval of the costs to be incurred by the landlord on account thereof, or (ii) a Tenant exercises, after the Effective Date, a renewal or extension of an existing Lease pursuant to a right set forth therein, which exercise requires the landlord to incur certain costs on account thereof, then Purchaser shall be responsible for such costs and Seller shall have no responsibility therefor. If, as of the date of Closing, Seller shall have paid any costs for which Purchaser is responsible pursuant to the foregoing sentence, Purchaser shall reimburse Seller therefor at Closing. The provisions of this Section shall survive the Closing.
 - (8) All moneys received from Tenants from and after the date of Closing shall belong to Purchaser and shall be applied by Purchaser to current rents and other charges under the Leases. After application of such moneys to current rents and charges, Purchaser agrees to remit to Seller any excess amounts paid by a Tenant to the extent that such Tenant was in arrears in the payment of rent prior to the Closing. Attached hereto as Schedule 4.4(b)(8) is a schedule of delinquent rents as of the Effective Date, which schedule shall be updated as of the date of Closing.
 - (9) At the Closing, Seller shall deliver to Purchaser a list of 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 Seller on account of the components of Additional Rents for such calendar year. Upon the reconciliation by Purchaser of the Additional Rents billed to Tenants, and the amounts actually incurred for such calendar year, Seller and Purchaser 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. In addition, Seller has advised Purchaser that Brooks Brothers, Inc., is obligated to pay percentage rent in accordance with its lease, and upon receipt by Purchaser of any percentage rent which pertains to the period of time prior to Closing, Purchaser shall promptly remit to Seller its proportionate share thereof.

- (10) With respect to the ongoing tenant improvement work being performed for Radio Free Europe, Seller shall provide to Purchaser at Closing a credit in the amount of any sums remaining to be paid by Seller pursuant to such

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tenants' leases. With respect to the ongoing tenant improvement work being performed for Joseph M. Del Balzo, Seller shall credit to Purchaser at Closing an amount equal to 120% of any sums outstanding for such work as of Closing, and the unused portion of such credit shall be reimbursed to Seller promptly after completion and acceptance by Joseph M. Del Balzo of the tenant improvement work for such tenant. The amount of the credit due on account of such work shall be based on a letter from the contractor setting forth the amounts owed to it. The credit shall also include amounts due for the construction management fee for such work. With respect to Seller's obligations to such tenants for the aforesaid tenant improvement work, Seller shall provide to Purchaser at Closing such written documentation as Purchaser may request for the purpose of establishing the amounts remaining to be paid to such tenants in connection with such work, Seller acknowledging that Purchaser is requesting the estoppel from Radio Free Europe to set forth the amount still due.

- (3) Any errors in calculations or adjustments shall be corrected or adjusted as soon as practicable after the Closing. The provisions of this Section 4.4 shall survive Closing.

IV.5 Closing Costs. Seller shall pay: (a) the fees of any counsel representing it in connection with this transaction; (b) one-half (1/2) of any escrow fee which may be charged by the Escrow Agent or Title Company; (c) one-half (1/2) of any transfer tax, recordation tax, grantor's tax, documentary stamp tax or similar tax which becomes payable by reason of the transfer of the Property; (d) the customary fees for recording the deed conveying the Property to Purchaser; and (e) all costs incurred to repay or satisfy all liens as specifically required by Section 2.3. Purchaser shall: (u) pay the fees of any counsel representing Purchaser in connection with this transaction; (v) pay the premium for the Title Policy to be issued to Purchaser by the Title Company at Closing; (w) pay for the cost of changes to the Survey requested by Purchaser; (x) pay one-half (1/2) of any transfer tax, recordation tax, grantor's tax, documentary stamp tax or similar tax which becomes payable by reason of the transfer of the Property; and (y) pay one-half (1/2) of any escrow fees charged by the Escrow Agent or Title Company. All other costs and expenses incident to this transaction and the closing thereof shall be paid by the party incurring such costs and expenses. The provisions of this Section 4.5 shall survive the Closing or any early termination of this Agreement.

IV.6 Conditions Precedent to Obligation of Purchaser. The obligation of Purchaser to consummate the transaction hereunder shall be subject to the fulfillment on or before the date of Closing of all of the following conditions, any or all of which may be waived by Purchaser in its sole discretion:

- (1) Seller shall have delivered to Purchaser all of the items required to be delivered to Purchaser pursuant to the terms of this Agreement, including but not limited to, those

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provided for in Section 4.2.

- (2) All of the representations and warranties of Seller contained in this Agreement shall be true and correct in all material respects as of the date of Closing.

(3) Seller shall have performed and observed, in all material respects, all covenants and agreements of this Agreement to be performed and observed by Seller as of and to the date of Closing.

(4) The Title Company shall be unconditionally prepared to issue to Purchaser a Title Policy which meets the requirements of this Agreement.

(5) The Property shall be in substantially the same condition as exists as of the last day of the Inspection Period, subject to (i) ordinary wear and tear, and (ii) the provisions of Article VII, it being understood that Seller shall not be required to replace any building systems or make any capital improvements except as expressly required by this Agreement.

(f) Zuckerman, Spaeder, Goldstein, Taylor & Kolker ("Zuckerman Spaeder") shall have entered into a written and binding agreement in form and substance reasonably satisfactory to Purchaser identifying the expansion space on the 5th floor which Zuckerman Spaeder will occupy, which space shall be unoccupied and legally allowed to be occupied; such agreement shall also provide for a renewal of the space currently occupied by Zuckerman Spaeder on the 8th floor, and shall provide that the term of the expansion space and the renewal space shall be coterminous with the term of the balance of the space occupied by Zuckerman Spaeder at the Property. Purchaser shall have the right to reasonably approve the configuration of the expansion space identified by Zuckerman Spaeder, and Purchaser shall not be deemed to be unreasonable if the lineal footage along Connecticut Avenue identified by Zuckerman Spaeder is increased by more than 5% from the space plan annexed hereto as Exhibit H. The remaining vacant space on the fifth floor shall be reasonably capable of being separately demised and leased in the ordinary course of business, shall be reasonably appropriate for office use, and shall contain not less than 5,476 square feet. Such agreement shall set forth Zuckerman Spaeder's agreement on its rent and any tenant improvement allowances for the expansion space, and the rent for the renewal space during the renewal term, and shall specifically acknowledge that such agreement satisfies Zuckerman Spaeder's expansion rights under its Lease. At Closing Purchaser shall receive a credit from Seller towards the Purchase Price equal to the sum of (i), (ii) and (iii):

- (i) an amount equal to \$6.32 multiplied by the number of square feet remaining on the 5th floor following approval by Purchaser of the expansion space on such floor to be occupied by Zuckerman Spaeder, further multiplied by 5 (reflecting an agreed upon assumed 5 year term);

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plus

- (ii) the sum of (A) with respect to the expansion space on the fifth floor, the positive difference between \$31.32 per square foot of space to be leased by Zuckerman Spaeder and the per square foot fixed rent to be paid by Zuckerman Spaeder during the first year of the expansion term, multiplied by the square footage of such expansion space and further multiplied by the annualized term of the expansion, plus (B) with respect to the renewal space on ---- the eighth floor, the positive difference between \$31.32 per square foot of space to be leased by Zuckerman Spaeder on the eighth floor and the per square foot fixed rent to be paid by Zuckerman Spaeder during the first year of the renewal term, multiplied by the square footage of such renewal space and further multiplied by the annualized term of the renewal; plus
- (iii) the sum of the amount, if any, by which the tenant improvement allowance (including any sprinklering costs) for Zuckerman Spaeder's fifth floor space exceeds \$20 per square foot, multiplied by the square footage of such expansion space, plus the amount, if any, by which the tenant improvement allowance (including any sprinklering costs) for Zuckerman Spaeder's eighth floor space exceeds \$10 per square foot, multiplied by the square footage of such renewal space. In the event that the agreement with Zuckerman Spaeder requires that the landlord under Zuckerman Spaeder's Lease is to perform the tenant improvement work, then, notwithstanding anything to the contrary contained in this clause (f)(iii), Purchaser and Seller shall mutually agree upon an amount that is equal to 150% of the estimated cost of such tenant improvement work (including a construction management fee), which amount shall be held in escrow pursuant to an escrow agreement mutually satisfactory to Purchaser and Seller, and Purchaser shall not be entitled to a credit pursuant to this clause (iii). The cost of Zuckerman Spaeder's tenant improvement work shall be paid from such escrow account, and any balance remaining after the completion of such work shall promptly be paid to Seller.

The provisions of this Section 4.6(f) shall survive Closing indefinitely.

In lieu of the expansion rights with respect to the fifth floor, Seller agrees that if by 5:00 p.m. on Friday, July 2, 1999, Purchaser advises Seller in writing that Purchaser will approve of Zuckerman Spaeder occupying a portion of the 3rd floor equal to the portion which would otherwise be taken on the 5th floor, then if by Closing Seller delivers an agreement from Zuckerman Spaeder satisfying all of the terms and conditions set forth above but which provides for Zuckerman Spaeder occupying a portion of the 3rd floor rather than a portion of the 5th floor, and the terms and conditions of such occupancy

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provide for a fixed rent of \$28.70 per square foot in the first year, increasing 2% per year, a 5 year term, and tenant improvement concessions not to exceed \$20 per square foot, then Seller will credit Purchaser with \$302,175 on account of the credits described in (i) and (ii) above and the credit on account of the tenant improvement allowance for the fifth floor as described in (iii) above.

(6) Seller shall have paid the second half real estate brokerage commissions payable with respect to the lease to Joseph M. Del Balzo and provided Purchaser with written evidence thereof.

(7) Radio Free Europe shall have either vacated the temporary space which it is occupying pursuant to that certain letter dated March 16, 1999, or agreed to vacate the temporary space within 15 days of the Closing, so long as such agreement is confirmed in writing and a copy thereof is provided to Purchaser.

(8) Seller shall have delivered to Purchaser a letter from the District of Columbia Fire Department clarifying that there is only one (1) underground storage tank at the Property.

(9) Seller shall have delivered or caused to be delivered to Purchaser a reliance letter from Levine-Fricke-Recon (for the Phase I Report (as defined below)) in form and substance reasonably satisfactory to Purchaser.

(10) All Leases under which the Required Tenants (as defined below) lease space shall be in full force and effect.

IV.7 Conditions Precedent to Obligation of Seller. The obligation of Seller to consummate the transaction hereunder shall be subject to the fulfillment on or before the date of Closing of all of the following conditions, any or all of which may be waived by Seller in its sole discretion:

(1) Seller shall have received the Purchase Price as adjusted pursuant to and payable in the manner provided for in this Agreement.

(2) Purchaser shall have delivered to Seller all of the items required to be delivered to Seller pursuant to the terms of this Agreement, including but not limited to, those provided for in Section 4.3.

(3) All of the representations and warranties of Purchaser contained in this Agreement shall be true and correct in all material respects as of the date of Closing.

(4) Purchaser shall have performed and observed, in all material respects, all covenants and agreements of this Agreement to be performed and observed by Purchaser as of the date of Closing.

65535RT65535CLE VREPRESENTATIONS, WARRANTIES AND COVENANTS

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V.1 Representations and Warranties of Seller. Seller hereby makes the following representations and warranties to Purchaser:

(1) Organization and Authority. Seller has been duly organized and is validly existing under the laws of New York. Seller has the full right and authority to enter into this Agreement and, subject to the provisions of Section 10.6 hereof, to transfer all of the Property to be conveyed by Seller pursuant hereto and to consummate or cause to be consummated the transactions contemplated herein to be made by Seller. The person signing this Agreement on behalf of Seller is authorized to do so. This Agreement, when duly executed and delivered, will be the legal, valid and binding obligation of Seller, enforceable in accordance with the terms of this Agreement. The performance by Seller of its duties and obligations under this Agreement and the documents and instruments to be executed and

delivered by it hereunder will not conflict with, or result in a breach of, or default under, any provision of any of the organizational documents of Seller 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 Seller is a party or by which its assets are or may be bound.

(2) Pending Actions. To Seller's knowledge, there is no pending action, suit, arbitration, unsatisfied order or judgment, governmental investigation or proceeding against the Property or the transaction contemplated by this Agreement (nor, to Seller's knowledge, has any such matter been threatened in writing), which, if adversely determined, could individually or in the aggregate have an effect on the Property or any portion thereof or which could in any material way interfere with the consummation by Seller of the transaction contemplated by this Agreement or which is not covered by insurance.

(3) Leases. Seller is the lessor or landlord or the successor lessor or landlord under the Leases. Seller has delivered to Purchaser true, correct and complete copies of all of the Leases and any guaranties thereof. Except as set forth in the Lease Schedule, there are no other leases or occupancy agreements affecting the Property. Except as otherwise set forth in the Leases, to Seller's knowledge, no presently effective rent concessions have been given to any tenants and no rent has been paid in advance by any tenants respecting a period subsequent to the Closing. No tenants have asserted in writing any claims, defenses or offsets to rent accruing from and after the date of Closing. To Seller's knowledge, except as disclosed to Purchaser in writing, no default, delinquency or breach exists on the part of any tenant, and to Seller's knowledge, no condition exists which, with the passage of time or the giving of notice, or both, will become a default. There are no defaults or breaches on the part of Seller, as the landlord under any Lease. In the event that any Tenant Estoppel delivered to Purchaser with respect to any Lease shall contain any statement of fact, information or other matter which is inconsistent with the matters stated in Seller's representations in this Section 5.1(c), the Tenant Estoppel shall control and Seller shall have no liability for any claim based upon a breach of

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representation regarding such statement of fact, information or other matter contained in the Tenant Estoppel. Notwithstanding anything to the contrary contained in this Agreement, Seller does not represent or warrant that any particular Lease will be in force or effect at Closing or that the tenants under the Leases will have performed their obligations thereunder. The termination of any Lease prior to Closing by reason of the tenant's default shall not affect the obligations of Purchaser under this Agreement in any manner or entitle Purchaser to an abatement of or credit against the Purchase Price or give rise to any other claim on the part of Purchaser, except that such event with respect to a Required Tenant shall constitute a non-fulfillment of a condition precedent to Purchaser's obligation to close hereunder and Purchaser's remedies shall be as set forth in this Agreement.

(4) Lease Brokerage. There are no lease brokerage agreements, leasing commission agreements or other agreements providing for payments of any amounts for leasing activities or procuring tenants with respect to the Property which will become due and payable from and after the date of Closing other than as disclosed in Exhibit G attached hereto and made a part hereof. In furtherance, and not in limitation, of the foregoing, Seller further represents that there are no existing agreements with brokers concerning expansions or renewals of existing Leases, except for the lease commissions payable to Fred Ezra and Trammel Crow Real Estate Services (and disclosed in Exhibit G), which lease commissions shall be paid prior to Closing pursuant to Section 4.6(g). Seller shall indemnify and hold harmless Purchaser from any claims arising from a breach of the representation set forth in this Section 5.1(d). Seller shall use reasonable efforts to obtain a letter from Trammel Crow Real Estate Services that Purchaser shall have no liability to Trammel Crow for any commissions or fees following the termination of its leasing agreement as of Closing.

(5) No Violations. To Seller's knowledge, Seller has not received prior to the Effective Date any written notification from any governmental or public authority (i) that the Property is in violation of any applicable fire, health, building, use, occupancy or zoning laws where such violation remains outstanding and, if unaddressed, would have an adverse effect on the Property as currently owned and operated or (ii) that any work is required to be done upon or in connection with the Property, where such work remains outstanding and, if unaddressed, would have an adverse effect on the Property as currently owned and operated. In addition, to Seller's knowledge, there are no violations, suits, investigations or judgments relating to any violations of any laws, ordinances or regulations affecting the Property (including, without limitation, Environmental Laws

(as hereinafter defined)), or any violations or conditions that may give rise thereto, and to Seller's knowledge, no agency, board, bureau, commission, department, office or body of any municipal, county, state or federal governmental unit, or any subdivision thereof, having, asserting or acquiring jurisdiction over all or any part of the Property or the management, operation, use or improvement thereof (collectively, the "Governmental Authorities") has notified Seller in writing that it contemplates the issuance thereof, and

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to Seller's knowledge, there are no outstanding orders, judgments, injunctions, decrees, directives or writs of any Governmental Authorities against or involving Seller or the Property.

(6) Taxes and Assessments. True and complete copies of the most recent real estate tax bills for the Property received by Seller have been delivered to Purchaser. Except as disclosed to Purchaser in writing, Seller has not filed, and has not retained anyone to file, notices of protests against, or to commence action to review, real property tax assessments against the Property.

(7) Condemnation. To Seller's knowledge, Seller has not received any written notice and, to Seller's knowledge, there are no (i) pending or contemplated annexation or condemnation proceedings, or private purchase in lieu thereof, affecting or which may affect the Property, or any part thereof, (ii) proposed or pending proceedings to change or redefine the zoning classification of all or any part of the Property, (iii) proposed or pending special assessments affecting the Property or any portion thereof, (iv) penalties or interest due with respect to real estate taxes assessed against the Property and (v) proposed change(s) in any road or grades with respect to the roads providing a means of ingress and egress to the Property. Seller agrees to furnish Purchaser with a copy of any such notice received by Seller within two (2) days after receipt.

(8) Insurance. To Seller's knowledge, Seller has not received any written notice from any insurance company or board of fire underwriters of any defects or inadequacies in or on the Property or any part or component thereof that would materially and adversely affect the insurability of the Property or cause any material increase in the premiums for insurance for the Property that have not been cured or repaired or require any repairs or work in or to the Property.

(9) Environmental Matters. Except as set forth in that certain Phase I Environmental Report prepared by Levine-Fricke-Recon and dated April 16, 1999 (as modified by that certain letter dated June 17, 1999), a copy of which has been delivered to Purchaser (the "Phase I Report"), or as otherwise disclosed to Purchaser in writing,

- (1) Seller has not received any Notice that any Governmental Authority (as defined in Section 5.8 below) has determined that there are any violations of Environmental Law (as defined in Section 5.8 below) with respect to the Property.
- (2) to Seller's knowledge, there are no Hazardous Substances (as defined in Section 5.8 below) on, under, at, emanating from or affecting the Property, except those in compliance with all applicable Environmental Laws (as defined in Section 5.8).
- (3) no portion of the Property has ever been used by Seller or, to Seller's

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knowledge, any current or former owner or Tenant to generate, manufacture, refine, produce, treat, store, handle, dispose of, transfer or process Hazardous Substances in violation of any applicable Environmental Laws.

- (4) there is no Operation and Maintenance Plan (the "O&M Plan") with respect to any asbestos or asbestos-containing materials at the Property.
- (5) to Seller's knowledge, there are no above-ground storage tanks or Underground Storage Tanks (as defined in Section 5.8 below) at the Property (regardless of whether such tanks are regulated tanks or not).
- (6) Seller has provided Purchaser with all Environmental Documents (as defined in Section 5.8 below) in the possession or control of Seller, Lend Lease or Seller's property manager.

(10) Performance of Obligations of Landlord. To Seller's knowledge, Seller

has performed all of the obligations and observed all of the covenants required of the landlord under the Leases. To Seller's knowledge, 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 complied with, and there is no agreement with any Tenant for the performance of any work to be done in the future. To Seller's knowledge, no work has been performed at the Building which would require an amendment to the certificate of occupancy for the Improvements, and any and all work performed at the Property to the date hereof and to the Closing Date has been and will be in accordance with the rules, laws and regulations of all applicable authorities. All bills and claims for labor performed and materials furnished to or for the benefit of the Property will be paid in full on the Closing Date.

(11) Agreements. There are no service contracts, union contracts, employment agreements, leasing commission or brokerage agreements or other agreements affecting the Property or the operation thereof, except the Operating Agreements. All of the Operating Agreements are unmodified and in full force and effect without any default or claim of default by any of the parties thereto. All sums currently due and payable by Seller under the Operating Agreements have been fully paid (or will be paid in the ordinary course of business) and all sums which become due and payable between the date hereof and the Closing Date shall be fully paid on the Closing Date. All of the Operating Agreements (with the exception of the contract with Cameo Bronze) may be terminated on not more than thirty (30) days notice without the payment of any fee or penalty.

(12) Employee Contracts. There are no employees working at or in connection with the Property who are employed by Seller, nor are there any union agreements affecting

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the Property.

(13) Bankruptcy. Seller has not made a general assignment for the benefit of creditors, filed any voluntary petition in bankruptcy or suffered the filing of any involuntary petition by Seller's creditors, suffered the appointment of a receiver to take possession of all, or substantially all, of such Seller's assets, suffered the attachment or other judicial seizure of all, or substantially all, of such Seller's 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.

(14) Personal Property. The Personal Property listed on Exhibit B is now owned and will on the Closing Date be owned by Seller free and clear of any conditional bills of sale, chattel mortgages, security agreements or financing statements or other security interests of any kind. Exhibit B is a materially true, correct and complete listing of the Personal Property which Seller has used in connection with the maintenance and operation of the Property.

(15) Taxes. Seller has paid all Taxes (as defined herein) due and payable prior to the Closing and filed all returns and reports required to be filed prior to the Closing with respect to the ownership and operation of the Property (by Seller or any predecessor entity) for which Purchaser could be held liable or a claim made against the Property. There are no audits or other proceedings by any Governmental Authorities pending or, to Seller's knowledge, threatened in writing with respect to the Taxes resulting from the ownership and operation of the Property (by it or any predecessor entities) for which Purchaser could be held liable or a claim made against the acquired property. Seller is not party to, and has no liability under (including liability with respect to a predecessor entity), any indemnification, allocation or sharing agreement with respect to Taxes. "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 include deficiencies, interest, additions to tax or interest, and penalties with respect thereto, and include expenses associated with contesting any proposed adjustment related to any of the foregoing.

(16) No Vault Agreements or Charges. To Seller's knowledge, and except as may be set forth on the Title Commitment, there are no vault agreements or charges affecting any portion of the Property.

(17) Security Deposits. Attached hereto as Schedule 5.1(q) is, to Seller's knowledge, a materially true, complete and correct listing of all Security Deposits held by Seller, as

landlord, under the Leases, which Security Deposits shall be held by Seller in accordance with this Agreement and at Closing, shall be assigned to Purchaser.

(18) No Misrepresentation. No material representation or warranty made by Seller and contained in this Section, and no express statement contained in any document, certificate, schedule or exhibit furnished or to be furnished by or on behalf of Seller to Purchaser contains any materially untrue statement of a material fact or omits to state any material fact.

(19) Rent Roll. Attached hereto as Schedule 5.1(s) is a true, correct and complete rent roll for the Property setting forth the following: (i) the name of each Tenant; (ii) the fixed rent actually being collected; and (iii) the base year(s) and/or base year amount(s) for all items of rent or additional rent billed to each Tenant on that basis. If any Tenant provides a Tenant Estoppel (as set forth in Section 5.4(b)), then, to the extent such Tenant Estoppel covers the matters set forth in the immediately preceding sentence, such Tenant Estoppel shall control and the immediately preceding sentence shall be of no further force or effect for such Tenant.

V.2 Knowledge Defined.

- (a) References to the "knowledge" of Seller shall refer only to the actual knowledge of the Designated Employee (as hereinafter defined) of Lend Lease Real Estate Investments, Inc. ("Lend Lease"), the manager of the Property for Seller, and shall not be construed (by imputation or otherwise) to refer to the knowledge of Seller, Lend Lease or any affiliate of either of them, to any property manager, or to any other officer, agent, manager, representative or employee of Seller or Lend Lease or any affiliate thereof or to impose upon such Designated Employee any duty to investigate the matter to which such actual knowledge, or the absence thereof, pertains; provided, however, that the Designated Employee has contacted Keith Lipton, Jones Lang LaSalle's (the property manager) representative at the Property, and requested that Mr. Lipton review Jones Lang LaSalle's files relating to the Property and the representations and warranties set forth in Section 5.1, and Mr. Lipton has advised the Designated Employee that he has no actual knowledge of any fact or circumstance which would cause any representation made to the knowledge of Seller to be false. As used herein, the term "Designated Employee" shall refer to Michael J. Daly, Jr. Seller represents and warrants that the Designated Employee is the person currently in the employ of either Seller or Lend Lease who possesses the knowledge with respect to the matters contained herein.
- (b) References to the "knowledge" of Purchaser shall refer only to the actual knowledge of David Parisier ("Purchaser's Representative") and shall not be construed (by imputation or otherwise) to refer to the knowledge of Purchaser or

any of its affiliates, or to any officer, agent, manager, representative or employee of Purchaser or any affiliate thereof, or to impose upon Purchaser's Representative any duty to investigate the matter to which such actual knowledge, or the absence thereof, pertains. Purchaser represents and warrants that the Purchaser's Representative is the person currently in the employ of Purchaser who possesses the knowledge with respect to the matters contained herein, and such person will be actively involved with the due diligence and underwriting activities with respect to Purchaser's acquisition of this Property through Closing. If Mr. Parisier ceases to be employed by Purchaser at any time prior to Closing, Purchaser shall immediately designate a new Purchaser's Representative.

V.3 Survival of Seller's Representations and Warranties.

- (a) The representations and warranties of Seller set forth in Section 5.1, as updated by the certificate of Seller to be delivered to Purchaser at Closing in accordance with Section 4.2(g) hereof, shall survive Closing for a period of two hundred seventy (270) days. No claim for a breach of any representation or warranty of Seller shall be actionable or payable (i) if the breach in question results from or is based on a condition, state of facts or other matter which was known to Purchaser's Representative prior to Closing, (ii) unless the valid claims for all such breaches collectively aggregate more than Fifty Thousand Dollars (\$50,000), in which event the full amount of such claims shall be actionable, and (iii) unless written notice containing a description of the specific nature of such breach shall have been given by Purchaser to Seller prior to the

expiration of said 270-day period and an action shall have been commenced by Purchaser against Seller within sixty (60) days after the termination of the survival period provided for above in this Section 5.3. Purchaser agrees to first seek recovery under any insurance policies, service contracts and Leases prior to seeking recovery from Seller, and Seller shall not be liable to Purchaser if Purchaser's claim is satisfied from such insurance policies, service contracts or Leases.

- (b) As used herein, the term "Cap" shall mean an amount, in total aggregate, equal to \$1,500,000. In no event shall Seller's aggregate liability to Purchaser under this Agreement, for breach of any representation or warranty of Seller in this Agreement or the certificate to be delivered by Seller at Closing pursuant to Section 4.2(g) hereof or otherwise, exceed the amount of the Cap. During the foregoing 270-day period, the Value Enhancement Fund shall maintain \$1,500,000 of assets (net of liabilities) for the purpose of satisfying any obligations under this Section 5.3. Notwithstanding anything to the contrary contained herein, Seller shall indemnify, defend and hold harmless Purchaser from and against all claims, liabilities, losses, damages, penalties and costs (including, without limitation, reasonable attorneys' fees) which Purchaser may incur as a result of Seller's failure to pay third parties or Seller's breach of any

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obligation or agreement with the same, which indemnification shall survive the Closing and shall not be subject to any monetary limitations.

V.4 Covenants of Seller. Seller hereby covenants with Purchaser as follows:

(1) From the Effective Date hereof until the Closing or earlier termination of this Agreement, Seller shall use commercially reasonable efforts to operate and maintain the Property in a manner generally consistent with the manner in which Seller has operated and maintained the Property prior to the date hereof. In addition, Seller shall use reasonable efforts to preserve for Purchaser the relationships of Seller with the Tenants, suppliers and others having on-going relationships with the Property. Seller will complete any capital expenditure program currently in process or anticipated to be completed. Seller will not defer taking any actions or spending any of its funds, or otherwise manage the Property differently, due to the pending sale of the Property

(2) Seller shall use commercially reasonable efforts (but without obligation to incur any cost or expense) to obtain and deliver to Purchaser prior to Closing, a written estoppel certificate (each, a "Tenant Estoppel" and collectively, the "Tenant Estoppels"), signed by each tenant occupying space in the Property, which Tenant Estoppels (i) shall be in the form of Exhibit E attached hereto and made a part hereof (or, alternatively, in the form, required by the applicable Lease); (ii) shall be dated not more than thirty (30) days prior to the date of the Closing; (iii) shall not contain any adverse statements (other than of a de minimis nature) relating to the operation or condition of the Property or assert a material default on the part of Seller; and (iv) shall state that all rent due under such Tenant's Lease has been paid through the month in which the Closing occurs. It shall be a condition to Closing and to Purchaser's obligation to perform hereunder that Seller deliver to Purchaser a Tenant Estoppel for each of the following tenants (the "Required Tenants"): Zuckerman Spaeder; Brooks Brothers; Police Foundation; Radio Free Europe; Association of American Law Schools; Leo Daly; and Joseph M. DelBalzo.

(3) Prior to execution by Seller of any renewal or expansion of an existing Lease (except in connection with the exercise of a renewal or expansion right provided in such Lease) or of any new Lease which Seller wishes to execute between the Effective Date and the date of Closing, Seller shall submit the relevant documentation to Purchaser for Purchaser's approval. Prior to the expiration of the Inspection Period, Purchaser agrees that it shall not unreasonably withhold or delay its consent to any proposed lease or amendment; and after the expiration of the Inspection Period, Purchaser may grant or withhold its consent in its sole discretion. In any event, Purchaser agrees to notify Seller in writing within five (5) business days after its receipt thereof of either its approval or disapproval thereof, as well as any costs to be incurred by the landlord thereunder in connection therewith. In the event Purchaser fails to notify Seller in writing of its approval or disapproval within the five (5) day time period for such purpose set forth

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above, such failure shall be deemed the disapproval by Purchaser. At

Closing, Purchaser shall reimburse Seller for any costs paid by Seller on account of such renewal, expansion or new Lease approved by Purchaser.

(4) If, prior to the Closing Date, Seller shall have received from (i) any insurance company which issued a policy with respect to the Property, (ii) any board of fire underwriters or other body exercising similar functions, or (iii) the holder of any mortgage, any notice requiring or recommending any repair work to be done on the Property, Seller shall perform the same expeditiously and diligently at its own cost and expense prior to the Closing Date, but only so long as the cost thereof does not exceed \$50,000 in the aggregate.

(5) Seller shall: (1) Promptly notify Purchaser of, and promptly deliver to Purchaser, a copy of any Notice which Seller may receive, on or before the date of Closing, from any Governmental Authority concerning a violation of Environmental Laws or Discharge (as defined in Section 5.8 below) of Hazardous Substances; and (2) contemporaneously with the signing and delivery of this Agreement, and subsequently, promptly upon receipt by Seller or its representatives, deliver to Purchaser a true and complete copy of all Environmental Documents.

(6) In addition to the foregoing, Seller shall not: (1) enter into any agreement requiring Seller to do work for any Tenant after the Closing Date without first obtaining the prior written consent of Purchaser; (2) Accept the surrender of any Service Contract or Lease, or grant any concession, rebate, allowance or free rent; (3) apply any Security Deposits with respect to any Tenant in occupancy on the Closing Date; (4) Renew, extend or modify any of the Operating Agreements without the prior written consent of Purchaser; (5) Remove any Personal Property located in or on the Property, except as may be required for repair and replacement. All replacements shall be free and clear of liens and encumbrances and shall be of quality at least equal to the replaced items and shall be deemed included in this sale, without cost or expense to Purchaser; (6) Cause or permit the Property, or any interest therein, to be alienated, mortgaged, licensed, encumbered or otherwise be transferred; or (7) cause or permit any new lien or encumbrance to be placed upon or against the Property. Seller agree to remove, or cause to be removed, at its sole cost and expense, any lien or encumbrance which appears of record after the date on which the Title Commitment was issued and is not shown on the Title Commitment.

(7) Upon request of Purchaser at any time after the date hereof (but without any cost or expense to Seller), Seller shall assist Purchaser in its preparation of audited financial statements, statements of income and expense, and such other documentation as Purchaser may reasonably request, covering the period of Seller's ownership of the Property.

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

(9) Seller shall cancel, at its sole cost and expense, those Operating Agreements which Purchaser elects not to assume and which can, by their terms, be terminated prior to the Closing without the payment of any termination or other penalties or charges of any type or nature.

(10) Seller shall permit Purchaser and its authorized representatives to inspect the Books and Records of its operations concerning the Property at all reasonable times and on reasonable advance notice. The foregoing shall survive the Closing.

(11) All violations of statutes, ordinances, rules, regulations, orders, codes, directives or requirements affecting the Property, whether or not such violations are now noted in the records of or have been issued by any Governmental Authorities, shall be complied with by Seller prior to the Closing and the Property shall be conveyed free of any such violations, including, without limitation, violations of Environmental Laws, provided that the aggregate cost to Seller of complying with the foregoing shall not exceed \$50,000. If the cost to cure said violations exceeds \$50,000, Purchaser shall have the right to either (i) terminate this Agreement and receive a full refund of the Earnest Money or (ii) proceed to Closing, and at such event Purchaser shall receive a \$50,000 credit from Seller. Notwithstanding the immediately preceding sentence, in the event that Purchaser elects to terminate this Agreement pursuant to clause (i) above, then Seller shall have the right to cure said violations by paying the entire cost to cure said violation and Purchaser and Seller shall proceed to Closing (and Purchaser's election to terminate this Agreement shall be of no force or effect).

V.5 Representations and Warranties of Purchaser. Purchaser hereby represents and warrants to Seller:

(1) Purchaser is not acquiring the Property with the assets of an employee benefit plan as defined in Section 3(3) of ERISA.

(2) Subject to the provisions of Section 10.6 hereof, Purchaser has the full right, power and authority to purchase the Property as provided in this Agreement and to carry out Purchaser's obligations hereunder, and all requisite action necessary to authorize Purchaser to enter into this Agreement and to carry out its obligations hereunder have been, or by the Closing will have been, taken. The person signing this Agreement on behalf of Purchaser is authorized to do so.

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(3) There is no action, suit, arbitration, unsatisfied order or judgment, government investigation or proceeding pending against Purchaser which, if adversely determined, could individually or in the aggregate materially interfere with the consummation of the transaction contemplated by this Agreement.

V.6 Survival of Purchaser's Representations and Warranties. The representation and warranties of Purchaser set forth in Section 5.5(a) shall survive Closing and shall be a continuing representation and warranty without limitation. All other representations and warranties of Purchaser shall survive Closing for a period of one hundred eighty (180) days.

V.7 Covenants of Purchaser. Purchaser hereby covenants with Seller as follows:

(1) If Purchaser, in connection with its investigation of the Property during the Inspection Period, inspects the Property for the presence of Hazardous Substances (as defined in Section 5.1(i) hereof), and if Purchaser terminates this Agreement during the Inspection Period, then Purchaser shall furnish to Seller copies of any reports received by Purchaser in connection with any such inspection. Purchaser hereby assumes full responsibility for such inspections and, except for claims based on representations or warranties contained in Section 5.1(i), irrevocably waives any claim against Seller arising from the presence of Hazardous Substances on the Property. If Purchaser terminates this Agreement during the Inspection Period, Purchaser shall also furnish to Seller copies of any other reports received by Purchaser relating to any other inspections of the Property conducted on Purchaser's behalf, if any (including, specifically, without limitation, any reports analyzing compliance of the Property with the provisions of the Americans with Disabilities Act ("ADA"), 42 U.S.C. ss.12101, et seq., if applicable), other than those reports which are confidential or proprietary in nature. The provisions of this Section shall survive Closing or any early termination of this Agreement.

(2) Purchaser shall, at least twenty-four (24) hours prior to any entry onto the Property, in connection with its investigation of the Property during the Inspection Period, provide Seller with sufficient evidence to show that Purchaser and its agents or representatives who are to enter upon the Property are adequately covered by policies of insurance issued by a carrier reasonably acceptable to Seller insuring Purchaser, Seller and Seller's advisors and property manager against any and all liability arising out of Purchaser's or its agents' or representatives' entry (including, without limitation, any loss or damage to the Property, with coverage in the amount of not less than \$5,000,000 per occurrence). Purchaser agrees that it will cause any such person accessing the Property to be covered by not less than \$5,000,000 liability insurance insuring all activity and conduct of such person while exercising such right of access. Purchaser represents and warrants that it carries not less than \$5,000,000 general liability insurance with a contractual liability endorsement which insures its indemnity obligations under this Agreement, which names Seller and Seller's advisors and property manager of the Property as additional insureds thereunder. The provisions of this Section shall survive

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Closing or any early termination of this Agreement.

V.8 Environmental Definitions.

(1) "Hazardous Substances" shall include, without limitation, any regulated substance, toxic substance, hazardous substance, hazardous waste, pollution, pollutant or contaminant, as defined or referred to in the "Tanks Laws" as defined below; the Resource Conservation and Recovery Act, as amended, 42 U.S.C. ss.6901 et seq.; the Comprehensive Environmental Response, Compensation and Liability Act, as amended, 42 U.S.C. ss.9601 et seq. ("CERCLA"); the Water Pollution and Control Act, 33

U.S.C. ss.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, code, rule or regulation, including, without limitation, lead, radon, asbestos, polychlorinated biphenyls, urea formaldehyde and petroleum products and petroleum based derivatives. Where a statute, ordinance, code, rule or regulation defines any of these terms more broadly than another, the broader definition shall apply.

(2) "DCEHA" shall mean the District of Columbia Environmental Health Administrator or its successor.

(3) "Discharge" shall mean the releasing, spilling, leaking, leaching, disposing, pumping, pouring, emitting, emptying, treating or dumping of Hazardous Substances at, into, onto or migrating from or onto the Property, regardless of whether the result of an intentional or unintentional action or omission.

(4) "Environmental Documents" shall mean all environmental documentation in the possession or under the control of Seller concerning the Property, or its environs, including without limitation, all sampling plans, cleanup plans, preliminary assessment plans and reports, site investigation plans and reports, remedial investigation plans and reports, remedial action plans and reports, or the equivalent, operation and maintenance plans, asbestos abatement reports, 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 issued by any Governmental Authority.

(5) "Environmental Laws" shall mean each and every applicable federal, state, county or municipal statute, ordinance, rule, regulation, order, code, directive or requirement, together with all successor statutes, ordinances, rules, regulations, orders, codes, directives or requirements, of any Governmental Authority in any way related to Hazardous Substances.

(6) "Governmental Authority" shall mean the federal, state, District of Columbia,

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county or municipal government, or any department, agency, commission, bureau or other similar type body obtaining authority therefrom or created pursuant to any laws, ordinances, rules, regulations, orders, codes, directives or requirements.

(7) "Notice" shall mean, in addition to its ordinary meaning, any written communication of any nature, whether in the form of correspondence, memoranda, order, directive or otherwise.

(8) "Tank Laws" shall mean the D.C. Code Ann. ss.6-995.1 et seq., and the federal underground storage tank law (Subtitle I) of the Resource Conservation and Recovery Act, as amended, 42 U.S.C. ss.6901 et seq., together with any amendments thereto, regulations promulgated thereunder, and all substitutions thereof, and any successor legislation and regulations.

(9) "Underground Storage Tank" shall mean each and every "underground storage tank", whether or not subject to the Tank Laws, as well as the "monitoring system", the "leak detection system", the "discharge detection system" and the "tank system" associated with the "underground storage tank", as those terms are defined by the Tank Laws.

65535RT65535CLE VIDEFAULT

VI.1 Default by Purchaser. If the Closing shall fail to occur on account of Purchaser's default under this Agreement, Seller shall have the right to terminate this Agreement and to receive and retain the Earnest Money hereunder as liquidated damages, and not as a penalty or forfeiture, as Seller's sole and exclusive remedy under this Agreement, at law or in equity, on account of Purchaser's default hereunder. Upon receipt of the Earnest Money by Seller, this Agreement shall terminate and the parties shall be relieved of any further obligations or liabilities to the other hereunder, except for any right, obligation or liability set forth herein which expressly survives termination of this Agreement.

VI.2 Default by Seller. In the event that Seller fails to consummate this Agreement for any reason other than Purchaser's default or the permitted termination of this Agreement by Seller or Purchaser as herein expressly provided, Purchaser shall be entitled, as its sole remedy, either (a) to receive the Earnest Money and, if Seller is in default under this Agreement, reimbursement from Seller for Purchaser's actual third-party out-of-pocket costs

and expenses (including reasonable attorneys' fees) up to \$50,000, in which event this Agreement shall terminate and Seller shall be released from any and all liability under this Agreement (except for those rights, obligations or liabilities set forth in this Agreement which expressly survive termination of this Agreement), or (b) to enforce specific performance of Seller's obligation to execute and deliver the documents required to convey the Property to Purchaser, it being understood and agreed that the remedy of specific performance shall not be available to enforce any other obligation of Seller hereunder; provided, however, provided, however, that if, as a result of any act or

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omission of Seller, Purchaser pursues, but cannot be granted, a decree of specific performance by a court of competent jurisdiction, then, and only in such instance, may Purchaser seek such other remedies as are available to Purchaser at law or in equity. Such act or omission would include, by way of example and not limitation, the conveyance of the Property to a third party, the execution of a lease modification or amendment or new Lease (in violation of the provisions of Section 5.4(c)) or the failure to satisfy a lien which Seller has expressly agreed herein to satisfy and discharge. Except as expressly provided herein, Purchaser expressly waives its rights to seek damages in the event of Seller's default hereunder. Purchaser shall be deemed to have elected to terminate this Agreement and receive back the Earnest Money if Purchaser fails to file suit for specific performance against Seller in a local or Federal court in the District of Columbia, on or before sixty (60) days following the date upon which Closing was to have occurred.

65535RT65535CLE VIIRISK OF LOSS

VII.1 Minor Damage. In the event of loss or damage to the Property or any portion thereof which is not "major" (as hereinafter defined), this Agreement shall remain in full force and effect provided Seller performs any necessary repairs or, at Seller's option, assigns to Purchaser all of Seller's right, title and interest to any claims and proceeds Seller may have with respect to any casualty insurance policies or condemnation awards relating to the premises in question. In the event that Seller elects to perform repairs upon the Property, Seller shall use reasonable efforts to complete such repairs promptly, subject to Purchaser's reasonable supervision, and the date of Closing shall be extended a reasonable time in order to allow for the completion of such repairs. If Seller elects to assign a casualty claim to Purchaser, then the Purchase Price shall be reduced by an amount equal to the deductible amount under Seller's insurance policy. Upon Closing, full risk of loss with respect to the Property shall pass to Purchaser.

VII.2 Major Damage. In the event of a "major" loss or damage to any portion of the Property, Seller shall send written notice thereof to Purchaser. Purchaser shall have ten (10) business days after its receipt of such notice from Seller to terminate this Agreement by written notice to Seller. If Purchaser terminates this Agreement, then the Earnest Money shall be returned to Purchaser promptly. If Purchaser does not terminate this Agreement within such ten-day period, then Purchaser shall be deemed to have elected to proceed with Closing, in which event Seller shall, at Seller's option, either (a) perform any necessary repairs, or (b) assign to Purchaser all of Seller's right, title and interest to any claims and proceeds Seller may have with respect to any casualty insurance policies or condemnation awards relating to the premises in question. In the event that Seller elects to perform repairs upon the Property, Seller shall use reasonable efforts to complete such repairs promptly and the date of Closing shall be extended a reasonable time in order to allow for the completion of such repairs. If Seller elects to assign a casualty claim to Purchaser, the Purchase Price shall be reduced by an amount equal to the deductible amount under Seller's insurance policy. Upon Closing, full risk of loss with respect to the Property shall pass to Purchaser.

VII.3 Definition of "Major" Loss or Damage. For purposes of Sections 7.1 and 7.2, "major"

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loss or damage refers to the following: (i) loss or damage to the Property or any portion thereof such that the cost of repairing or restoring the premises in question to a condition substantially identical to that of the premises in question prior to the event of damage would be, in the opinion of an architect selected by Seller and reasonably approved by Purchaser, equal to or greater than Two Hundred Fifty Thousand and 00/100 Dollars (\$250,000.00), and (ii) any loss due to a condemnation of any portion of the Property. If Purchaser does not give notice to Seller of Purchaser's reasons for disapproving an architect within five (5) business days after receipt of notice of the proposed architect, Purchaser shall be deemed to have approved the architect selected by Seller.

65535RT65535CLE VIIICOMMISSIONS

VIII.1 Brokerage Commissions. In the event the transaction contemplated by this

Agreement is consummated, but not otherwise, Seller agrees (i) to pay to Cassidy & Pinkard/Sonnenblick-Goldman (the "Broker") at Closing a brokerage commission pursuant to a separate written agreement between Seller and Broker and (ii) to indemnify, defend and hold Purchaser harmless from and against any loss or damage (including attorneys' fees) which Purchaser may suffer on account of any claims by the Broker. Each party agrees that should any claim be made for brokerage commissions or finder's fees by any broker or finder other than the Broker by, through or on account of any acts of said party or its representatives, said party will indemnify and hold the other party free and harmless from and against any and all loss, liability, cost, damage and expense in connection therewith. The provisions of this section shall survive Closing or earlier termination of this Agreement.

65535RT65535CLE IXDISCLAIMERS AND WAIVERS

IX.1 No Reliance on Documents. Except as expressly stated herein, Seller makes no representation or warranty as to the truth, accuracy or completeness of any materials, data or information delivered by Seller to Purchaser in connection with the transaction contemplated hereby. Purchaser acknowledges and agrees that all materials, data and information delivered by Seller to Purchaser in connection with the transaction contemplated hereby are provided to Purchaser as a convenience only and that any reliance on or use of such materials, data or information by Purchaser shall be at the sole risk of Purchaser, except as otherwise expressly stated herein. Without limiting the generality of the foregoing provisions, Purchaser acknowledges and agrees that, except as to Purchaser's right to rely upon any environmental or other report to the extent that the person or entity which prepared the report authorizes Purchaser to rely thereon, (a) any environmental or other report with respect to the Property which is delivered by Seller to Purchaser shall be for general informational purposes only, (b) Purchaser shall not have any right to rely on any such report delivered by Seller to Purchaser, but rather will rely on its own inspections and investigations of the Property and any reports commissioned by Purchaser with respect thereto, and (c) neither Seller, any affiliate of Seller nor the person or entity which prepared any such report delivered by Seller to Purchaser shall have any liability to Purchaser for any inaccuracy in or omission from any such report.

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IX.2 DISCLAIMERS. EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT (WHICH EXCEPTION SHALL MODIFY ALL OF THE STATEMENTS SET FORTH IN THIS SECTION 9.2), IT IS UNDERSTOOD AND AGREED THAT SELLER IS NOT MAKING AND HAS NOT AT ANY TIME MADE ANY WARRANTIES OR REPRESENTATIONS OF ANY KIND OR CHARACTER, EXPRESSED OR IMPLIED, WITH RESPECT TO THE PROPERTY, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OR REPRESENTATIONS AS TO HABITABILITY, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, TITLE (OTHER THAN SELLER'S LIMITED WARRANTY OF TITLE TO BE SET FORTH IN THE DEED), ZONING, TAX CONSEQUENCES, LATENT OR PATENT PHYSICAL OR ENVIRONMENTAL CONDITION, UTILITIES, OPERATING HISTORY OR PROJECTIONS, VALUATION, GOVERNMENTAL APPROVALS, THE COMPLIANCE OF THE PROPERTY WITH GOVERNMENTAL LAWS, THE TRUTH, ACCURACY OR COMPLETENESS OF THE PROPERTY DOCUMENTS OR ANY OTHER INFORMATION PROVIDED BY OR ON BEHALF OF SELLER TO PURCHASER, OR ANY OTHER MATTER OR THING REGARDING THE PROPERTY. PURCHASER ACKNOWLEDGES AND AGREES THAT UPON CLOSING SELLER SHALL SELL AND CONVEY TO PURCHASER AND PURCHASER SHALL ACCEPT THE PROPERTY "AS IS, WHERE IS, WITH ALL FAULTS", EXCEPT TO THE EXTENT EXPRESSLY PROVIDED OTHERWISE IN THIS AGREEMENT. PURCHASER HAS NOT RELIED AND WILL NOT RELY ON, AND SELLER IS NOT LIABLE FOR OR BOUND BY, ANY EXPRESSED OR IMPLIED WARRANTIES, GUARANTIES, STATEMENTS, REPRESENTATIONS OR INFORMATION PERTAINING TO THE PROPERTY OR RELATING THERETO (INCLUDING SPECIFICALLY, WITHOUT LIMITATION, PROPERTY INFORMATION PACKAGES DISTRIBUTED WITH RESPECT TO THE PROPERTY) MADE OR FURNISHED BY SELLER, THE MANAGER OF THE PROPERTY, OR ANY REAL ESTATE BROKER OR AGENT REPRESENTING OR PURPORTING TO REPRESENT SELLER, TO WHOMEVER MADE OR GIVEN, DIRECTLY OR INDIRECTLY, ORALLY OR IN WRITING, UNLESS SPECIFICALLY SET FORTH IN THIS AGREEMENT. PURCHASER REPRESENTS TO SELLER THAT PURCHASER HAS CONDUCTED, OR WILL CONDUCT PRIOR TO CLOSING, SUCH INVESTIGATIONS OF THE PROPERTY, INCLUDING BUT NOT LIMITED TO, THE PHYSICAL AND ENVIRONMENTAL CONDITIONS THEREOF, AS PURCHASER DEEMS NECESSARY TO SATISFY ITSELF AS TO THE CONDITION OF THE PROPERTY AND THE EXISTENCE OR NONEXISTENCE OR CURATIVE ACTION TO BE TAKEN WITH RESPECT TO ANY HAZARDOUS OR TOXIC SUBSTANCES ON OR DISCHARGED FROM THE PROPERTY, AND WILL RELY SOLELY UPON SAME AND NOT UPON ANY INFORMATION PROVIDED BY OR ON BEHALF OF SELLER OR ITS AGENTS OR EMPLOYEES WITH RESPECT THERETO, OTHER THAN SUCH REPRESENTATIONS, WARRANTIES AND COVENANTS OF SELLER AS ARE EXPRESSLY SET FORTH IN THIS AGREEMENT. UPON CLOSING, PURCHASER SHALL ASSUME (AS BETWEEN PURCHASER AND SELLER) THE RISK THAT ADVERSE MATTERS, INCLUDING BUT NOT LIMITED TO,

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CONSTRUCTION DEFECTS AND ADVERSE PHYSICAL AND ENVIRONMENTAL CONDITIONS, MAY NOT HAVE BEEN REVEALED BY PURCHASER'S INVESTIGATIONS, AND PURCHASER, UPON CLOSING, SHALL BE DEEMED TO HAVE WAIVED, RELINQUISHED AND RELEASED SELLER (AND SELLER'S OFFICERS, DIRECTORS, SHAREHOLDERS, EMPLOYEES AND AGENTS) FROM AND AGAINST ANY AND ALL CLAIMS, DEMANDS, CAUSES OF ACTION (INCLUDING CAUSES OF ACTION IN TORT), LOSSES, DAMAGES, LIABILITIES, COSTS AND EXPENSES (INCLUDING ATTORNEYS' FEES AND COURT COSTS) OF ANY AND EVERY KIND OR CHARACTER, KNOWN OR UNKNOWN, WHICH

PURCHASER MIGHT HAVE ASSERTED OR ALLEGED AGAINST SELLER (AND SELLER'S OFFICERS, DIRECTORS, SHAREHOLDERS, EMPLOYEES AND AGENTS) AT ANY TIME BY REASON OF OR ARISING OUT OF ANY LATENT OR PATENT CONSTRUCTION DEFECTS OR PHYSICAL CONDITIONS, VIOLATIONS OF ANY APPLICABLE LAWS (INCLUDING, WITHOUT LIMITATION, ANY ENVIRONMENTAL LAWS) AND ANY AND ALL OTHER ACTS, OMISSIONS, EVENTS, CIRCUMSTANCES OR MATTERS REGARDING THE PROPERTY, EXCEPT FOR A VIOLATION OF A REPRESENTATION OR WARRANTY MADE BY SELLER IN THIS AGREEMENT. PURCHASER AGREES THAT SHOULD ANY CLEANUP, REMEDIATION OR REMOVAL OF HAZARDOUS SUBSTANCES OR OTHER ENVIRONMENTAL CONDITIONS ON THE PROPERTY BE REQUIRED AFTER THE DATE OF CLOSING, SELLER SHALL HAVE NO RESPONSIBILITY TO PURCHASER FOR THE COST OR EXPENSE OF SUCH CLEAN-UP, REMOVAL OR REMEDIATION.

65535RT65535CLE XMISCELLANEOUS

X.1 Confidentiality. For purposes of this Agreement and the transactions contemplated hereunder, Seller and Purchaser agree that they and their respective agents and representatives shall be bound by the terms and conditions of that certain letter agreement dated March 10, 1999, between Purchaser and the Broker (as hereinafter defined) and attachments thereto (collectively, the "Confidentiality Agreement"), and the terms and conditions of the Confidentiality Agreement are incorporated herein its entirety. In the event of a breach or threatened breach of this Section 10.1 by Seller or Purchaser or their agents or representatives, the non-breaching party shall be entitled to an injunction restraining the breaching party or its agents or representatives from disclosing, in whole or in part, such confidential information. Nothing herein shall be construed as prohibiting the non-breaching from pursuing any other available remedy at law or in equity for such breach or threatened breach. The provisions of this Section 10.1 shall survive Closing or any early termination of this Agreement

X.2 Public Disclosure. Prior to Closing, any release to the public of information with respect to the sale contemplated herein or any matters set forth in this Agreement will be made only in the form approved by Purchaser and Seller and their respective counsel, which approval shall not be unreasonably withheld or delayed. The provisions of this Section shall survive Closing or any early termination of this Agreement.

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X.3 Discharge of Obligations. The acceptance of the Deed by Purchaser shall be deemed to be a full performance and discharge of every representation and warranty made by Seller herein and every agreement and obligation on the part of Seller to be performed pursuant to the provisions of this Agreement, except those which are herein specifically stated to survive Closing.

X.4 Assignment. Purchaser may not assign its rights under this Agreement without first obtaining Seller's written approval, which approval may be given or withheld in Seller's sole discretion; provided, however, that Purchaser may assign this Agreement to an entity which is affiliated (i) with Purchaser or (ii) with any entity under the common control of the entity controlling Purchaser. In the event of an assignment by Purchaser to any such entity, Purchaser shall advise Seller prior to the Closing. Under no circumstances shall Purchaser have the right to assign this Agreement to any person or entity owned or controlled by an employee benefit plan if Seller's sale of the Property to such person or entity would, in the reasonable opinion of Seller's ERISA advisor, create or otherwise cause a "prohibited transaction" under ERISA. In the event Purchaser assigns this Agreement or transfers any ownership interest in Purchaser, and such assignment or transfer would make the consummation of the transaction hereunder a "prohibited transaction" under ERISA and necessitate the termination of this Agreement then, notwithstanding any contrary provision which may be contained herein, Seller shall have the right to pursue any remedy available at law or in equity as a result of such assignment or transfer. Any transfer, directly or indirectly, of any stock, partnership interest or other ownership interest in Purchaser without Seller's written approval, which approval may be given or withheld in Seller's sole discretion, shall constitute a default by Purchaser under this Agreement.

X.5 Notices. Any notice pursuant to this Agreement shall be given in writing by (a) personal delivery, or (b) reputable overnight delivery service with proof of delivery, or (c) United States Mail, postage prepaid, registered or certified mail, return receipt requested, or (d) legible facsimile transmission sent to the intended addressee at the address set forth below, or to such other address or to the attention of such other person as the addressee shall have designated by written notice sent in accordance herewith, and shall be deemed to have been given either at the time of personal delivery, or, in the case of expedited delivery service or mail, as of the date of first attempted delivery at the address and in the manner provided herein, or, in the case of facsimile transmission, as of the date of the facsimile transmission provided that an original of such facsimile is also sent to the intended addressee by means described in clauses (a), (b) or (c) above. Notices may be given by counsel for the parties and such notices shall be deemed given by Purchaser or Seller as the case may be. Unless changed in accordance with the preceding sentence, the addresses for notices given pursuant to this Agreement shall be as follows:

If to Seller: The Equitable Life Assurance Society
of the United States c/o Lend Lease
Real Estate Investments, Inc.

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600 14th Street, N.W., Suite 725
Washington, D.C. 20005 Attention:
Michael J. Daly, Jr. Phone: (202)
783-1466 Telecopy: (202) 783-1841

with a copy to: Rudnick & Wolfe 1201 New York Avenue,
N.W. Washington, D.C. 20005 Attention:
Frederick L. Klein Phone: (202)
712-7275 Telecopy: (202) 712-7222

If to Purchaser: c/o Mack-Cali Realty Corporation 11
Commerce Drive Cranford, New Jersey
07016 Attention: Mitchell E. Hersh
Phone: (908) 272-8000 Telecopy: (908)
272-6755

and

c/o Mack-Cali Realty Corporation 11
Commerce Drive Cranford, New Jersey
07016 Attention: Roger W. Thomas
Phone: (908) 272-8000 Telecopy: (908)
272-6755

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

If to Escrow Agent: Commonwealth Land Title Insurance
Company c/o Commercial Settlements,
Inc. 1413 K Street, N.W. Washington,
DC 20005

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Attention: Stuart S. Levin
Phone: (202) 312-5111 Telecopy: (202)
737-4108

X.6 Binding Effect. This Agreement shall not be binding in any way upon Seller unless and until (a) Seller shall execute and deliver the same to Purchaser, (b) each stage of Seller's investment approval process has approved this transaction, and (c) Seller's Investment Committee has thereafter given its written approval thereof. If (A) Seller has not given Purchaser written notice (the "Approval Notice") of such approvals on or before 3:00 p.m. (Eastern time) June 30, 1999 (the "Approval Deadline"), or (B) prior to the Approval Deadline Seller notifies Purchaser in writing that this Agreement has been disapproved by the persons or entities referred to in clauses (b) or (c) of the preceding sentence, then (x) this Agreement shall be deemed terminated and Purchaser shall be entitled to the return of the Earnest Money and (y) Seller shall reimburse Purchaser for its reasonable costs and expenses incurred up to and including the date of such termination (including reasonable attorneys' fees), provided that such reimbursement shall not exceed \$50,000. It is understood and agreed that at each stage of Seller's investment approval process, Seller or its investment advisor, Lend Lease, shall each have the right, in its unfettered discretion, to disapprove the transaction contemplated by this Agreement for any reason whatsoever, without obligation thereafter to proceed to the next stage of Seller's investment approval process. Seller's approval of this Agreement shall be evidenced only by both Seller's execution of this Agreement and Seller's sending of the Approval Notice to Purchaser prior to the Approval Deadline and, accordingly, Purchaser acknowledges and agrees that Purchaser cannot and will not rely upon any other statement or action of Seller or its representatives as evidence of Seller's approval of this Agreement or the subject matter hereof.

X.7 Modifications. This Agreement cannot be changed orally, and no executory agreement shall be effective to waive, change, modify or discharge it in whole or in part, unless such executory agreement is in writing and is signed by the parties against whom enforcement of any waiver, change, modification or discharge is sought.

X.8 Tenant Notification Letters. Purchaser shall deliver to each and every tenant of the Property under a Lease thereof a signed statement acknowledging Purchaser's receipt and responsibility for each tenant's security deposit (to the extent delivered by Seller to Purchaser at Closing), if any, all in compliance with and pursuant to the applicable provisions of applicable law. The

provisions of this paragraph shall survive Closing.

X.9 Calculation of Time Periods. Unless otherwise specified, in computing any period of time described in this Agreement, the day of the act or event after which the designated period of time begins to run is not to be included and the last day of the period so computed is to be included, unless such last day is a Saturday, Sunday or legal holiday under the laws of the District of Columbia, in which event the period shall run until the end of the next day which is

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neither a Saturday, Sunday or legal holiday. The final day of any such period shall be deemed to end at 5 p.m., local time.

X.10 Successors and Assigns. The terms and provisions of this Agreement are to apply to and bind the permitted successors and assigns of the parties hereto.

X.11 Entire Agreement. This Agreement, including the Exhibits, contains the entire agreement between the parties pertaining to the subject matter hereof and fully supersedes all prior written or oral agreements and understandings between the parties pertaining to such subject matter.

X.12 Further Assurances. Each party agrees that it will without further consideration execute and deliver such other documents and take such other action, whether prior or subsequent to Closing, as may be reasonably requested by the other party to consummate more effectively the purposes or subject matter of this Agreement. Without limiting the generality of the foregoing, Purchaser shall, if requested by Seller, execute acknowledgments of receipt with respect to any materials delivered by Seller to Purchaser with respect to the Property. The provisions of this Section 10.12 shall survive Closing.

X.13 Counterparts; Faxed Signatures. This Agreement may be executed in counterparts, and all such executed counterparts shall constitute the same agreement. It shall be necessary to account for only one such counterpart in proving this Agreement. Faxed signatures shall have the same binding effect as original signatures.

X.14 Severability. If any provision of this Agreement is determined by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Agreement shall nonetheless remain in full force and effect.

X.15 Applicable Law. THIS AGREEMENT IS PERFORMABLE IN THE DISTRICT OF COLUMBIA AND SHALL IN ALL RESPECTS BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE SUBSTANTIVE FEDERAL LAWS OF THE UNITED STATES AND THE LAWS OF THE DISTRICT OF COLUMBIA. SELLER AND PURCHASER HEREBY IRREVOCABLY SUBMIT TO THE JURISDICTION OF ANY COURT OF GENERAL JURISDICTION SITTING IN THE DISTRICT OF COLUMBIA IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT AND HEREBY IRREVOCABLY AGREE THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING SHALL BE HEARD AND DETERMINED IN A COURT OF GENERAL JURISDICTION IN THE DISTRICT OF COLUMBIA. PURCHASER AND SELLER AGREE THAT THE PROVISIONS OF THIS SECTION 10.15 SHALL SURVIVE THE CLOSING OF THE TRANSACTION CONTEMPLATED HEREUNDER OR THE EARLY TERMINATION OF THIS AGREEMENT.

X.16 No Third Party Beneficiary. The provisions of this Agreement and of the documents to be executed and delivered at Closing are and will be for the benefit of Seller and Purchaser only and are not for the benefit of any third party, and accordingly, no third party shall have the right

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to enforce the provisions of this Agreement or of the documents to be executed and delivered at Closing.

X.17 Exhibits and Schedules. The following schedules or exhibits attached hereto shall be deemed to be an integral part of this Agreement:

- (1) Exhibit A - Legal Description of the Land
- (2) Exhibit B - Personal Property
- (3) Exhibit C - Lease Schedule
- (4) Exhibit D - Operating Agreements Schedule
- (5) Exhibit E - Tenant Estoppel Form
- (6) Exhibit F - Form of Assignment and Assumption Agreement
- (7) Exhibit G - Leasing Commission Schedule
- (8) Schedule 4.4(b)(8) - Schedule of Delinquent Rents
- (9) Schedule 5.1(q) - Schedule of Security Deposits

X.18 Captions. The section headings appearing in this Agreement are for convenience of reference only and are not intended, to any extent and for any purpose, to limit or define the text of any section or any subsection hereof.

X.19 Construction. The parties acknowledge that the parties and their counsel have reviewed and revised this Agreement and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement or any exhibits or amendments hereto.

X.20 Termination of Agreement. It is understood and agreed that if either Purchaser or Seller terminates this Agreement pursuant to a right of termination granted hereunder, such termination shall operate to relieve Seller and Purchaser from all obligations under this Agreement, except for such obligations as are specifically stated herein to survive the termination of this Agreement.

X.21 Survival. The provisions of the following Sections of this Agreement shall survive Closing and shall not be merged into the execution and delivery of the Deed: 3.1; 4.2(j); 4.4; 4.5; 4.6(f); 5.1; 5.3; 5.6; 5.7; 8.1; 9.1; 9.2; 10.1; 10.2; 10.5; 10.8; 10.12; 10.15; and 10.22. The foregoing is in addition to and not in exclusion of any survival provisions that may elsewhere be set forth in this Agreement.

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X.22 Separate Account. Notwithstanding anything to the contrary in this Agreement or in any document delivered by Seller in connection with the consummation of the transaction contemplated hereby, it is expressly understood and agreed that The Equitable Life Assurance Society of the United States is acting solely on the behalf, and for the benefit, of Separate Account 16-III and Seller's liability shall be, and is, limited to, and payable and collectible only out of, assets allocated to, or held by Seller for the benefit of, Separate Account 16-III (including, without limitation, the subject property) and no other property or asset of Seller or of any of Seller's directors, officers, employees, agents, shareholders, contractholders or policyholders, shall be subject to any lien, levy, execution, setoff, or other enforcement procedure for satisfaction of any right or remedy of Purchaser in connection with the transaction contemplated hereby.

X.23 Soil Disclosure. Pursuant to Section 45-508(b) of the District of Columbia Code, Purchaser is hereby advised by Seller that the characteristic of the soil of the Property as described by the Soil Conservation Service of the United States Department of Agriculture in the Soil Survey of the District of Columbia published in 1976, as the same may be amended from time to time, and as shown on the Soil Maps of the District of Columbia at the back of that publication, is Urban Land-Not Rated. For further information, Purchaser can contact a soil testing laboratory, the District of Columbia Department of Environmental Services, or the Soil Conservation Service of the United States Department of Agriculture. The foregoing is given pursuant to District of Columbia statutory requirements and does not constitute either (i) a representation of warranty by Seller as to soil characteristic or condition, or (ii) a limitation on Purchaser's right to inspect and study the soil characteristic and condition pursuant to Section 3.1 of this Agreement.

X.24 UST Disclosure. In accordance with the requirements of the District of Columbia Underground Storage Tank Management Act of 1990, as amended by the District of Columbia Underground Storage Tank Management Act of 1990 Amendment Act of 1992 (D.C. Code Section 6-995.1 et seq.) (the "UST Act") and the D.C. Underground Storage Tank Regulations, 20 DCMR Chapters 55-68 (the "Regulations"), Seller has knowledge, and has informed Purchaser, that during Seller's ownership of the Property (except as disclosed in the Phase I Report), no underground storage tanks were removed from the Property, and no underground storage tanks currently exist on the Property. The foregoing is given pursuant to District of Columbia statutory and regulatory requirements and does not constitute either (i) a representation of warranty by Seller as to the presence or removal of underground storage tanks, or (ii) a limitation on Purchaser's right to inspect and study the environmental condition of the Property pursuant to Section 3.1 of this Agreement. Information pertaining to underground storage tanks and underground storage tank removals of which the District of Columbia Government has received notification may be on file with the Department of Consumer and Regulatory Affairs, Environmental Regulation Administration, Underground Storage Tank Branch, 2100 Martin Luther King, Jr., Avenue, S.E., Washington, DC (Telephone: 202/404-1167).

X.25 Underground Facilities Compliance. In accordance with the District of Columbia

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Underground Facilities Protection Act, as amended (D.C. Code Sections 43-1701 et

seq.) (the "Underground Facilities Act"), Purchaser shall be solely responsible for providing any notifications required therein prior to performing any excavation on the Property pursuant to Section 3.1 above, and any work performed by or on behalf of Purchaser at the Property pursuant to Section 3.1 shall be strictly in accordance with the Underground Facilities Act. Purchaser hereby indemnifies Seller against and holds Seller harmless from any and all liability, cost, damage or expense (including attorneys fees) suffered or incurred by Seller on account of a violation by Purchaser of the foregoing requirements.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the Effective Date.

SELLER:

THE EQUITABLE LIFE ASSURANCE SOCIETY OF THE UNITED STATES, a New York corporation (solely on behalf of and for the benefit of its Separate Account 16-III, known as the "Value Enhancement Fund")

By: Michael J. Daly, Jr. Investment Officer

PURCHASER:

MACK-CALI REALTY ACQUISITION CORP., a Delaware corporation

By: Name: Title:

The undersigned agrees to serve as the Escrow Agent and to be bound by the provisions of Section 1.6 of this Agreement.

ESCROW AGENT:

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COMMONWEALTH LAND TITLE INSURANCE COMPANY

By: Stuart S. Levin Vice President

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Exhibit A LEGAL DESCRIPTION OF THE LAND

All that certain lot or parcel or land situated, lying and being in the City of Washington, District of Columbia and being more particularly described as follows:

Part of Lots Eleven (11) and Twelve (12) in A. Jardin and George H. Williams' subdivision of Square One Hundred Fifty-nine (159), as per plat recorded in Liber W.B.M. at folio 21 in the Office of the Surveyor for the District of Columbia; also Lots Forty-nine (49) and Fifty (50) in Mariana V. Lothrop's subdivision of lots in Square 159, as per plat recorded in Liber 12 at folio 173 of said Surveyor's Office Records, all of said parcel being more particularly described as follows:

Beginning at the Southwesterly corner of Lot 12, being the intersection of the Northerly line of Rhode Island Avenue with the Easterly line of Connecticut Avenue, thence Northwesterly with the line of Connecticut Avenue, a distance of 87.22 feet; thence Easterly and parallel with the line of Rhode Island Avenue, a distance of 80.80 feet to the Westerly line of Lot 50; thence Northerly with said Westerly line of Lot 50 a measured distance of 22.03 feet to the Northwest corner of said Lot; thence Easterly with the Northerly lines of Lots 50 and 49, being also partly along the Southerly line of an alley (closed), a distance of 100.00 feet to the Westerly line of an 18-foot public alley; thence Southeasterly along the Westerly line of said alley, a distance of 109.21 feet to the Northerly line of Rhode Island Avenue, being also the Southeasterly corner of Lot 49; thence Westerly along the Northerly line of Rhode Island Avenue, a distance of 180.00 feet to the Southwesterly corner of Lot 12 and the

place of beginning.

Note: At the date hereof said land is now known for assessment and taxation purposes as Lot 855 in Square 159.

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Exhibit B
PERSONAL PROPERTY

1 set combination wrenches	2 telephones
1 short cut hack saw	4 nextel radios
1 hack saw	1 wet vac
1 framing square	1 mighty mite vac
1 roto split	2 pip wrenches
1 set assorted wrenches	2 pair acid protectant rubber gloves
1 2 foot level	1 push cart
1 torpedo level	1 3-foot ladder
3 pair safety glasses	1 6-foot ladder
1 set assorted hand tools	1 8-foot ladder
1 hammer drill	1 10-foot ladder
1 skill saw	1 12-foot ladder
1 battery drill	Extension cords
1 refrigeration evacuation machine	1 tank compressed nitrogen
1 portable air compressor	1 hand truck
1 snow blower	
1 set screw drivers	
1 bench grinder	
1 bench vice	
1 fish tape	
1 file pack	
1 nut driver pack	
3 sets ear protection	
1 key cut machine	
1 re-key kit	
1 tap & die set	
1 volt & amp meter	
1 3/8 drive socket set	
1 1/4 drive socket set	
1 offset pipe wrench	
1 office desk	
4 chairs	
1 refrigerator hole saw kit	
1 refrigerator gauges	
1 caulk gun	
1 refrigerator	
1 microwave	
1 fax machine	
1 salt spreader	

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Exhibit C
LEASE SCHEDULE

- I. Association of American Law Schools
- Office Lease Agreement by and between Baput-DC Limited Partnership and Association of American Law Schools, dated November 28, 1989.
 - First Amendment to Office Lease Agreement, dated September 16, 1991.
 - Second Amendment to Office Lease Agreement, dated December 10, 1991.
 - Third Amendment to Office Lease Agreement by and between The Equitable Life Assurance Society of the United States and Association of American Law Schools, dated June 3, 1998.
- II. Belay & Belay Investment, Inc.
- Retail Lease Agreement by and between Baput-DC Limited Partnership and Marketing Consulting Services, Inc., dated December ____, 1987.
 - Assignment of Lease by and between Marketing Consulting Services, Inc. and Belay & Belay Investment, Inc., dated September 27, 1989.
 - First Amendment to Retail Lease Agreement, dated November 25, 1992.
 - Second Amendment to Retail Lease Agreement, dated December 21, 1998.
- III. Brooks Brothers, Inc.
- Retail Lease Agreement by and between The Equitable Life Assurance

IV. Joseph M. Del Balzo

1. Office Lease Agreement by and between The Equitable Life Assurance Society of the United States and Joseph M. Del Balzo, dated March 9, 1999.
2. Temporary Occupancy Agreement by and between The Equitable Life Assurance Society of the United States and Joseph M. Del Balzo, dated March 9, 1999.

V. Leo A. Daly Company

1. Office Lease Agreement by and between Baput-DC Limited Partnership and Leo A. Daly Company, dated November 15, 1985.
2. First Amendment to Office Lease Agreement, dated April 30, 1987.
3. Second Amendment to Office Lease Agreement, dated May 23, 1988.

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4. Third Amendment to Office Lease Agreement, dated December 19, 1990.
5. Fourth Amendment to Office Lease Agreement, dated March 13, 1992.
6. Fifth Amendment to Office Lease Agreement by and between The Equitable Life Assurance Society of the United States and Leo A. Daly Company, dated October 24, 1997.

VII. Pathfinder International

1. Office Lease Agreement by and between The Equitable Life Assurance Society of the United States and Pathfinder International, dated January 11, 1996.

VIII. Police Foundation

1. Office Lease Agreement by and between The Equitable Life Assurance Society of the United States and Police Foundation, dated March 31, 1997.

VIII. RFE/RL, Inc.

1. Office Lease Agreement by and between Baput-DC Limited Partnership and RFE/RL, Inc., dated August 19, 1985.
2. First Amendment to Office Lease Agreement, dated July 15, 1988.
3. Second Amendment to Office Lease Agreement, dated March 14, 1989.
4. Third Amendment to Office Lease Agreement, dated December 28, 1989.
5. Fourth Amendment to Office Lease Agreement by and between Rds 1201 Connecticut Associates, L.P. and RFE/RL, Inc., dated April 30, 1992.
6. Fifth Amendment to Office Lease Agreement, dated October 15, 1993.
7. Sixth Amendment to Office Lease Agreement by and between The Equitable Life Assurance Society of the United States and RFE/RL, Inc., dated January 23, 1995.
8. Seventh Amendment to Office Lease Agreement, dated May 27, 1998.
9. Temporary Occupancy Agreement.

IX. Zuckerman, Spaeder, Goldstein, Taylor & Kolker

1. Office Lease Agreement by and between Rds 1201 Connecticut Associates, L.P. and Zuckerman, Spaeder, Goldstein, Taylor & Kolker, dated October 4, 1993.
2. First Amendment to Office Lease Agreement by and between The Equitable Life Assurance Society of the United States and Zuckerman, Spaeder, Goldstein, Taylor & Kolker, dated April 29, 1994.
3. Second Amendment to Office Lease Agreement, dated August 30, 1994.
4. Third Amendment to Office Lease Agreement by and between The Equitable Life

Assurance Society of the United States and Zuckerman, Spaeder,
Goldstein, Taylor & Kolker, L.L.P., dated June 3, 1998.

X. Federal Express

1. Placement Agreement by and between The Equitable Life Assurance Society of the United States and Federal Express Corporation, commencing on May 1, 1996.

Exhibit D
OPERATING AGREEMENTS SCHEDULE

1. Cleaning services contract with Total Quality Service.
2. Concierge services contract with Classic Concierge.
3. Interior landscaping contract with Rolling Greens.
4. Uniform contract with Cintas.
5. Elevator maintenance agreement with Otis Elevator Company.
6. Metal refinishing contract with Cameo Bronze.
7. Water treatment contract with ECOLAB, Inc.
8. Trash removal contract with Waste Management, Inc.
9. Pest control contract with Owl Pest Control.
10. Access Control contract with Kastle Systems, Inc.
11. Marble refinishing contract with Total Quality Service.
12. Lobby Floral Arrangements contract with Rolling Greens.
13. Leasing Management Agreement by and between The Equitable Life Assurance Society of the United States and Trammell Crow Real Estate Services, Inc., dated March 27, 1996 (To be terminated at Seller's expense prior to Closing).
14. Construction Management Agreement by and between The Equitable Life Assurance Society of the United States and Technical Property Services, Inc., dated December 1, 1995 (only to the extent that the work to be performed is pursuant to the Del Balzo lease).
15. Work Agreement by and between The Equitable Life Assurance Society of the United States and STAT Construction, Inc. (only to the extent that the work to be performed is pursuant to the Del Balzo lease).

Exhibit E
TENANT ESTOPPEL CERTIFICATE

[Date]

Mack-Cali Realty Acquisition Corp.
c/o Mack-Cali Realty Corporation
11 Commerce Drive
Cranford, NJ 07016

Property: 1201 Connecticut Avenue,
N.W Washington, D.C. 20036

The undersigned, as Tenant under that certain lease dated _____ (the "Lease"), made with _____ ("Landlord") does hereby certify to Mack-Cali Realty Acquisition Corp. and its successors and assigns (collectively, "Purchaser") and to any lender or mortgagee of Purchaser with respect to Purchaser's acquisition of the Property of which the Demised Premises (as hereinafter defined) form a part:

1. That the premises leased by Tenant (the "Demised Premises") at the Property pursuant to the Lease are described as:

_____ square feet on the _____ floor
2. That the Lease is now in full force and effect and has not has not been modified, changed, altered or amended in any respect, except as set forth

below, and is the only Lease or agreement between the undersigned and Landlord affecting the Demised Premises (if none, state "none"). A true and complete copy of the Lease, together with any and all modifications, amendments and/or assignments thereto, are annexed hereto as Exhibit A. There are no subleases for the Demised Premises;

3. That the Demised Premises have been completed in accordance with the terms of the Lease; that Tenant has accepted possession of the Demised Premises; and that Tenant now occupies the same and is open for business. All improvements, alterations or additions to be constructed in the Demised Premises by Landlord pursuant to the Lease have been completed and accepted by Tenant and any other items of an executory nature have been completed in accordance with the terms of the Lease. All contributions required from Landlord for improvements to the Demised Premises have been paid in full to Tenant;

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4. That the original Lease term began on _____, 19____ and will expire on _____; that Tenant pays rent on a current basis and rent has been paid through _____; that no rent has been paid by Tenant for more than one month in advance; that the rent payable under the Lease is the amount of fixed rent provided thereunder, which is annual fixed rent payable to Landlord of \$_____; that as of the date hereof, additional rent of \$_____ is payable to Landlord on account of utility costs, real estate taxes and operating expenses; that the base amount for such additional rent is \$_____ (or the base year is _____); that there is no claim or basis for an adjustment thereto; and that the amounts of fixed and additional rent are being paid on a current basis;

5. That Tenant has paid to Landlord a security deposit of \$_____, and Tenant has no knowledge of any claim made by Landlord against the security deposit;

6. That Tenant has not given Landlord any notice of any claim arising under the Lease nor any notice of a default on the part of Landlord under the Lease which has not been cured. There are no defaults by Landlord under the Lease as of the date hereof. As of the date hereof, the undersigned is entitled to no credit, no free rent and no offset, counterclaim or deduction in rent;

7. That Tenant has _____ option(s) to renew the Lease for a period of _____ years upon the terms set forth in the Lease, and that none of such options have been exercised except (if none, state "none") _____;

8. That Tenant has (i) no option to expand into additional space in the Property, (ii) no right of first refusal of any space in the Property; or (iii) no option to acquire all or any part of the Property;

9. That the full name and current mailing address for Tenant, and the address for all notices to Tenant, are as follows:

10. Except as set forth on Exhibit B, Tenant does not use, store, manufacture, generate, handle or dispose of at the Property, any chemical, element or compound which is identified or classified as a regulated substance, toxic substance, hazardous substance, hazardous waste, pollution, pollutant, toxic pollutant, contaminant, solid waste or special waste (collectively, "Hazardous Materials") under any law, ordinance, rule, regulation, order, directive or requirement of any governmental authority (collectively, "Laws"), other than small quantities of household cleaning and office supplies. To the extent Hazardous Materials are set forth on Exhibit B, each of such Hazardous Materials is used, stored, manufactured, generated, handled and disposed of in accordance with Laws; and

11. That no actions, whether voluntary or otherwise, are pending against the undersigned

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under the bankruptcy laws of the United States or any State thereof.

Dated _____, 1999

TENANT:

a _____

By:

Name:
Title:
Address:

Exhibit F
FORM OF ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION OF AGREEMENT (this "Assignment") is made as of _____, 1999, by and between THE EQUITABLE LIFE ASSURANCE SOCIETY OF THE UNITED STATES, a New York corporation (solely on behalf of and for the benefit of its Separate Account 16-III, known as the "Value Enhancement Fund") ("Assignor"), and [_____], a [_____] ("Assignee").

RECITALS

A. Concurrently with the execution and delivery of this Assignment, Assignor is conveying to Assignee, by Special Warranty Deed (the "Deed"), that certain tract of land (collectively, the "Land") more specifically described in Exhibit A attached hereto and made a part hereof for all purposes, together with the improvements located thereon (the "Improvements"), and by Bill of Sale and Assignment (the "Bill of Sale"), all of the personal property owned by Assignor upon the Land or within or upon the Improvements (the "Personal Property").

B. Assignor desires to assign, transfer and convey to Assignee, and Assignee desires to accept and obtain, all of Assignor's right, title and interest in and to the Assigned Properties (as hereinafter defined), subject to the terms and conditions set forth herein.

NOW, THEREFORE, for and in consideration of the sum of Ten and No/100 Dollars (\$10.00) and other good and valuable consideration in hand paid by Assignee to Assignor, and the mutual covenants set forth herein, the receipt and sufficiency of which are hereby acknowledged, Assignor does hereby SELL, ASSIGN, CONVEY, TRANSFER, SET OVER and DELIVER unto Assignee all of Assignor's right, title and interest in and to the following (collectively, the "Assigned Properties"):

(a) the leases described in Exhibit B attached hereto and made a part hereof (collectively, the "Leases"); and

(b) the assignable contracts and agreements described in Exhibit C attached hereto and made a part hereof (collectively, the "Operating Agreements"), together with (i) all assignable existing warranties and guaranties (expressed or implied) issued to Assignor in connection with the Improvements or the Personal Property and (ii) all transferable consents, authorizations, variances or waivers, licenses, permits and approvals, if any; provided, however, that Assignor makes no representation or warranty with respect to the assignability of or any other matter relating to any of the foregoing, except as set forth in the Purchase Agreement (as defined below).

TO HAVE AND TO HOLD the foregoing described Assigned Properties unto Assignee, its successors and assigns, forever.

This Assignment is made by Assignor and accepted by Assignee subject to the provisions set forth in the Purchase and Sale Agreement, dated as of [_____], 1999, between Assignor and Assignee (together with all amendments and addenda thereto, if any, the "Purchase Agreement").

By execution of this Assignment, Assignee assumes and agrees to perform all of the covenants, agreements and obligations under the Assigned Properties binding on Assignor or the Land, Improvements, or Personal Property (such covenants, agreements and obligations being herein collectively referred to as the "Contractual Obligations"), as such Contractual Obligations shall arise or accrue from and after the date of this Assignment. Without limiting the generality of the immediately preceding sentence, Assignee acknowledges the receipt of the security deposits required by the Leases described in the schedule of security deposits attached to Exhibit B. Assignee hereby agrees to indemnify, hold harmless and defend Assignor from and against any and all obligations, liabilities, costs and claims (including reasonable attorney's fees) arising as a result of or with respect to any of the Contractual Obligations that are attributable to the period of time from and after the date of this Assignment.

Assignor agrees to indemnify, hold harmless and defend Assignee from and against any and all obligations, liabilities, costs and claims (including reasonable attorney's fees) arising as a result of or with respect to any of the Contractual Obligations that are attributable to the period of time prior to the date of this Assignment.

ASSIGNEE ACKNOWLEDGES THAT IT HAS INSPECTED THE ASSIGNED PROPERTIES AND THAT THIS ASSIGNMENT IS MADE BY ASSIGNOR AND ACCEPTED BY ASSIGNEE WITHOUT REPRESENTATION OR WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR STATUTORY, AND WITHOUT RECOURSE AGAINST ASSIGNOR, EXCEPT AS EXPRESSLY SET FORTH HEREIN OR IN

THE PURCHASE AGREEMENT.

This Assignment may be executed in counterparts, and all such executed counterparts shall constitute the same agreement. It shall be necessary to account for only one such counterpart in proving this Assignment.

EXECUTED to be effective as of the date set forth above.

ASSIGNOR:

THE EQUITABLE LIFE ASSURANCE SOCIETY
OF THE UNITED STATES, a New York

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corporation, solely on behalf of and for the benefit
of its Separate Account 16-III, known as the "Value
Enhancement Fund"

By: _____
Name: _____
Title: _____

ASSIGNEE:

[_____],
a [_____]

By: _____
Name: _____
Title: _____

List of Attachments:

- Exhibit A - Property Description
- Exhibit B - Lease Schedule
- Exhibit C - Operating Agreements Schedule

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Exhibit G
LEASE BROKERAGE COMMISSIONS

1. Leasing Management Agreement by and between The Equitable Life Assurance Society of the United States and Trammell Crow Real Estate Services, Inc., dated March 27, 1996 (to be terminated at Seller's expense prior to Closing).
2. Leasing Commission payable to Trammell Crow Real Estate Services, Inc., and Fred Ezra pursuant to the Joseph M. Del Balzo Lease (payable by Seller).

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Exhibit H
5TH FLOOR SPACE PLAN

(Attached)

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Schedule 4.4(b)(8)
SCHEDULE OF DELINQUENT RENTS

(Attached)

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Schedule 5.1(q)
SCHEDULE OF SECURITY DEPOSITS

(Attached)

Schedule 5.1(s)
RENT ROLL

(Attached)

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