

MACK CALI REALTY CORP
Form 10-Q
November 02, 2006

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

FORM 10-Q

(Mark One)

☒

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

For the quarterly period ended September 30, 2006

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

(State or other jurisdiction of incorporation or organization)

22-3305147

(I.R.S. Employer Identification No.)

343 Thornall Street, Edison, New Jersey

(Address of principal executive offices)

08837-2206

(Zip Code)

(732) 590-1000

(Registrant's telephone number, including area code)

Former Address: 11 Commerce Drive Cranford, New Jersey 07016-3501

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

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

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

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

As of October 27, 2006, there were 62,604,676 shares of the registrant's Common Stock, par value \$0.01 per share, outstanding.

MACK-CALI REALTY CORPORATION

FORM 10-Q

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MACK-CALI REALTY CORPORATION

Part I Financial Information

Item 1. Financial Statements

The accompanying unaudited consolidated balance sheets, statements of operations, of changes in stockholders' equity, and of cash flows and related notes thereto, 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 Mack-Cali Realty Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2005.

The results of operations for the three and nine month periods ended September 30, 2006 are not necessarily indicative of the results to be expected for the entire fiscal year or any other period.

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

	September 30, 2006	December 31, 2005
ASSETS		
Rental property		
Land and leasehold interests	\$ 656,810	\$ 637,653
Buildings and improvements	3,543,937	3,539,003
Tenant improvements	332,775	307,664
Furniture, fixtures and equipment	7,812	7,432
	4,541,334	4,491,752
Less accumulated depreciation and amortization	(763,053)	(722,980)
	3,778,281	3,768,772
Rental property held for sale, net	247,207	
Net investment in rental property	4,025,488	3,768,772
Cash and cash equivalents	20,780	60,397
Marketable securities available for sale at fair value		50,847
Investments in unconsolidated joint ventures	205,773	62,138
Unbilled rents receivable, net	107,757	92,692
Deferred charges and other assets, net	250,884	197,634
Restricted cash	15,981	9,221
Accounts receivable, net of allowance for doubtful accounts of \$1,905 and \$1,088	42,098	5,801
Total assets	\$ 4,668,761	\$ 4,247,502
LIABILITIES AND STOCKHOLDERS' EQUITY		
Senior unsecured notes	\$ 1,631,216	\$ 1,430,509
Revolving credit facility	412,000	227,000
Mortgages, loans payable and other obligations	402,621	468,672
Dividends and distributions payable	50,521	48,178
Accounts payable, accrued expenses and other liabilities	133,371	85,481
Rents received in advance and security deposits	49,519	47,685
Accrued interest payable	19,197	27,871
Total liabilities	2,698,445	2,335,396
Minority interests:		
Operating Partnership	480,951	400,819
Consolidated joint ventures	2,104	
Total minority interests	483,055	400,819
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.01 par value, 5,000,000 shares authorized, 10,000 and 10,000 shares outstanding, at liquidation preference	25,000	25,000
Common stock, \$0.01 par value, 190,000,000 shares authorized, 62,551,206 and 62,019,646 shares outstanding	625	620
Additional paid-in capital	1,694,563	1,682,141
Unamortized stock compensation		(6,105)
Dividends in excess of net earnings	(232,927)	(189,579)
Accumulated other comprehensive loss		(790)
Total stockholders' equity	1,487,261	1,511,287
Total liabilities and stockholders' equity	\$ 4,668,761	\$ 4,247,502

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

MACK-CALI REALTY CORPORATION AND SUBSIDIARIES

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
REVENUES				
Base rents	\$ 140,356	\$ 127,770	\$ 406,989	\$ 380,284
Escalations and recoveries from tenants	25,045	21,163	69,862	57,128
Construction services	23,236		36,286	
Real estate services	10,653	636	19,015	1,853
Other income	3,927	4,583	9,985	7,517
Total revenues	203,217	154,152	542,137	446,782
EXPENSES				
Real estate taxes	22,652	19,885	64,891	56,890
Utilities	18,766	15,867	46,789	38,648
Operating services	23,534	19,544	66,024	59,428
Direct construction costs	22,568		35,148	
Real estate services salaries, wages and other costs	6,686		10,820	
General and administrative	12,173	7,952	32,796	23,449
Depreciation and amortization	40,132	37,838	116,980	106,067
Total expenses	146,511	101,086	373,448	284,482
Operating Income	56,706	53,066	168,689	162,300
OTHER (EXPENSE) INCOME				
Interest expense	(35,815)	(30,159)	(100,620)	(88,919)
Interest and other investment income	514	308	2,359	493
Equity in earnings (loss) of unconsolidated joint ventures	(4,757)	322	(5,356)	552
Minority interest in consolidated joint ventures	113		143	(74)
Gain on sale of investment in marketable securities			15,060	
Gain on sale of investment in unconsolidated joint ventures				35
Total other (expense) income	(39,945)	(29,529)	(88,414)	(87,913)
Income from continuing operations before Minority interest in Operating Partnership	16,761	23,537	80,275	74,387
Minority interest in Operating Partnership	(3,263)	(4,205)	(15,326)	(15,043)
Income from continuing operations	13,498	19,332	64,949	59,344
Discontinued operations (net of minority interest):				
Income from discontinued operations	3,013	1,772	7,872	12,270
Realized gains (losses) and unrealized losses on disposition of rental property, net			3,921	8,973
Total discontinued operations, net	3,013	1,772	11,793	21,243
Net income	16,511	21,104	76,742	80,587
Preferred stock dividends	(500)	(500)	(1,500)	(1,500)
Net income available to common shareholders	\$ 16,011	\$ 20,604	\$ 75,242	\$ 79,087
Basic earnings per common share:				
Income from continuing operations	\$ 0.21	\$ 0.30	\$ 1.02	\$ 0.94
Discontinued operations	0.05	0.03	0.19	0.35
Net income available to common shareholders	\$ 0.26	\$ 0.33	\$ 1.21	\$ 1.29
Diluted earnings per common share:				
Income from continuing operations	\$ 0.21	\$ 0.30	\$ 1.01	\$ 0.94
Discontinued operations	0.05	0.03	0.19	0.35
Net income available to common shareholders	\$ 0.26	\$ 0.33	\$ 1.20	\$ 1.29
Dividends declared per common share	\$ 0.64	\$ 0.63	\$ 1.90	\$ 1.89

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Basic weighted average shares outstanding	62,302	61,609	62,158	61,397
Diluted weighted average shares outstanding	78,258	75,760	77,664	73,585

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) (unaudited)*

	Preferred Stock Shares	Preferred Stock Amount	Common Stock Shares	Common Stock Par Value	Additional Paid-In Capital	Unamortized Stock Compensation	Dividends in Excess of Net Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders Equity	Comprehensive Income
Balance at January 1, 2006	10	\$ 25,000	62,020	\$ 620	\$ 1,682,141	\$ (6,105)	\$ (189,579)	\$ (790)	\$ 1,511,287	
Reclassification upon the adoption of FASB No. 123(R)					(6,105)	6,105				
Net income							76,742		76,742	\$ 76,742
Preferred stock dividends							(1,500)		(1,500)	
Common stock dividends							(118,590)		(118,590)	
Redemption of common units for common stock			222	2	6,853				6,855	
Shares issued under Dividend Reinvestment and Stock Purchase Plan			4		184				184	
Stock options exercised			302	3	8,836				8,839	
Stock options expense					212				212	
Comprehensive Gain:										
Unrealized holding gain on marketable securities available for sale								15,850	15,850	15,850
Directors Deferred comp. plan					226				226	
Issuance of restricted stock			10							
Amortization of stock comp.					2,216				2,216	
Cancellation of restricted stock			(7)							
Reclassification adjustment for realized gain included in net income								(15,060)	(15,060)	(15,060)
Balance at September 30, 2006	10	\$ 25,000	62,551	\$ 625	\$ 1,694,563	\$	\$ (232,927)	\$	\$ 1,487,261	\$ 77,532

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

MACK-CALI REALTY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS *(in thousands) (unaudited)*

	Nine Months Ended September 30,	
	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 76,742	\$ 80,587
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	116,980	106,067
Depreciation and amortization on discontinued operations	7,088	9,420
Stock options expense	212	411
Amortization of stock compensation	2,216	2,285
Amortization of deferred financing costs and debt discount	2,171	2,556
Equity in (earnings) losses of unconsolidated joint ventures, net	5,356	(552)
Gain on sale of investment in unconsolidated joint venture		(35)
Gain on sale of marketable securities available for sale	(15,060)	
Realized gains and unrealized losses on disposition of rental property (net of minority interest)	(3,921)	(8,973)
Minority interest in Operating Partnership	15,326	15,043
Minority interest in consolidated joint venture	(143)	74
Minority interest in income from discontinued operations	1,926	2,287
Changes in operating assets and liabilities:		
Increase in unbilled rents receivable, net	(15,190)	(9,185)
Increase in deferred charges and other assets, net	(41,367)	(38,105)
Increase in accounts receivable, net	(11,297)	(1,537)
Increase in accounts payable, accrued expenses and other liabilities	22,786	24,449
Increase (decrease) in rents received in advance and security deposits	1,834	(92)
Decrease in accrued interest payable	(8,674)	(6,582)
Net cash provided by operating activities	\$ 156,985	\$ 178,118
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to rental property and related intangibles	\$ (192,137)	\$ (417,305)
Repayments of notes receivable	113	47
Investment in unconsolidated joint ventures	(148,991)	(17,250)
Purchase of marketable securities available for sale	(11,912)	
Proceeds from sale of investment in unconsolidated joint venture		2,676
Acquisition of minority interest in consolidated joint venture		(7,713)
Proceeds from sales of rental property	18,912	97,414
Proceeds from sale of marketable securities available for sale	78,609	
(Increase) decrease in restricted cash	(6,760)	1,179
Net cash used in investing activities	\$ (262,166)	\$ (340,952)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from senior unsecured notes	\$ 199,914	\$ 298,804
Borrowings from revolving credit facility	660,250	916,460
Repayment of revolving credit facility	(500,180)	(796,460)
Repayment of mortgages, loans payable and other obligations	(156,361)	(159,192)
Payment of financing costs	(384)	(4,176)
Proceeds from mortgages		32,926
Proceeds from stock options exercised	8,839	15,545
Payment of dividends and distributions	(146,514)	(143,772)
Net cash provided by financing activities	\$ 65,564	\$ 160,135
Net decrease in cash and cash equivalents	\$ (39,617)	\$ (2,699)
Cash and cash equivalents, beginning of period	60,397	12,270

Cash and cash equivalents, end of period	\$	20,780	\$	9,571
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The accompanying notes are an integral part of these consolidated financial statements.

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MACK-CALI REALTY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

1. ORGANIZATION AND BASIS OF PRESENTATION

ORGANIZATION

Mack-Cali Realty Corporation, a Maryland corporation, together with its subsidiaries (collectively, the Company), is a fully-integrated, self-administered, self-managed real estate investment trust (REIT) providing leasing, management, acquisition, development, construction and tenant-related services for its properties and third-parties. As of September 30, 2006, the Company owned or had interests in 321 properties plus developable land (collectively, the Properties). The Properties aggregate approximately 36.1 million square feet, which are comprised of 214 office buildings and 96 office/flex buildings, totaling approximately 35.7 million square feet (which include 43 office buildings and one office/flex building aggregating 5.3 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 retail properties totaling approximately 17,300 square feet, a hotel (which is owned by an unconsolidated joint venture in which the Company has an investment interest) and two parcels of land leased to others. The Properties are located in nine states, primarily in the Northeast, plus the District of Columbia.

BASIS OF PRESENTATION

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

***Rental
Property***

Rental properties are stated at cost less accumulated depreciation and amortization. Costs directly related to the acquisition, development and construction of rental properties are capitalized. Capitalized development and construction costs include pre-construction costs essential to the development of the property, development and construction costs, interest, property taxes, insurance, salaries and other project costs incurred during the period of development. Included in total rental property is construction and development in-progress of \$173.6 million and \$118.8 million (including land of \$61.8 million and \$58.4 million) as of September 30, 2006 and December 31, 2005, respectively. Ordinary repairs and maintenance are expensed as incurred; major replacements and betterments, which improve or extend the life of the asset, are capitalized and depreciated over their estimated useful lives. Fully-depreciated assets are removed from the accounts.

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

associated with the portion under construction.

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

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

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

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

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

On a periodic basis, management assesses whether there are any indicators that the value of the Company's real estate properties held for use may be impaired. A property's value is impaired only if management's estimate of the aggregate future cash flows (undiscounted and without interest charges) to be generated by the property is less than the carrying value of the

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

***Rental Property
Held for Sale and
Discontinued
Operations***

When assets are identified by management as held for sale, the Company discontinues depreciating the assets and estimates the sales price, net of selling costs, of such assets. If, in management's opinion, the estimated net sales price of the assets which have been identified as held for sale is less than the net book value of the assets, a valuation allowance is established. Properties identified as held for sale and/or sold are presented in discontinued operations for all periods presented. See Note 6: Discontinued Operations.

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

***Investments in
Unconsolidated
Joint Ventures, Net***

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

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

The Company has evaluated its joint ventures with regards to FIN 46. As of September 30, 2006, the Company has identified its Meadowlands Xanadu joint venture as a VIE, but is not consolidating such venture as the Company is not the primary beneficiary. Disclosure about this VIE is included in Note 4: Investments in Unconsolidated Joint Ventures.

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

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

***Cash and Cash
Equivalents***

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

***Marketable
Securities***

The Company classifies its marketable securities among three categories: Held-to-maturity, trading and available-for-sale. Unrealized holding gains and losses relating to available-for-sale securities are excluded from earnings and reported as other comprehensive income (loss) in stockholders' equity until realized. A decline in the market value of any marketable security below cost that is deemed to be other than temporary results in a reduction in the carrying amount to fair value. Any impairment would be charged to earnings and a new cost basis for the security established.

The Company's marketable securities at December 31, 2005 carried a value of \$50.8 million and consisted of 1,468,300 shares of common stock in CarrAmerica Realty Corporation, which were all acquired in 2005. The Company's marketable securities at December 31, 2005 were all classified as available-for-sale and were carried at fair value based on quoted market prices. The Company recorded an unrealized holding loss of \$790,000 as other comprehensive loss in 2005. From January 1, 2006 through January 25, 2006, the Company purchased an additional 336,500 shares of common stock in CarrAmerica for a total purchase price of \$11.9 million.

The Company received dividend income of approximately \$902,000 from its holdings in CarrAmerica stock during the three months ended March 31, 2006, which is recorded in interest and dividend income. During the three months ended March 31, 2006, the Company sold all of its 1,804,800 shares of CarrAmerica common stock realizing a gain of approximately \$15.1 million, which is recorded in gain on sale of marketable securities.

***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 \$725,000 and \$817,000 for the three months ended September 30, 2006 and 2005, respectively, and \$2,171,000 and \$2,556,000 for the nine months ended September 30, 2006 and 2005, respectively.

***Deferred
Leasing Costs***

Costs incurred in connection with leases are capitalized and amortized on a straight-line basis over the terms of the related leases and included in depreciation and amortization. Unamortized deferred leasing costs are charged to amortization expense upon early termination of the lease. Certain employees of the Company are compensated for providing leasing services to the Properties. The portion of such compensation, which is capitalized and amortized, approximated \$908,000 and \$911,000 for the three months ended September 30, 2006 and 2005, respectively and \$2,574,000 and \$2,817,000 for the nine months ended September 30, 2006 and 2005, respectively.

***Derivative
Instruments***

The Company measures derivative instruments, including certain derivative instruments embedded in other contracts, at fair value and records them as an asset or liability, depending on the Company's rights or obligations under the applicable derivative contract. For derivatives designated and qualifying as fair value hedges, the changes in the fair value of

both the derivative instrument and the hedged item are recorded in earnings. For derivatives designated as cash flow hedges, the effective portions of the derivative are reported in other comprehensive income (OCI) and are subsequently reclassified into earnings when the hedged item affects earnings. Changes in fair value of derivative instruments not designated as hedging and ineffective portions of hedges are recognized in earnings in the affected period.

**Revenue
Recognition**

Base rental revenue is recognized on a straight-line basis over the terms of the respective leases. Unbilled rents receivable represents the amount by which straight-line rental revenue exceeds rents currently billed in accordance with the lease agreements. Above-market and below-market lease values for acquired properties are recorded based on the present value (using a discount rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to each in-place lease and (ii) management's estimate of fair market lease rates for each corresponding in-place lease, measured over a period equal to the remaining term of the lease for above-market leases and the initial term plus the term of any below-market fixed-rate renewal options for below-market leases. The capitalized above-market lease values for acquired properties are amortized as a reduction of base rental revenue over the remaining term of the respective leases, and the capitalized below-market lease values are amortized as an increase to base rental revenue over the remaining initial terms plus the terms of any below-market fixed-rate renewal options of the respective leases. Escalations and recoveries from tenants are received from tenants for certain costs as provided in the lease agreements. These costs generally include real estate taxes, utilities, insurance, common area maintenance and other recoverable costs. See Note 13: Tenant Leases. Construction services revenue includes fees earned and reimbursements received by the Company for providing construction management and general contractor services to clients. Construction services revenue is recognized on the percentage of completion method. Using this method, profits are recorded on the basis of estimates of the overall profit and percentage of completion of individual contracts. A portion of the estimated profits is accrued based upon estimates of the percentage of completion of the construction contract. This revenue recognition method involves inherent risks relating to profit and cost estimates. Real estate services revenue includes property management, facilities management, leasing commission fees and other services, and payroll and related costs reimbursed from clients. Other income includes income from parking spaces leased to tenants, income from tenants for additional services arranged for by the Company and income from tenants for early lease terminations.

**Allowance for
Doubtful Accounts**

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

**Income and
Other Taxes**

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

under which any lodging facility or health care facility is operated). A TRS is subject to corporate federal income tax. If the Company fails to qualify as a REIT in any taxable year, the Company will be subject to federal income tax (including any applicable alternative minimum tax) on its taxable income at regular corporate tax rates. The Company is subject to certain state and local taxes.

***Earnings
Per Share***

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

***Dividends and
Distributions
Payable***

The dividends and distributions payable at September 30, 2006 represents dividends payable to preferred shareholders (10,000 shares) and common shareholders (62,562,206 shares), and distributions payable to minority interest common unitholders of the Operating Partnership (15,595,825 common units) for all such holders of record as of October 4, 2006 with respect to the third quarter 2006. The third quarter 2006 preferred stock dividends of \$50.00 per share, common stock dividends and common unit distributions of \$0.64 per common share and unit were approved by the Board of Directors on September 19, 2006. The preferred stock dividends, common stock dividends and common unit distributions payable were paid on October 16, 2006.

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

***Costs Incurred
For Preferred
Stock Issuances***

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

***Stock
Compensation***

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

In 2002, the Company adopted the provisions of FASB No. 123, and in 2006, the Company adopted the provisions of FASB No. 123(R), which did not have a material effect on the Company's financial position and results of operations. These provisions require that the estimated fair value of restricted stock (Restricted Stock Awards) and stock options at the grant date be amortized ratably into expense over the appropriate vesting period. For the three months ended September 30, 2006 and 2005, the Company recorded restricted stock and stock options expense of \$815,000 and \$1,070,000, respectively, and \$2,429,000 and \$2,696,000 for the nine months ended September 30, 2006 and 2005, respectively. FASB No. 148, Accounting for Stock-Based Compensation Transition and Disclosure, was issued in December 2002 and amends FASB No. 123, Accounting for Stock Based Compensation. FASB No. 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock based compensation. In addition, this Statement amends the disclosure requirements of FASB No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. FASB No. 148 disclosure requirements are presented below:

The following table illustrates the effect on net income and earnings per share if the fair value based method had been applied to all outstanding and unvested stock awards for the three and nine month periods ended September 30, 2005: (*dollars in thousands*)

	Three Months Ended September 30, 2005	Nine Months Ended September 30, 2005
Net income, as reported	\$ 21,104	\$ 80,587
Add: Stock-based compensation expense included in reported net income (net of minority interest)	875	2,262
Deduct: Total stock-based compensation expense determined under fair value based method for all awards	(1,195)	(3,000)
Add: Minority interest on stock-based compensation expense under fair value based method	218	482
Pro forma net income	21,002	80,331
Deduct: Preferred stock dividends	(500)	(1,500)
Pro forma net income available to common shareholders basic	\$ 20,502	\$ 78,831
Earnings Per Share:		
Basic as reported	\$ 0.33	\$ 1.29
Basic pro forma	\$ 0.33	\$ 1.28
Diluted as reported	\$ 0.33	\$ 1.29
Diluted pro forma	\$ 0.33	\$ 1.28

Other

Comprehensive Income

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

Reclassifications

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

3. REAL ESTATE TRANSACTIONS

Gale/Green Transactions

On May 9, 2006, the Company completed the acquisitions of: (i) The Gale Company and certain of its related businesses, which engage in construction, property management, facilities management, and leasing services (collectively, the Gale Company); (ii) three office properties; and (iii) indirect interests in a portfolio of office properties, located primarily in New Jersey, which were owned indirectly by The Gale Company and its affiliates (Gale) and affiliates of SL Green Realty Corp. (SL Green). The agreements to complete the aforementioned acquisitions (collectively, the Gale/Green Transactions) required that the Company complete all of the acquisitions.

The Gale Company was acquired by the Company for initial purchase consideration of approximately \$22.3 million consisting of the issuance by the Company of 224,719 common units of the Operating Partnership and the payment of approximately \$12 million in cash, which was primarily funded through borrowing under the Company s revolving credit facility. Additionally, the agreement to acquire the Gale Company (Gale Agreement) contains earn-out provisions providing for the payment of contingent purchase consideration of up to \$18 million in cash based upon the achievement of Gross Income and NOI (as such terms are defined in the Gale Agreement) targets and other events for the three years following the closing date.

In connection with the Company s acquisition of the Gale Company, Mr. Stanley C. Gale and certain other affiliates of Gale are restricted from competing with the Company or hiring the Company s employees for a period of four years expiring on May 9, 2010.

In addition, the Gale Agreement provides for the Company to acquire certain other ownership interests in up to 11 real estate projects (the Non-Portfolio Properties), subject to obtaining certain third party consents and the satisfaction of various project-related and/or other conditions. Each of the Company s acquired interests in the Non-Portfolio Properties will provide for the initial distributions of net cash flow solely to the Company, and thereafter an affiliate of Gale controlled by Stanley C. Gale (Gale Affiliate) has participation rights (Gale Participation Rights) in 50 percent of the excess net cash flow remaining after the distribution to the Company of the aggregate amount equal to the sum of: (a) the Company s capital contributions, plus (b) an internal rate of return (IRR) of 10 percent per annum, accruing on the date or dates of the Company s investments. Mr. Gale has caused the Gale Affiliate to transfer certain of his interests in the Non-Portfolio Properties, to several former employees of Gale, some of whom are current employees of the Company, including Mark Yeager, one of the Company s executive officers.

Through September 30, 2006, the Company completed seven of the acquisitions of interests in the Non-Portfolio Properties, which included the acquisitions of: a 530,000 square foot, mixed-use office/retail complex; a 139,750 square-foot fully-leased office property; an office property in development; two vacant land parcels and two pre-developed projects. The aggregate cost of the completed acquisitions was approximately \$24.7 million.

In connection with the execution of the Gale Agreement, the Company entered into agreements to acquire three office properties directly and indirect ownership interests in entities which own a portfolio of office properties (collectively, the Gale/Green Agreements). Under the Gale/Green Agreements, the Company acquired 100 percent of the ownership interests in three office properties located in New Jersey, aggregating 516,162 square feet, (the Wholly-Owned Properties). The Wholly-Owned Properties were acquired for approximately \$106 million, consisting of the assumption of \$39.9 million in existing mortgage indebtedness and the payment of \$66.1 million in cash, which was funded primarily through borrowing under the Company s revolving credit facility.

Also, as part of the Gale/Green Agreements, the Company entered into a joint venture with SL Green, known as Mack-Green-Gale LLC (Mack-Green), to hold an approximate 96 percent interest and act as general partner of Gale SLG NJ Operating Partnership, L.P. (the OP LP). The Company acquired its interest in Mack-Green for approximately \$116 million, which was funded primarily through borrowing under the Company s revolving credit facility. The OP LP owns 100 percent of entities which own 25 office properties (collectively, the OP LP Properties) which aggregate 3.5 million square feet (consisting of 17 office properties aggregating 2.3 million square feet located in New Jersey and eight properties aggregating 1.2 million square feet located in Troy, Michigan), as well as a minor, non-controlling interest in four office properties aggregating 419,000 square feet

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located in Naperville, Illinois. For a discussion of the ownership interests in Mack-Green, see Note 4: Investments in Unconsolidated Joint Ventures Mack-Green-Gale LLC.

The Company has not yet obtained all the information necessary to finalize its estimates to complete the purchase price allocations related to the Gale/Green Transactions. The purchase price allocations will be finalized once the information identified by the Company has been received, which should not be longer than one year from the date of acquisition.

Property Acquisitions

The Company acquired the following office properties during the nine months ended September 30, 2006: *(dollars in thousands)*

Acquisition Date	Property/Address	Location	# of Bldgs.	Rentable Square Feet	Acquisition Cost
02/28/06	Capital Office Park (a)	Greenbelt, Maryland	7	842,258	\$ 166,011
05/09/06	35 Waterview Boulevard (b) (c)	Parsippany, New Jersey	1	172,498	32,600
05/09/06	105 Challenger Road (b) (d)	Ridgefield Park, New Jersey	1	150,050	31,792
05/09/06	343 Thornall Street (b) (e)	Edison, New Jersey	1	195,709	41,113
07/31/06	395 W. Passaic Street (f)	Rochelle Park, New Jersey	1	100,589	22,219
Total Property Acquisitions:			11	1,461,104	\$ 293,735

(a) This transaction was funded primarily through the assumption of \$63.2 million of mortgage debt and the issuance of 1.9 million common operating partnership units valued at \$87.2 million.

(b) The property was acquired as part of the Gale/Green Transactions.

(c) Transaction was funded primarily through borrowing on the Company's revolving credit facility and the assumption of \$20.4 million of mortgage debt.

(d) Transaction was funded primarily through borrowing on the Company's revolving credit facility and the assumption of \$19.5 million of mortgage debt.

(e) Transaction was funded primarily through borrowing on the Company's revolving credit facility.

(f) Transaction was funded primarily through borrowing on the Company's revolving credit facility and the assumption of \$13.1 million of mortgage debt.

Property Sales

The Company sold the following office properties during the nine months ended September 30, 2006: *(dollars in thousands)*

Sale Date	Property/Address	Location	# of Bldgs.	Rentable Square Feet	Net Sales Proceeds	Net Book Value	Realized Gain/(Loss)
06/28/06	Westage Business Center	Fishkill, New York	1	118,727	\$ 14,765	\$ 10,872	\$ 3,893
06/30/06	1510 Lancer Drive	Moorestown, New Jersey	1	88,000	4,146	3,134	1,012
Total Office Property Sales:			2	206,727	\$ 18,911	\$ 14,006	\$ 4,905

4. INVESTMENTS IN UNCONSOLIDATED JOINT VENTURES

The debt of the Company's unconsolidated joint ventures aggregating \$571.0 million as of September 30, 2006 is non-recourse to the Company, except for customary exceptions pertaining to such matters as intentional misuse of funds, environmental conditions and material misrepresentations, and except as otherwise indicated below.

Property Acquisitions

MEADOWLANDS XANADU

On November 25, 2003, the Company and affiliates of The Mills Corporation (Mills) entered into a joint venture agreement (Meadowlands Xanadu Venture Agreement) to form Meadowlands Mills/Mack-Cali Limited Partnership (Meadowlands Venture) for the purpose of developing a \$1.3 billion family entertainment, recreation and retail complex with an office and hotel component to be built at the Meadowlands sports complex in East Rutherford, New Jersey (Meadowlands Xanadu). The First Amendment to the Meadowlands Xanadu Venture

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Agreement was entered into as of June 30, 2005. Meadowlands Xanadu's approximately 4.76 million-square-foot complex is expected to feature a family entertainment, recreation and retail destination comprising five themed zones: sports; entertainment; children's education; fashion; and food and home, in addition to four office buildings, aggregating approximately 1.8 million square feet, and a 520-room hotel.

On December 3, 2003, the Meadowlands Venture entered into a redevelopment agreement (the "Redevelopment Agreement") with the New Jersey Sports and Exposition Authority ("NJSEA") for the redevelopment of the area surrounding the Continental Airlines Arena in East Rutherford, New Jersey and the construction of the Meadowlands Xanadu project. The Redevelopment Agreement provides for a 75-year ground lease and requires the Meadowlands Venture to pay the NJSEA a \$160 million development rights fee and fixed rent over the term. Fixed rent will be in the amount of \$1,000 per year for the first 15 years, increasing to \$7.5 million from the 16th to the 18th years, increasing to \$8.4 million in the 19th year, increasing to \$8.7 million in the 20th year, increasing to \$9.0 million in the 21st year, then to \$9.2 million in the 23rd to 26th years, with additional increases over the remainder of the term, as set forth in the ground lease. The ground lease also allows for the potential for participation rent payments by the Meadowlands Venture, as described in the ground lease agreement. The First Amendment to the Redevelopment Agreement and the ground lease, itself, were signed on October 5, 2004. The Meadowlands Venture received all necessary permits and approvals from the NJSEA and U.S. Army Corps of Engineers in March 2005 and commenced construction in the same month. As a condition to fill wetlands pursuant to the permit issued by the U.S. Army Corps of Engineers and pursuant to the Redevelopment Agreement, as amended, Mills conveyed certain vacant land, known as the Empire Tract, to a conservancy trust. On June 30, 2005, the \$160 million development rights fee was deposited into an escrow account by the Meadowlands Venture in accordance with the terms of the First Amendment to the Redevelopment Agreement. On such date, the following amounts were paid from escrow: (i) approximately \$37.2 million to defease certain debt obligations of the NJSEA; and (ii) \$26.8 million to the NJSEA, which, in turn, paid such amount to the Meadowlands Venture for the Empire Tract. Subsequently, the remainder of the monies were released from the escrow account to the NJSEA.

The Company and Mills own a 20 percent and 80 percent interest, respectively, in the Meadowlands Venture. These interests were subject to certain participation rights by The New York Giants, which were subsequently terminated in April 2004. The Meadowlands Xanadu Venture Agreement required the Company to make an equity contribution up to a maximum of \$32.5 million, which it fulfilled in April 2005. Pursuant to the Meadowlands Xanadu Venture Agreement, Mills has received subordinated capital credit in the venture of approximately \$118.0 million, which represents certain costs incurred by Mills in connection with the Empire Tract prior to the creation of the Meadowlands Venture. However, under the First Amendment to the Meadowlands Xanadu Venture Agreement, the Company and Mills agreed that due to the expected receipt by the Meadowlands Venture of certain other sums and certain development costs savings in connection with Meadowlands Xanadu, Mills' subordinated capital credit in the venture for the Empire Tract should be reduced to \$60.0 million as of the date of the First Amendment to the Meadowlands Xanadu Venture Agreement. The Meadowlands Xanadu Venture Agreement requires Mills to contribute the balance of the capital required to complete the entertainment phase, subject to certain limitations. The Company will receive a 9 percent preferred return on its equity investment, only after Mills receives a 9 percent preferred return on its equity investment. Residual returns, subject to participation by other parties, will be in proportion to each partner's respective percentage interest.

Mills will develop, lease and operate the entertainment phase of the Meadowlands Xanadu project. The Meadowlands Venture has formed and owns, directly and indirectly, all of the partnership interests in and to the component ventures which were formed for the future development of the office and hotel phases, which the Company will develop, lease and operate. Upon the Company's exercise of its rights under the Meadowlands Xanadu Venture Agreement to develop the office and hotel phases, the Meadowlands Venture will convey ownership of the component ventures to the Company and Mills or its affiliate, and the Company or its affiliate will own an 80 percent interest and Mills or its affiliate will own a 20 percent interest in such component ventures. However, under the First Amendment to the Meadowlands Xanadu Venture Agreement, if the Meadowlands Venture develops a hotel that has video lottery terminals (or "slots"), or any other legalized form of gaming on or in its premises, then the Company or its affiliate will own a 50 percent interest in such component venture and Mills or its affiliate will own a 50 percent interest. The Meadowlands Xanadu Venture Agreement requires that the Company must exercise its rights with respect to the first office and hotel phase no later than four years after the grand opening of the entertainment phase, and requires that the Company exercise all of its rights with respect to the office and hotel phases no later than 10 years from such date, but does not require that any or all components be

developed. However, under the Meadowlands Xanadu Venture Agreement, Mills has the right to accelerate such exercise schedule, subject to certain conditions. Should the Company fail to meet the time schedule described above for the exercise of its rights with respect to the office and hotel phases, the Company will forfeit its rights to control future development. If this occurs, Mills will have the right to develop the additional phases, subject to the Company's right to participate, or to cause the Meadowlands Venture to sell such components to a third party, subject to a sales price limitation of 95 percent of the value that would have been required to form such component ventures.

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

- Mills has certain drag-along rights and the Company has certain tag-along rights in connection with such sale of interest to a third party; and
- Mills has a right of first refusal with respect of a sale by the Company of its partnership interests.

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

On August 21, 2006, The Mills Corporation (TMC) announced that it had signed a non-binding letter of intent with Colony Capital Acquisitions, LLC (Colony) and Kan Am USA Management XXII Limited Partnership (Kan Am) under which Colony would arrange for construction financing for Meadowlands Xanadu and make a significant equity infusion into the Meadowlands Venture, and TMC would not have any financial obligations post closing (Colony Transaction). Kan Am has been a partner with Mills in the Meadowlands Venture.

The Company has reached an agreement in principle with Colony, TMC and Kan Am whereby the Company will relinquish its participation in the entertainment/retail component of Meadowlands Xanadu in exchange for \$25 million; \$22.5 million payable at closing and the remaining \$2.5 million due when the Company exercises its rights to develop any of the office or hotel phases. Concurrently with the payment of the \$2.5 million, the Company's ownership interest in the office and hotel component ventures will be reduced from 80 percent to 75 percent. It is expected that the agreement in principle will be consummated simultaneous with the completion of the Colony Transaction.

In October 2006, Mills, the manager of the Meadowlands Venture, provided the Company information regarding the restatements of financial information it had previously presented to the Company for the period from November 25, 2003 (the inception of the Meadowlands Venture) through December 31, 2005. Included in the Company's equity in loss of unconsolidated joint ventures from the Meadowlands Venture of \$1.8 million for the three and nine months ended September 30, 2006 is \$1.4 million related to the Company's allocated share of the loss arising from the restatement for the period referenced above.

On February 12, 2003, the NJSEA selected The Mills Corporation and the Company to redevelop the Continental Airlines Arena site (Arena Site) for mixed uses, including retail. In March 2003, Hartz Mountain Industries, Inc., (Hartz), filed a lawsuit in the Superior Court of New Jersey, Law Division, for Bergen County, seeking to enjoin NJSEA from entering into a contract with the Meadowlands Venture for the redevelopment of the Continental Airlines Arena site. In May 2003, the court denied Hartz's request for an injunction and dismissed its suit for failure to exhaust administrative remedies. In June 2003, the NJSEA held hearings on Hartz's protest, and on a parallel protest filed by another rejected developer, Westfield, Inc. (Westfield). On September 10, 2003, the NJSEA ruled against Hartz's and Westfield's protests. Hartz and Westfield, as well as Elliot Braha and three other taxpayers (collectively Braha), thereafter filed appeals from the NJSEA's final decision. By decision dated May 14, 2004, the Appellate Division of the Superior Court of New Jersey rejected the appellants' contention that the NJSEA lacks statutory authority to allow retail development of its property. The Appellate Division also remanded Hartz's claim under the Open Public Records Acts, seeking disclosure of additional documents from NJSEA, to the Law Division for further proceedings. The Supreme Court of New Jersey declined to review the Appellate Division's decision. On August 19, 2004, the Law Division issued a decision resolving Hartz's Open Public Records Act claim and

ordered NJSEA to disclose some, but not all, of the documents Hartz was seeking. The Appellate Division, in a decision rendered on November 24, 2004, upheld the findings of the Law Division in the remand proceeding. The Supreme Court of New Jersey declined to review the Appellate Division's decision. At Hartz's request, the NJSEA thereafter held further hearings on December 15 and 16, 2004, to review certain additional facts in support of Hartz's and Westfield's bid protest. Braha, as a taxpayer, did not have standing to participate in the supplemental protest hearing. On March 4, 2005, the Hearing Officer rendered his Supplemental Report and Recommendation to the NJSEA, finding no merit in the protests presented by Hartz and Westfield. The NJSEA accepted the Hearing Officer's Supplemental Report and Recommendation on March 30, 2005 and Hartz and Braha have appealed that decision to the Appellate Division.

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

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

All of the above appeals have been consolidated by the Appellate Division. On August 17, 2006, the Appellate Division issued an opinion affirming NJSEA's selection of the Meadowlands Venture and rejecting the appellants' arguments in all respects. On August 28, 2006, Hartz made a motion before the Appellate Division for reconsideration of this decision and for supplementation of the record. That motion is pending.

On September 30, 2004, the Borough of Carlstadt filed an action in the Superior Court of New Jersey Law Division, challenging Meadowlands Xanadu, which asserted claims that are substantially the same as claims asserted by Hartz and Braha in the above appeals. By Order dated November 19, 2004, the Law Division transferred that matter to the Superior Court of New Jersey, Appellate Division. This matter was voluntarily dismissed by Carlstadt in accordance with a March 22, 2006, Settlement Agreement and Release between Carlstadt and the Meadowlands Venture.

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

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

Three separate lawsuits have been filed in the United States District Court for the District of New Jersey, challenging a permit issued by the U.S. Army Corps of Engineers (USACE) in connection with the project. The first suit was filed on March 30, 2005, by the Sierra Club, the New Jersey Public Interest Research Group, Citizen Lobby, Inc. and the New Jersey Environmental Federation. Additional suits were filed on May 16 and May 31, 2005, respectively, by Hartz (together with one of its officers as an individually-named plaintiff) and the Borough of Carlstadt. The Sierra Club also filed a motion for a preliminary injunction to stop certain construction activities on the project, which the Court denied on July 6, 2005. On October 26, 2005, the court granted the motions of the Meadowlands Venture and the USACE to dismiss the Hartz complaint for lack of standing. The deadline for appealing that decision has passed, so the Hartz action is ended. On October 31, 2005, the USACE filed a motion to dismiss the complaint filed by the Borough of Carlstadt for lack of standing. On February 7, 2006, the Court granted the motion and dismissed the Borough of Carlstadt's complaint in its entirety. On March 9, 2006, Carlstadt filed a notice of appeal of this decision to the United States Court of Appeals for the Third Circuit. This appeal has

been dismissed pursuant to the Settlement Agreement and Release executed by Carlstadt and the Meadowlands Venture.

On April 5, 2005, the New York Football Giants (Giants) filed an emergent application with the Supreme Court of New Jersey, Chancery Division, seeking an injunction stopping all work on the Meadowlands Xanadu project as being in violation of its existing lease with the NJSEA. After hearing oral argument on the application on August 5, 2005, the court denied the Giants motion for preliminary injunctive relief. On June 22, 2006, the court entered a Stipulation and Consent Order that dismissed without prejudice the parties respective claims.

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

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

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

G&G MARTCO (Convention Plaza)

The Company holds a 50 percent interest in G&G Martco, which owns Convention Plaza, a 305,618 square foot office building, located in San Francisco, California. The venture has a mortgage loan with a \$47.3 million balance at September 30, 2006 collateralized by its office property. The loan also provides the venture the ability to increase the balance of the loan up to an additional \$266,000 for the funding of qualified leasing costs. The loan bears interest at a rate of the London Inter-Bank Offered Rate (LIBOR) (5.322 percent at September 30, 2006) plus 162.5 basis points and was scheduled to mature in August 2006. The Company has agreed in principle to sell its joint venture interest to an affiliate of its current joint venture partner. The maturity date of the mortgage loan was extended to November 15, 2006. The Company performs management and leasing services for the property owned by the joint venture and recognized \$36,000 and \$30,000 in fees for such services in the three months ended September 30, 2006 and 2005, respectively, and \$119,000 and \$99,000 for the nine months ended September 30, 2006 and 2005, respectively.

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

On May 20, 1998, the Company entered into a joint venture with Columbia Development Company, L.L.C. (Columbia) to form American Financial Exchange L.L.C. (AFE). The venture was formed to acquire land for future development, located on the Hudson River waterfront in Jersey City, New Jersey, adjacent to the Company s Harborside Financial Center office complex. Among other things, the partnership agreement provides for a preferred return on the Company s invested capital in the venture, in addition to the Company s proportionate share of the venture s profit, as defined in the agreement.

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

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

On August 20, 1998, the Company entered into a joint venture with S.B. New York Realty Corp. to form Ramland Realty Associates L.L.C. The venture was formed to own, manage and operate One Ramland Road, a 232,000 square foot office/flex building and adjacent developable land, located in Orangeburg, New York. In August 1999,

the joint venture completed redevelopment of the property and placed the office/flex building in service. The Company holds a 50 percent interest in the joint venture. The venture has a mortgage loan with a \$14.9 million balance at September 30, 2006 secured by its office/flex property. The mortgage bears interest at a rate of LIBOR plus 175 basis points and matures in January 2007, with one two-year extension option, subject to certain conditions. The venture has provided notice and the required extension fee to the lender of its intention to extend the term of the loan until January 2009.

The Company performs management, leasing and other services for the property owned by the joint venture and recognized \$35,000 and \$8,000 in fees for such services in the three months ended September 30, 2006 and 2005, respectively, and \$82,000 and \$63,000 for the nine months ended September 30, 2006 and 2005, respectively.

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

On September 18, 1998, the Company entered into a joint venture with Prudential to form Ashford Loop Associates L.P. The venture was formed to own, manage and operate 1001 South Dairy Ashford, a 130,000 square foot office building acquired on September 18, 1998, and 2100 West Loop South, a 168,000 square foot office building acquired on November 25, 1998, both located in Houston, Texas. The Company held a 20 percent interest in the joint venture. On February 25, 2005, the Company sold its interest in the venture to Prudential for \$2.7 million.

SOUTH PIER AT HARBORSIDE HOTEL DEVELOPMENT

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

The venture had a mortgage loan with a commercial bank with a \$62.9 million balance at December 31, 2003 collateralized by its hotel property. The debt bore interest at a rate of LIBOR plus 275 basis points, which was scheduled to mature in December 2003, and was extended through January 29, 2004. On that date, the venture repaid the mortgage loan using the proceeds from a new \$40.0 million mortgage loan, (with a balance as of September 30, 2006 of \$38.9 million) collateralized by the hotel property, as well as capital contributions from the Company and Hyatt of \$10.8 million each. The new loan carried an interest rate of LIBOR plus 200 basis points and was scheduled to mature in February 2007. On October 12, 2006, the venture repaid the mortgage loan using proceeds from a new \$70.0 million mortgage loan collateralized by the hotel property. The new loan carries an interest rate of 6.15 percent and matures in November 2016. On May 25, 2004, the venture obtained a second mortgage loan with a commercial bank for \$20.0 million. The loan carried an interest rate of LIBOR plus 175 basis points and was scheduled to mature in February 2007. The proceeds from this loan were used to make distributions to the Company and Hyatt in the amount of \$10.0 million each. This loan was repaid in full during the quarter from operating cash. Additionally, the venture has a loan with a balance as of September 30, 2006 of \$7.3 million with the City of Jersey City, provided by the U.S. Department of Housing and Urban Development. The loan currently bears interest at fixed rates ranging from 6.09 percent to 6.62 percent and matures in August 2020. The Company has posted a \$7.3 million letter of credit in support of this loan, \$3.6 million of which is indemnified by Hyatt.

RED BANK CORPORATE PLAZA L.L.C./RED BANK CORPORATE PLAZA II, L.L.C.

On March 23, 2006, the Company entered into a joint venture with the PRC Group (PRC) to form Red Bank Corporate Plaza L.L.C. The venture was formed to develop Red Bank Corporate Plaza, a 92,878 square foot office building located in Red Bank, New Jersey, which has been fully pre-leased to Hovnanian Enterprises, Inc. for a 10-year term. The Company holds a 50 percent interest in the venture. PRC contributed the vacant land for the development of the office building as its initial capital in the venture. The Company funded the costs of development up to the value of the land contributed by PRC of \$3.5 million as its initial capital. PRC and the Company each funded development costs of the venture of \$1.1 million in excess of their initial capital contributed.

On October 20, 2006, the venture entered into a \$22.0 million construction loan with a commercial bank collateralized by the land and development project. The loan carries an interest rate of LIBOR plus 130 basis points and matures in April 2008. The loan currently has three one-year extension options subject to certain conditions, each of which require payment of a fee.

On July 20, 2006, the Company entered into a second joint venture agreement with PRC to form Red Bank Corporate Plaza II L.L.C. The venture was formed to hold land on which it plans to develop Red Bank Corporate

Plaza II, an 18,561 square foot office building located in Red Bank, New Jersey. The Company holds a 50 percent interest in the venture. The terms of the venture are similar to Red Bank Corporate Plaza L.L.C. PRC contributed the vacant land as its initial capital in the venture.

MACK-GREEN-GALE LLC

On May 9, 2006, as part of the Gale/Green Transactions, the Company entered into a joint venture, Mack-Green-Gale LLC ("Mack-Green"), with SL Green, pursuant to which Mack-Green holds a 96 percent interest and acts as general partner of Gale SLG NJ Operating Partnership, L.P. (the "OP LP"). The Company acquired its interest in Mack-Green for approximately \$116 million, which was funded primarily through borrowing under the Company's revolving credit facility. The OP LP owns 100 percent of entities which own 25 office properties (the "OP LP Properties") which aggregate 3.5 million square feet (consisting of 17 office properties aggregating 2.3 million square feet located in New Jersey and eight properties aggregating 1.2 million square feet located in Troy, Michigan), as well as a minor, non-controlling interest in four office properties aggregating 419,000 square feet located in Naperville, Illinois.

As defined in the Mack-Green operating agreement, the Company shares decision-making equally with SL Green regarding: (i) all major decisions involving the operations of Mack-Green; and (ii) overall general partner responsibilities in operating the OP LP.

The Mack-Green operating agreement generally provides for profits and losses to be allocated as follows:

- (i) 99 percent of Mack-Green's share of the profits and losses from 10 specific OP LP Properties allocable to the Company and one percent allocable to SL Green;
- (ii) one percent of Mack-Green's share of the profits and losses from eight specific OP LP Properties and its minor interest in four office properties allocable to the Company and 99 percent allocable to SL Green; and
- (iii) 50 percent of all other profits and losses allocable to the Company and 50 percent allocable to SL Green.

Substantially all of the OP LP Properties are encumbered by mortgage loans with an aggregate outstanding principal balance of \$358.5 million. \$190.2 million of the mortgage loans bear interest at a weighted average fixed interest rate of 6.32 percent per annum and mature at various times through May 2016. \$168.3 million of the mortgage loans bear interest at a floating rate ranging from LIBOR plus 185 basis points to LIBOR plus 275 basis points per annum and mature at various times through August 2008. Included in the floating rate mortgage loans are \$90.3 million provided by an affiliate of SL Green.

On August 9, 2006, \$69.7 million of mortgage loans were refinanced. The new loan has a maximum principal amount of \$90.0 million with \$78.0 million drawn at September 30, 2006. The loan provides the ability to draw funds for qualified leasing and capital improvement costs. The loan bears interest at a rate of LIBOR plus 185 basis points and matures on August 8, 2008 with a two-year extension option.

The Company performs management, leasing, and construction services for the properties owned by the joint venture and recognized \$900,000 in income (net of \$310,000 in direct costs) and \$1.7 million in income (net of \$737,000 in direct costs) for such services in the three and nine months ended September 30, 2006.

GE/GALE FUNDING LLC (PFV)

On May 9, 2006, as part of the Gale/Green Transactions, the Company acquired from a Gale Affiliate for \$1.8 million a 50 percent controlling interest in GMW Village Associates, LLC ("GMW Village"). GMW Village holds a 20 percent interest in GE/Gale Funding LLC ("GE Gale"). GE Gale owns a 100 percent interest in the entity owning Princeton Forrestal Village, a mixed-use, office/retail complex aggregating 530,000 square feet and located in Plainsboro, New Jersey ("Princeton Forrestal Village" or "PFV").

In addition to the cash consideration paid to acquire the interest, the Company provided a Gale Affiliate with the Gale Participation Rights.

The operating agreement of GE Gale, which is owned 80 percent by GEBAM, Inc., provides for, among other things, distributions of net cash flow, initially, in proportion to each member's interest and subject to adjustment upon achievement of certain financial goals, as defined in the operating agreement.

GE Gale has a mortgage loan in an amount not to exceed \$52.8 million, which has a balance at September 30, 2006, of \$39.3 million. The loan provides the venture the ability to draw funds for qualified leasing and capital improvement costs. The loan bears interest at a rate of LIBOR plus 275 basis points and matures on January 9, 2009, with an extension option through January 9, 2011.

The Company performs management, leasing, and construction services for PFV and recognized \$402,000 in income (net of \$3.2 million in direct costs) for such services in the three and nine months ended September 30, 2006.

ROUTE 93 MASTER LLC (Route 93 Participant)/ROUTE 93 BEDFORD MASTER LLC (with the Route 93 Participant, collectively, the Route 93 Venture)

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On June 1, 2006, the Route 93 Venture was formed between the Route 93 Participant, a majority-owned subsidiary of the Company, having a 30 percent interest and the Commingled Pension Trust Fund (Special Situation Property) of JPMorgan Chase Bank having a 70 percent interest, for the purpose of acquiring seven office buildings, aggregating 670,000 square feet, located in the towns of Andover, Bedford and Billerica, Massachusetts. Profits and losses are shared by the partners in proportion to their respective interests until the investment yields an 11 percent IRR, then sharing will shift to 40/60, and when the IRR reaches 15 percent, then sharing will shift to 50/50.

The Route 93 Participant is a joint venture between the Company and a Gale affiliate. Profits and losses are shared by the partners under this venture in proportion to their respective interests until the investment yields an 11 percent IRR, then sharing will shift to 50/50.

The Route 93 Ventures have mortgage loans with an amount not to exceed \$58.6 million, with a \$39.4 million balance at September 30, 2006 collateralized by its office properties. The loan provides the venture the ability to draw additional monies for qualified leasing and capital improvement costs. The loan bears interest at a rate of LIBOR plus 220 basis points and matures on July 11, 2008, with three one-year extension options.

The Company performs management and construction services for the properties owned by the Route 93 Ventures and recognized \$0 for such services in the three and nine months ended September 30, 2006.

GALE KIMBALL, L.L.C.

On June 15, 2006, the Company entered into a joint venture with a Gale Affiliate to form M-C Kimball, LLC (M-C Kimball). M-C Kimball was formed for the sole purpose of acquiring a Gale Affiliate's 33.33 percent membership interest in Gale Kimball, L.L.C. (Gale Kimball), an entity holding a 25 percent interest in 100 Kimball Drive LLC (100 Kimball), which is developing a 175,000 square foot office property located at 100 Kimball Drive, Parsippany, New Jersey (the Kimball Property).

The operating agreement of M-C Kimball provides, among other things, for the Gale Participation Rights.

Gale Kimball is owned 33.33 percent by M-C Kimball and 66.67 percent by the Hampshire Generational Fund, L.L.C. (Hampshire). The operating agreement of Gale Kimball provides, among other things, for the distribution of net cash flow, initially, in accordance with its members' respective membership interests and, upon achievement of certain financial conditions, 50 percent to each of the Company and Hampshire.

100 Kimball is owned 25 percent by Gale Kimball and 75 percent by 100 Kimball Drive Realty Member LLC, an affiliate of JP Morgan (JPM). The operating agreement of 100 Kimball provides, among other things, for the distributions to be made in the following order:

- (i) first, to JPM, such that JPM is provided with an annual 12 percent compound preferred return on Preferred Equity Capital Contributions (as such term is defined in the operating agreement of 100 Kimball and largely comprised of development and construction costs);

- (ii) second, to JPM, as return of Preferred Equity Capital Contributions until complete repayment of such Preferred Equity Capital Contributions;
- (iii) third, to each of JPM and Gale Kimball in proportion to their respective membership interests until each member is provided, as a result of such distributions, with an annual twelve percent compound return on the Member's Capital Contributions (as defined in the operating agreement of 100 Kimball, and excluding Preferred Equity Capital Contributions, if any); and
- (iv) fourth, 50 percent to each of JPM and Gale Kimball.

100 Kimball has a construction loan in an amount not to exceed \$29 million, with a balance at September 30, 2006 of \$12.5 million. The loan bears interest at a rate of LIBOR plus 195 basis points and matures on December 8, 2008 with a one-year extension option.

The Company performs construction and development services for the property owned by 100 Kimball for which it recognized \$130,000 in income (net of \$2.4 million in direct costs) and \$276,000 in income (net of \$5.7 million in direct costs) in the three and nine months ended September 30, 2006.

55 CORPORATE PARTNERS, LLC

On June 9, 2006, the Company entered into a joint venture with a Gale Affiliate to form 55 Corporate Partners, LLC ("55 Corporate"). 55 Corporate was formed for the sole purpose of acquiring from a Gale Affiliate a 50 percent interest in SLG 55 Corporate Drive II, LLC ("SLG 55"), an entity indirectly holding a condominium interest in a vacant land parcel located in Bridgewater, New Jersey, which can accommodate development of an approximately 200,000 square foot office building. Sanofi-Aventis, which occupies neighboring buildings, has an option to cause the venture to construct the building, which it would lease on a long-term basis. Sanofi-Aventis is required to pay a penalty of \$7 million, subject to certain conditions, in the event it fails to exercise the option. The remaining 50 percent in SLG 55 is owned by SLG Gale 55 Corporate LLC, an affiliate of SL Green Realty Corp ("SLG Gale 55").

The operating agreement of 55 Corporate provides, among other things, for the Gale Participation Rights.

The operating agreement of SLG 55 provides, among other things, for the distribution of the available net cash flow to each of 55 Corporate and SLG Gale 55 in proportion to their respective membership interests in SLG 55 (50 percent each).

12 VREELAND ASSOCIATES, L.L.C.

On September 8, 2006, the Company entered into a joint venture with a Gale Affiliate to form M-C Vreeland, LLC ("M-C Vreeland"). M-C Vreeland was formed for the sole purpose of acquiring a Gale Affiliate's 50 percent membership interest in 12 Vreeland Associates, L.L.C., an entity owning an office property located at 12 Vreeland Road, Florham Park, New Jersey.

The operating agreement of M-C Vreeland provides, among other things, for the Gale Participation Rights.

The office property at 12 Vreeland is a 139,750 square foot office building that is fully leased to a single tenant through June 15, 2012. The property is subject to a mortgage loan, which matures on July 1, 2012, in the initial amount of \$18.1 million bearing interest at 6.9 percent per annum. As of September 30, 2006 the outstanding balance on the mortgage note was \$10.6 million.

Under the operating agreement of 12 Vreeland Associates, L.L.C., M-C Vreeland has a 50 percent interest, with S/K Florham Park Associates, L.L.C. (the managing member) and its affiliate holding the other 50 percent.

SUMMARIES OF UNCONSOLIDATED JOINT VENTURES

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The following is a summary of the financial position of the unconsolidated joint ventures in which the Company had investment interests as of September 30, 2006 and December 31, 2005: *(dollars in thousands)*

	September 30, 2006												
	Meadowlands Xanadu	G&G Martco	Plaza VIII & IX Associates	Ramland Realty	Harborside South Pier	Red Bank Corporate Plaza	Mack Green	PFV	Route 93 Portfolio	Gale Kimball	55 Corporate	Vreeland	Combined Total
Assets:													
Rental property, net	\$ 425,431	\$ 9,860	\$ 11,558	\$ 12,189	\$ 70,462	\$ 9,446	\$503,696	\$31,356	\$ 54,292	\$ 23,780		\$ 8,287	\$1,160,357
Other assets	178,253	7,155	1,177	1,234	12,074	936	35,499	26,060	7,274	653		920	271,235
Total assets	\$ 603,684	\$17,015	\$ 12,735	\$ 13,423	\$ 82,536	\$ 10,382	\$539,195	\$57,416	\$ 61,566	\$ 24,433		\$ 9,207	\$1,431,592
Liabilities and partners /members capital (deficit):													
Mortgages, loans payable and other obligations		\$47,363		\$ 14,936	\$ 48,170		\$358,495	\$39,344	\$ 39,435	\$ 12,529		\$ 10,684	\$ 570,956
Other liabilities	\$ 40,682	1,027	530	355	6,059	\$ 1,350	18,937	7,072	956				76,968
Partners /members capital (deficit)	563,002	(31,375)	12,205	(1,868)	28,307	9,032	161,763	11,000	21,175	11,904		(1,477)	783,668
Total liabilities and partners /members capital (deficit)	\$ 603,684	\$17,015	\$ 12,735	\$ 13,423	\$ 82,536	\$ 10,382	\$539,195	\$57,416	\$ 61,566	\$ 24,433		\$ 9,207	\$1,431,592
Company's investment in unconsolidated joint ventures, net	\$ 34,420	\$ 5,708	\$ 6,022	\$	\$ 16,716	\$ 4,744	\$112,463	\$ 2,718	\$ 6,524	\$ 1,006	\$ 8,500	\$ 6,952	\$ 205,773

	December 31, 2005												
	Meadowlands Xanadu	G&G Martco	Plaza VIII & IX Associates	Ramland Realty	Harborside South Pier	Red Bank Corporate Plaza	Mack Green	PFV	Route 93 Portfolio	Gale Kimball	55 Corporate	Vreeland	Combined Total
Assets:													
Rental property, net	\$ 390,488	\$ 10,628	\$ 12,024	\$ 12,511	\$ 74,466								\$ 500,117
Other assets	171,029	6,427	1,661	1,188	11,393								191,698
Total assets	\$ 561,517	\$ 17,055	\$ 13,685	\$ 13,699	\$ 85,859								691,815
Liabilities and partners /members capital (deficit):													
Mortgages, loans payable and other obligations		\$ 46,588		\$ 14,936	\$ 56,970								\$ 118,494
Other liabilities	\$ 60,447	876	\$ 1,358	220	4,341								67,242
Partners /members capital (deficit)	501,070	(30,409)	12,327	(1,457)	24,548								506,079
Total liabilities and partners /members capital (deficit)	\$ 561,517	\$ 17,055	\$ 13,685	\$ 13,699	\$ 85,859								\$ 691,815
Company's investment in unconsolidated joint ventures, net	\$ 34,640	\$ 6,438	\$ 6,084	\$	\$ 14,976								\$ 62,138

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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 months ended September 30, 2006 and 2005: *(dollars in thousands)*

Three Months Ended September 30, 2006													
	Meadowlands	G&G	Plaza	Ramland	Ashford	Harborside	Red Bank			Route 93	Gale	55	Combined
	Xanadu	Martco	VIII & IX Associates Realty	Realty	Loop	South Pier	Corporate Plaza	Mack Green	PFV	Portfolio	Kimball	Corporate	Vreeland Total
Total revenues	\$ 110	\$ 1,703	\$ 167	\$ 518		\$ 9,926		\$ 15,002	\$ 2,194	\$ 1,970	\$ 3		\$ 31,100
Operating and other expenses	(2,578)	(999)	(62)	(391)		(6,015)		(7,578)	(1,694)	(590)	(1)		(19,972)
Depreciation and amortization		(363)	(154)	(167)		(1,460)		(5,841)	(695)	(349)			(9,058)
Interest expense		(845)		(267)		(893)		(6,629)	(795)	(761)			(10,190)
Net income	\$ (2,468)	\$ (504)	\$ (49)	\$ (307)		\$ 1,558		\$ (5,046)	\$ (990)	\$ 270	\$ 2		\$ (7,002)
Company's equity in earnings (loss) of unconsolidated joint ventures	\$ (1,876)	\$ (409)	\$ (24)	\$ (225)		\$ 639		\$ (2,749)	\$ (211)	\$ 67			\$ (4,188)

Three Months Ended September 30, 2005													
	Meadowlands	G&G	Plaza	Ramland	Ashford	Harborside	Red Bank			Route 93	Gale	55	Combined
	Xanadu	Martco	VIII & IX Associates Realty	Realty	Loop	South Pier	Corporate Plaza	Mack Green	PFV	Portfolio	Kimball	Corporate	Vreeland Total
Total revenues		\$ 1,796	\$ 94	\$ 486		\$ 9,045							\$ 11,421
Operating and other expenses		(948)	(37)	(381)		(5,848)							(7,214)
Depreciation and amortization		(315)	(154)	(160)		(1,300)							(1,929)
Interest expense		(604)		(198)		(1,084)							(1,886)
Net income		\$ (71)	\$ (97)	\$ (253)		\$ 813							\$ 392
Company's equity in earnings (loss) of unconsolidated joint ventures		\$ (35)	\$ (49)	\$		\$ 406	\$ 0						\$ 322

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 nine months ended September 30, 2006 and 2005: *(dollars in thousands)*

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Nine Months Ended September 30, 2006

	Meadowlands Xanadu	G&G Martco	Plaza VIII & IX Associates	Ramland Realty	Ashford Loop	Harborside South Pier	Red Bank Corporate Plaza	Mack Green	PFV	Route 93 Portfolio	Gale Kimball	55 Corporate	Vreeland	Combined Total
Total revenues	\$ 409	\$ 5,351	\$ 489	\$ 1,533		\$ 27,529		\$24,469	\$ 6,585	\$ 2,528	\$ 3		\$ 156	\$ 69
Operating and other expenses	(2,729)	(2,880)	(150)	(1,095)		(16,651)		(11,354)	(4,410)	(847)	(1)		(64)	(40,18)
Depreciation and amortization		(1,075)	(462)	(543)		(4,369)		(9,219)	(2,116)	(465)			(29)	(18,27)
Interest expense		(2,362)		(756)		(2,750)		(10,219)	(2,178)	(1,002)				(19,26)
Net income	\$ (2,320)	\$ (966)	\$ (123)	\$ (861)		\$ 3,759		\$ (6,323)	\$(2,119)	\$ 214	\$ 2		\$ 63	\$ (8)
Company's equity in earnings (loss) of unconsolidated joint ventures	\$ (1,876)	\$ (731)	\$ (61)	\$ (225)		\$ 1,740		\$ (4,009)	\$(278)	\$ 53			\$ 31	\$ (5)

Nine Months Ended September 30, 2005

	Meadowlands Xanadu	G&G Martco	Plaza VIII & IX Associates	Ramland Realty	Ashford Loop	Harborside South Pier	Red Bank Corporate Plaza	Mack Green	PFV	Route 93 Portfolio	Gale Kimball	55 Corporate	Vreeland	Combined Total
Total revenues		\$ 4,945	\$ 222	\$ 1,519	\$ 405	\$ 24,932								\$ 32,023
Operating and other expenses		(2,685)	(133)	(1,047)	(397)	(15,673)								(19,935)
Depreciation and amortization		(861)	(462)	(478)	(160)	(4,184)								(6,145)
Interest expense		(1,592)		(540)		(3,091)								(5,223)
Net income		\$ (193)	\$ (373)	\$ (546)	\$ (152)	\$ 1,984								\$ 720
Company's equity in earnings (loss) of unconsolidated joint ventures		\$ (280)	\$ (187)	\$ (30)	\$ 1,049									\$ 552

5. DEFERRED CHARGES AND OTHER ASSETS

(dollars in thousands)	September 30, 2006	December 31, 2005
Deferred leasing costs	\$ 186,425	\$ 182,975
Deferred financing costs	21,379	21,764
	207,804	204,739
Accumulated amortization	(75,083)	(73,410)
Deferred charges, net	132,721	131,329
Notes receivable	11,806	11,919
In-place lease values, related intangible and other assets, net	71,859	37,028
Prepaid expenses and other assets, net	34,498	17,358
Total deferred charges and other assets, net	\$ 250,884	\$ 197,634

6. DISCONTINUED OPERATIONS

On March 23, 2006, the Company entered into an agreement to sell its 118,727 square-foot office building located at 300 Westage Business Center Drive in Fishkill, New York. On June 28, 2006, the Company completed the sale of the building, received net sales proceeds of approximately \$14.8 million, and recognized a gain of approximately \$3.9 million on the sale.

On June 30, 2006, the Company sold 1510 Lancer Drive, an 88,000 square-foot office/flex building located in Moorestown, New Jersey, for \$4.2 million, and recognized a gain of approximately \$1.0 million on the sale.

On August 9, 2006, the Company entered into an agreement to sell its entire Colorado portfolio, which consists of 19 office buildings totaling approximately 1.4 million square feet, plus 7.1 acres of vacant land and a 1.6 acre site being developed for additional parking at one of the office buildings, for approximately \$195.3 million.

On September 25, 2006, the Company entered into an agreement to sell its California portfolio, which consists of two office buildings totaling approximately 450,891 square feet, for approximately \$126 million.

The above referenced portfolios are identified as held for sale as of September 30, 2006 and carried an aggregate book value of \$247.2 million, net of accumulated depreciation of \$50 million. The Company has presented these assets as discontinued operations in its statements of operations for all periods presented.

When the Company identified its 178,329 square foot office building located at 201 Willowbrook Boulevard in Wayne, New Jersey as held for sale on March 31, 2005, it determined that the carrying amount of this property was not expected to be recovered from estimated net sales proceeds and recognized a valuation allowance of \$1.4 million (net of minority interest of \$179,000) during the three months ended March 31, 2005.

As the Company sold 111 East Shore Road and 600 Community Drive in North Hempstead, New York; 210 South 16th Street in Omaha, Nebraska; 3600 South Yosemite in Denver, Colorado; 201 Willowbrook Boulevard in Wayne, New Jersey; 1122 Alma Road in Richardson, Texas; and 3 Skyline Drive in Hawthorne, New York during the year ended December 31, 2005; the Company has also presented these assets as discontinued operations in the statements of operations for all periods presented.

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The following tables summarize income from discontinued operations (net of minority interest) and the related realized gains (losses) and unrealized losses on disposition of rental property (net of minority interest), net for the three and nine month periods ended September 30, 2006 and 2005: *(dollars in thousands)*

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Total revenues	\$ 9,683	\$ 9,858	\$ 29,840	\$ 38,483
Operating and other expenses	(4,252)	(4,781)	(12,958)	(14,548)
Depreciation and amortization	(1,662)	(2,910)	(7,088)	(9,420)
Interest expense (net of interest income)			4	42
Minority interest	(756)	(395)	(1,926)	(2,287)
Income from discontinued operations (net of minority interest)	\$ 3,013	\$ 1,772	\$ 7,872	\$ 12,270

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Realized gains on disposition of rental property			\$ 4,905	\$ 12,691
Unrealized losses on disposition of rental property				(1,613)
Minority interest			(984)	(2,105)
Realized gains (losses) and unrealized losses on disposition of rental property (net of minority interest), net			\$ 3,921	\$ 8,973

7. SENIOR UNSECURED NOTES

A summary of the Company's senior unsecured notes as of September 30, 2006 and December 31, 2005 is as follows: *(dollars in thousands)*

	September 30, 2006	December 31, 2005	Effective Rate (1)	
7.250% Senior Unsecured Notes, due March 15, 2009	\$ 299,423	\$ 299,246	7.49	%
5.050% Senior Unsecured Notes, due April 15, 2010	149,806	149,765	5.27	%
7.835% Senior Unsecured Notes, due December 15, 2010	15,000	15,000	7.95	%
7.750% Senior Unsecured Notes, due February 15, 2011	299,251	299,122	7.93	%
5.250% Senior Unsecured Notes, due January 15, 2012	98,966		5.46	%
6.150% Senior Unsecured Notes, due December 15, 2012	91,858	91,488	6.89	%
5.820% Senior Unsecured Notes, due March 15, 2013	25,392	25,309	6.45	%
4.600% Senior Unsecured Notes, due June 15, 2013	99,808	99,787	4.74	%
5.125% Senior Unsecured Notes, due February 15, 2014	201,768	201,948	5.11	%
5.125% Senior Unsecured Notes, due January 15, 2015	149,233	149,164	5.30	%
5.800% Senior Unsecured Notes, due January 15, 2016	200,711	99,680	5.81	%
Total Senior Unsecured Notes	\$ 1,631,216	\$ 1,430,509		

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

On January 24, 2006, the Company issued \$100.0 million face amount of 5.80 percent senior unsecured notes due January 15, 2016 with interest payable semi-annually in arrears, and \$100.0 million face amount of 5.25 percent senior unsecured notes due January 15, 2012 with interest payable semi-annually in arrears. The total proceeds from

the issuances, including accrued interest on the 5.80 percent notes, of approximately \$200.8 million were used to reduce outstanding borrowings under the Company's unsecured facility.

8. UNSECURED REVOLVING CREDIT FACILITY

2004 Unsecured Facility

On November 23, 2004, the Company obtained an unsecured revolving credit facility (2004 Unsecured Facility) with a borrowing capacity of \$600.0 million (expandable to \$800.0 million). The interest rate on outstanding borrowings (not electing the Company's competitive bid feature) under the 2004 Unsecured Facility is currently LIBOR plus 65 basis points. The facility has a competitive bid feature, which allows the Company to solicit bids from lenders under the facility to borrow up to \$300.0 million at interest rates less than the current LIBOR plus 65 basis point spread. As of September 30, 2006, the Company's outstanding borrowings carried a weighted average interest rate of LIBOR plus 46 points. The Company may also elect an interest rate representing the higher of the lender's prime rate or the Federal Funds rate plus 50 basis points. The 2004 Unsecured Facility, which also required a 20 basis point facility fee on the current borrowing capacity payable quarterly in arrears, was scheduled to mature in November 2007.

On September 16, 2005, the Company extended and modified the 2004 Unsecured Facility with a group of 23 lenders (reduced from 27). The facility was extended for an additional two years and now matures in November 2009, with an extension option of one year, which would require a payment of 25 basis points of the then borrowing capacity of the facility upon exercise. In addition, the facility fee was reduced by five basis points to 15 basis points at the BBB/Baa2 pricing level.

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

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

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

The terms of the 2004 Unsecured Facility include certain restrictions and covenants which limit, among other things, the payment of dividends (as discussed below), the incurrence of additional indebtedness, the incurrence of liens and the disposition of real estate properties (to the extent that: (i) such property dispositions cause the Company to default on any of the financial ratios of the facility described below, or (ii) the property dispositions are completed while the Company is under an event of default under the facility, unless, under certain circumstances, such disposition is being carried out to cure such default), and which require compliance with financial ratios relating to the maximum leverage ratio, the maximum amount of secured indebtedness, the minimum amount of tangible net worth, the minimum amount of fixed charge coverage, the maximum amount of unsecured indebtedness, the minimum amount of unencumbered property interest coverage and certain investment limitations. The dividend restriction referred to above provides that, except to enable the Company to continue to qualify as a REIT under the Code, the Company will not during any four consecutive fiscal quarters make distributions with respect to common stock or other common equity interests in an aggregate amount in excess of 90 percent of funds from operations (as defined in the facility agreement) for such period, subject to certain other adjustments.

The lending group for the 2004 Unsecured Facility consists of: JPMorgan Chase Bank, N.A., as administrative agent; Bank of America, N.A., as syndication agent; The Bank of Nova Scotia, New York Agency; Wachovia Bank, National Association; and Wells Fargo Bank, National Association, as documentation agents; SunTrust Bank, as senior managing agent; US Bank National Association; Citicorp North America, Inc.; and PNC Bank National Association, as managing agents; and Bank of China, New York Branch; The Bank of New York; Chevy Chase Bank, F.S.B.; The Royal Bank of Scotland, plc; Mizuho Corporate Bank, Ltd.; The Bank of Toyko Mitsubishi UFJ, Ltd. (successor by merger to UFJ Bank Limited), New York Branch; The Governor and Company of the Bank of Ireland; Bank Hapoalim B.M.; Comerica Bank; Chang Hwa Commercial Bank, Ltd., New York Branch; First Commercial Bank, New York Agency; Chiao Tung Bank Co., Ltd., New York Agency; Deutsche Bank Trust Company Americas; and Hua Nan Commercial Bank, New York Agency.

SUMMARY

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As of September 30, 2006 and December 31, 2005, the Company had outstanding borrowings of \$412.0 million and \$227.0 million respectively, under the 2004 Unsecured Facility.

9. MORTGAGES, LOANS PAYABLE AND OTHER OBLIGATIONS

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

A summary of the Company's mortgages, loans payable and other obligations as of September 30, 2006 and December 31, 2005 is as follows:
(dollars in thousands)

Property Name	Lender	Effective Interest Rate (a)	Principal Balance at September 30, 2006	December 31, 2005	Maturity
Monmouth Executive Center	LaSalle Brothers CMBS	4.98 %		\$ 16,044	08/01/06 (b)
Mack-Cali Airport	Allstate Life Insurance Co.	7.05 %	\$ 9,479	9,644	04/01/07
6406 Ivy Lane	Morgan Stanley Guaranty Trust Co.	5.57 %	14,840		06/01/07
6303 Ivy Lane	State Farm Life Insurance Co.	5.57 %	6,114		07/01/07
6404 Ivy Lane	TIAA	5.58 %	13,819		08/01/08
Assumed obligations	Various	4.90 %	42,227	53,241	05/01/09 (c)
Various	Prudential Insurance	4.84 %	150,000	150,000	01/15/10 (d)
105 Challenger Road	Archon Financial CMBS	6.24 %	18,693		06/06/10
2200 Renaissance Boulevard	TIAA	5.89 %	17,909	18,174	12/01/12
Soundview Plaza	TIAA	6.02 %	18,119	18,427	01/01/13
9200 Edmonston Road	Principal Commercial Funding L.L.C.	5.53 %	5,265		05/01/13
6305 Ivy Lane	John Hancock Life Insurance Co.	5.53 %	7,331		01/01/14
395 West Passaic	State Farm Life Insurance Co.	6.00 %	13,093		05/01/14
6301 Ivy Lane	John Hancock Life Insurance Co.	5.52 %	6,860		07/01/14
35 Waterview Blvd.	Wachovia CMBS	6.35 %	20,372		08/11/14
500 West Putnam Avenue	New York Life Insurance Co.	5.57 %	25,000	25,000	01/10/16
23 Main Street	JP Morgan CMBS	5.59 %	33,500	33,500	09/01/18
Harborside Plaza 2 and 3	Northwestern/Principal			144,642	(e)
Total mortgages, loans payable and other obligations			\$ 402,621	\$ 468,672	

(a) Reflects effective rate of debt, including deferred financing costs, comprised of the cost of terminated treasury lock agreements (if any), debt initiation costs and other transaction costs, as applicable.

(b) Mortgage is collateralized by three properties. On August 1, 2006, the Company repaid this mortgage loan at par, using borrowings under the 2004 Unsecured Facility.

(c) The obligations mature at various times through May 2009.

(d) Mortgage is collateralized by seven properties.

(e) On January 3, 2006, the Company repaid this mortgage loan at par, using borrowings under the 2004 Unsecured Facility.

CASH PAID FOR INTEREST AND INTEREST CAPITALIZED

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Cash paid for interest for the nine months ended September 30, 2006 and 2005 was \$112,134,000 and \$96,593,000 respectively. Interest capitalized by the Company for the nine months ended September 30, 2006 and 2005 was \$4,777,000 and \$4,059,000, respectively.

SUMMARY OF INDEBTEDNESS

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As of September 30, 2006, the Company's total indebtedness of \$2,445,837,000 (weighted average interest rate of 6.07 percent) was comprised of \$412,000,000 of revolving credit facility borrowings (weighted average rate of 5.79 percent) and fixed rate debt and other obligations of \$2,033,837,000 (weighted average rate of 6.13 percent).

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

10. MINORITY INTERESTS

OPERATING PARTNERSHIP

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

PREFERRED UNITS

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

Series C

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

Series B

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

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

COMMON UNITS

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Certain individuals and entities own common units in the Operating Partnership. A common unit and a share of common stock of the Company have substantially the same economic characteristics in as much as they effectively share equally in the net income or loss of the Operating Partnership. Common units are redeemable by the common unitholders at their option, subject to certain restrictions, on the basis of one common unit for either one share of common stock or cash equal to the fair market value of a share at the time of the redemption. The Company has the option to deliver shares of common stock in exchange for all or any portion of the cash requested. The common unitholders may not put the units for cash to the Company or the Operating Partnership. When a unitholder redeems a common unit, minority interest in the Operating Partnership is reduced and the Company's investment in the Operating Partnership is increased.

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On February 28, 2006, in connection with the acquisition of Capital Office Park, the Company issued 1,942,334 common units in the Operating Partnership, valued at approximately \$87.2 million.

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On May 9, 2006, in connection with the Gale/Green Transactions, the Company issued 224,719 common units in the Operating Partnership, valued at approximately \$10.3 million.

UNIT TRANSACTIONS

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The following table sets forth the changes in minority interest which relate to the common units in the Operating Partnership for the nine months ended September 30, 2006: *(dollars in thousands)*

	Common Units	Common Unitholders
Balance at January 1, 2006	13,650,439	\$ 400,819
Net income		18,236
Distributions		(28,766)
Issuance of common units	2,167,053	97,517
Redemption of common units for shares of Common Stock	(221,667)	(6,855)
Balance at September 30, 2006	15,595,825	\$ 480,951

MINORITY INTEREST OWNERSHIP

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As of September 30, 2006 and December 31, 2005, the minority interest common unitholders owned 20.0 percent and 18.0 percent of the Operating Partnership, respectively.

CONSOLIDATED JOINT VENTURES

The Company has ownership interests in certain joint ventures which it consolidates. Various entities and/or individuals hold minority interests in many of these ventures.

11. EMPLOYEE BENEFIT 401(k) PLAN

Employees of the Company, other than those assigned to the Gale Company and affiliated employers, 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 from 1 to 30 percent of their annual compensation, subject to certain limitations imposed by federal law. The amounts contributed by employees are immediately vested and non-forfeitable. The Company, at management's discretion, may match employee contributions and/or make discretionary contributions. Total expense recognized by the Company for the three months ended September 30, 2006 and 2005 was \$100,000 and \$100,000, respectively, and for the nine months ended September 30, 2006 and 2005 was \$300,000 and \$300,000, respectively.

All employees of the Gale Company and other affiliated participating employers, other than certain employees who are represented for collective bargaining purposes by a labor organization, who meet certain minimum age and period of service requirements are eligible to participate in a 401(k) defined contribution plan (the "Gale Plan"). The Gale Plan allows eligible employees to defer from their annual compensation, the maximum amount permitted under federal law. The amounts contributed by employees are immediately vested and non-forfeitable. The Gale Company or the participant's employer matches the employee's deferral at the rate of 50 percent on the first six percent of the employee's annual compensation for employees who have at least 1,000 hours of service and are employed on the last day of the plan year. In addition, the Company, at management's discretion, may make discretionary contributions. Participants become 50 percent vested in employer contributions after two years of service and become 100 percent vested after three years of service. Total expense recognized after the completion of the Gale/Green Transactions by the Company for the three and nine months ended September 30, 2006 was \$146,000 and \$242,000, respectively.

12. **COMMITMENTS AND CONTINGENCIES**

TAX ABATEMENT AGREEMENTS

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

The Harborside Plaza 5 agreement, as amended, which commenced in 2002 upon substantial completion of the property, as defined, is for a term of 20 years. The PILOT is equal to two percent of Total Project Costs. Total Project Costs, as defined, are \$159.6 million. The PILOT totaled \$798,000 and \$798,000 for the three months ended September 30, 2006 and 2005, respectively, and \$2.4 million and \$2.4 million for the nine months ended September 30, 2006 and 2005, respectively.

The Harborside Plaza 4-A agreement, which commenced in 2000, is for a term of 20 years. The PILOT is equal to two percent of Total Project costs, as defined, and increases by 10 percent in years 7, 10 and 13 and by 50 percent in year 16. Total Project costs, as defined, are \$45.5 million. The PILOT totaled \$227,000 and \$227,000 for the three months ended September 30, 2006 and 2005, respectively, and \$682,000 and \$682,000 for the nine months ended September 30, 2006 and 2005, respectively.

The 101 Hudson Street agreement commenced in 1991 for a term of 15 years and expires on December 25, 2006. The PILOT currently provides for the payment of a minimum annual service charge of approximately \$4.2 million, subject to certain adjustments as provided in the PILOT agreement. The PILOT totaled \$1.0 million and \$1.0 million for the three months ended September 30, 2006 and 2005, respectively. The PILOT totaled \$3.1 million for the nine months ended September 30, 2006 and \$2.5 million for the period of time during the nine months ended September 30, 2005 for which the Company owned the property.

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

LITIGATION

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

OPERATING LEASE AGREEMENTS

Future minimum rental payments under the terms of all non-cancelable operating leases under which the Company is the lessee, as of September 30, 2006, are as follows: *(dollars in thousands)*

Year	Amount
2006	\$ 291
2007	412
2008	68
2009	16
2010	3
Total	\$ 790

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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 September 30, 2006, are as follows: *(dollars in thousands)*

Year	Amount
2006	\$ 173
2007	690
2008	645
2009	660
2010	660
2011 through 2084	37,107
Total	\$ 39,935

Ground lease expense incurred by the Company during the three months ended September 30, 2006 and 2005 amounted to \$203,000 and \$172,000, respectively, and was \$519,000 and \$454,000 for the nine months ended September 30, 2006 and 2005, respectively.

OTHER

The Company may not dispose of or distribute certain of its properties, currently comprising 50 properties with an aggregate net book value of approximately \$1.3 billion, which were originally contributed by members of either the Mack Group (which includes William L. Mack, Chairman of the Company's Board of Directors; David S. Mack, director; Earle I. Mack, a former director; and Mitchell E. Hersh, president, chief executive officer and director), the Robert Martin Group (which includes Robert F. Weinberg, director; Martin S. Berger, a former director; and Timothy M. Jones, former president), the Cali Group (which includes John R. Cali, director, and John J. Cali, a former director) or certain other common unitholders without the express written consent of a representative of the Mack Group, the Robert Martin Group, the Cali Group or the specific certain other common unitholders, as applicable, except in a manner which does not result in recognition of any built-in-gain (which may result in an income tax liability) or which reimburses the appropriate Mack Group, Robert Martin Group, Cali Group members or the specific certain other common unitholders for the tax consequences of the recognition of such built-in-gains (collectively, the Property Lock-Ups). The aforementioned restrictions do not apply in the event that the Company sells all of its properties or in connection with a sale transaction which the Company's Board of Directors determines is reasonably necessary to satisfy a material monetary default on any unsecured debt, judgment or liability of the Company or to cure any material monetary default on any mortgage secured by a property. The Property Lock-Ups expire periodically through 2016. Upon the expiration of the Property Lock-Ups, the Company is generally required to use commercially reasonable efforts to prevent any sale, transfer or other disposition of the subject properties from resulting in the recognition of built-in gain to the appropriate Mack Group, Robert Martin Group, Cali Group members or the specific certain other common unitholders. 88 of our properties, with an aggregate net book value of approximately \$868.4 million, have lapsed restrictions and are subject to these conditions.

13. TENANT LEASES

The Properties are leased to tenants under operating leases with various expiration dates through 2021. Substantially all of the leases provide for annual base rents plus recoveries and escalation charges based upon the tenant's proportionate share of and/or increases in real estate taxes and certain operating costs, as defined, and the pass-through of charges for electrical usage.

Future minimum rentals to be received under non-cancelable operating leases at September 30, 2006 are as follows: *(dollars in thousands)*

Year	Amount
2006	\$ 110,092
2007	540,675
2008	496,174
2009	447,419
2010	392,641
2011 and thereafter	1,209,526
Total	\$ 3,196,527

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 common stock to prevent further concentration of stock ownership. Moreover, to evidence compliance with these requirements, the Company must maintain records that disclose the actual ownership of its outstanding common stock and demands written statements each year from the holders of record of designated percentages of its common stock requesting the disclosure of the beneficial owners of such common stock.

PREFERRED STOCK

On March 14, 2003, in a publicly registered transaction with a single institutional buyer, the Company completed the sale and issuance of 10,000 shares of eight-percent Series C cumulative redeemable perpetual preferred stock (Series C Preferred Stock) in the form of 1,000,000 depositary shares (\$25 stated value per depositary share). Each depositary share represents 1/100th of a share of Series C Preferred Stock. The Company received net proceeds of approximately \$24.8 million from the sale.

The Series C Preferred Stock has preference rights with respect to liquidation and distributions over the common stock. Holders of the Series C Preferred Stock, except under certain limited conditions, will not be entitled to vote on any matters. In the event of a cumulative arrearage equal to six quarterly dividends, holders of the Series C Preferred Stock will have the right to elect two additional members to serve on the Company's Board of Directors until dividends have been paid in full. At September 30, 2006, there were no dividends in arrears. The Company may issue unlimited additional preferred stock ranking on a parity with the Series C Preferred Stock but may not issue any preferred stock senior to the Series C Preferred Stock without the consent of two-thirds of its holders. The Series C Preferred Stock is essentially on an equivalent basis in priority with the Preferred Units.

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

SHARE REPURCHASE PROGRAM

On September 13, 2000, the Board of Directors authorized an increase to the Company's repurchase program under which the Company was permitted to purchase up to an additional \$150 million of the Company's outstanding common stock (Repurchase Program). From that date through its last purchases on January 10, 2003, the Company purchased and retired, under the Repurchase Program, 3,746,400 shares of its outstanding common stock for an aggregate cost of approximately \$104.5 million. The Company has a remaining authorization to repurchase up to an additional \$45.5 million of its outstanding common stock, which it may repurchase from time to time in open market transactions at prevailing prices or through privately negotiated transactions.

STOCK OPTION PLANS

In May 2004, the Company established the 2004 Incentive Stock Plan under which a total of 2,500,000 shares have been reserved for issuance. No options have been granted through September 30, 2006 under this plan. In September 2000, the Company established the 2000 Employee Stock Option Plan (2000 Employee Plan) and the Amended and Restated 2000 Director Stock Option Plan (2000 Director Plan). In May 2002, shareholders of the Company approved amendments to both plans to increase the total shares reserved for issuance under both of the 2000 plans from 2,700,000 to 4,350,000 shares of the Company's common stock (from 2,500,000 to 4,000,000 shares under the 2000 Employee Plan and from 200,000 to 350,000 shares under the 2000 Director Plan). In 1994, and as subsequently amended, the Company established the Mack-Cali Employee Stock Option Plan (Employee Plan) and the Mack-Cali Director Stock Option Plan (Director Plan) under which a total of 5,380,188 shares (subject to adjustment) of the Company's common stock had been reserved for issuance (4,980,188 shares under the Employee Plan and 400,000 shares under the Director Plan). As the Employee Plan and Director Plan expired in 2004, stock options may no longer be issued under those plans. Stock options granted under the Employee Plan in 1994 and 1995 became exercisable over a three-year period. Stock options granted under the 2000 Employee Plan and those options granted subsequent to 1995 under the Employee Plan become exercisable over a five-year period. All stock options granted under both the 2000 Director Plan and Director Plan become exercisable in one year. All options were granted at the fair market value at the dates of grant and have terms of ten years. As of September 30, 2006 and December 31, 2005, the stock options outstanding had a weighted average remaining contractual life of approximately 4.9 and 5.7 years, respectively. Stock options exercisable at September 30, 2006 and December 31, 2005 had a weighted average remaining contractual life of approximately 4.4 and 5.2 years, respectively.

Information regarding the Company's stock option plans for the nine months ended September 30, 2006 is summarized below:

	Shares Under Options	Weighted Average Exercise Price	Aggregate Intrinsic Value \$(000 s)
Outstanding at January 1, 2006	1,083,585	\$ 29.63	
Exercised	(302,619)	\$ 29.21	
Lapsed or canceled	(39,360)	\$ 28.47	
Outstanding at September 30, 2006 (\$24.63 \$45.47)	741,606	\$ 29.86	\$ 16,271
Options exercisable at September 30, 2006	491,286	\$ 30.57	\$ 10,430
Available for grant at September 30, 2006	4,616,448		

The weighted average fair value at grant date of options granted during 2005 was \$3.62 per option. The fair value of each significant option grant is estimated on the date of grant using the Black-Scholes model. The following weighted average assumptions, based on the analysis of historical Company and market data, are included in the Company's fair value calculations of stock options granted in 2005:

	2005
Expected life (in years)	6
Risk-free interest rate	3.97 %
Volatility	15.00 %
Dividend yield	5.54 %

No stock options were granted during the nine months ended September 30, 2006.

Cash received from options exercised under all stock option plans was \$3.1 million and \$1.4 million for the three months ended September 30, 2006 and 2005, respectively, and \$8.8 million and \$15.5 million for the nine months ended September 30, 2006 and 2005, respectively. The total intrinsic value of options exercised during the three months ended September 30, 2006 and 2005 was \$2.1 million and \$0.7 million, respectively, and \$5.2 million and \$8.6 million for the nine months ended September 30, 2006 and 2005, respectively. The Company has a policy of issuing new shares to satisfy stock option exercises.

The Company recognized stock options expense of \$36,000 and \$329,000 for the three months ended September 30, 2006 and 2005, respectively, and \$212,000 and \$410,000 for the nine months ended September 30, 2006 and 2005,

respectively. Included in stock options expense for the nine months ended September 30, 2006 was a stock option charge of \$0.1 million, which resulted from the accelerated vesting of 6,000 unvested options related to the resignation of a non-executive officer of the Company. As of September 30, 2006, the Company had \$4.3 million of total unrecognized compensation cost related to unvested stock compensation granted under the Company's stock compensation plans. That cost is expected to be recognized over a weighted average period of 2.2 years.

STOCK COMPENSATION

The Company has granted stock awards (Restricted Stock Awards) to officers, certain other employees, and non-employee members of the Board of Directors of the Company, which allow the holders to each receive a certain amount of shares of the Company's common stock generally over a one to five-year vesting period and generally based on time and service, of which 194,946 shares were outstanding at September 30, 2006. Of the outstanding Restricted Stock Awards granted to executive officers and senior management, 93,746 are contingent upon the Company meeting certain performance and/or stock price appreciation objectives. All Restricted Stock Awards provided to the officers and certain other employees were granted under the 2000 Employee Plan and the Employee Plan. Restricted Stock Awards granted to directors were granted under the 2000 Director Plan.

Information regarding the Restricted Stock Awards for the nine months ended September 30, 2006 is summarized below:

	Shares	Weighted-Average Grant-Date Fair Value
Outstanding at January 1, 2006	246,944	\$ 37.17
Granted (a)	10,000	\$ 44.84
Vested	(55,248)) \$ 35.66
Forfeited	(6,750)) \$ 43.59
Outstanding at September 30, 2006	194,946	\$ 37.76

(a) On May 9, 2006, the Company granted 10,000 shares of Restricted Stock Awards to Mark Yeager, an executive officer of the Company.

DEFERRED STOCK COMPENSATION PLAN FOR DIRECTORS

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

During the nine months ended September 30, 2006 and 2005, 4,730 and 5,024 deferred stock units were earned, respectively. As of September 30, 2006 and December 31, 2005, there were 35,802 and 30,903 deferred stock units outstanding, respectively.

EARNINGS PER SHARE

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

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The following information presents the Company's results for the three months ended September 30, 2006 and 2005 in accordance with FASB No. 128: *(dollars in thousands)*

	Three Months Ended September 30,	
	2006	2005
Computation of Basic EPS		
Income from continuing operations	\$ 13,498	\$ 19,332
Deduct: Preferred stock dividends	(500)	(500)
Income from continuing operations available to common shareholders	12,998	18,832
Income from discontinued operations	3,013	1,772
Net income available to common shareholders	\$ 16,011	\$ 20,604
Weighted average common shares	62,302	61,609

Basic EPS:

Income from continuing operations	\$ 0.21	\$ 0.30
Income from discontinued operations	0.05	0.03
Net income available to common shareholders	\$ 0.26	\$ 0.33

	Three Months Ended September 30,	
	2006	2005
Computation of Diluted EPS		
Income from continuing operations available to common shareholders	\$ 12,998	\$ 18,832
Add: Income from continuing operations attributable to Operating Partnership common units	3,263	4,205
Income from continuing operations for diluted earnings per share	16,261	23,037
Income from discontinued operations for diluted earnings per share	3,769	2,167
Net income available to common shareholders	\$ 20,030	\$ 25,204
Weighted average common shares	78,258	75,760

Diluted EPS:

Income from continuing operations	\$ 0.21	\$ 0.30
Income from discontinued operations	0.05	0.03
Net income available to common shareholders	\$ 0.26	\$ 0.33

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The following information presents the Company's results for the nine months ended September 30, 2006 and 2005 in accordance with FASB No. 128: (dollars in thousands)

	Nine Months Ended September 30,	
	2006	2005
Computation of Basic EPS		
Income from continuing operations	\$ 64,949	\$ 59,344
Deduct: Preferred stock dividends	(1,500)	(1,500)
Income from continuing operations available to common shareholders	63,449	57,844
Income from discontinued operations	11,793	21,243
Net income available to common shareholders	\$ 75,242	\$ 79,087
Weighted average common shares	62,158	61,397

Basic EPS:

Income from continuing operations	\$ 1.02	\$ 0.94
Income from discontinued operations	0.19	0.35
Net income available to common shareholders	\$ 1.21	\$ 1.29

	Nine Months Ended September 30,	
	2006	2005
Computation of Diluted EPS		
Income from continuing operations available to common shareholders	\$ 63,449	\$ 57,844
Add: Income from continuing operations attributable to Operating Partnership common units	15,326	11,134
Income from continuing operations for diluted earnings per share	78,775	68,978
Income from discontinued operations for diluted earnings per share	14,703	25,635
Net income available to common shareholders	\$ 93,478	\$ 94,613
Weighted average common shares	77,664	73,585

Diluted EPS:

Income from continuing operations	\$ 1.01	\$ 0.94
Income from discontinued operations	0.19	0.35
Net income available to common shareholders	\$ 1.20	\$ 1.29

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Basic EPS shares	62,302	61,609	62,158	61,397
Add: Operating Partnership common units	15,643	13,755	15,196	11,764
Stock options	313	396	310	424
Diluted EPS Shares	78,258	75,760	77,664	73,585

Not included in the computations of diluted EPS were 330 stock options and 2,045,745 Series B Preferred Units on an as converted basis into common units, as such securities were anti-dilutive during the nine months ended September 30, 2005. Unvested shares of restricted stock outstanding as of September 30, 2006 and 2005 were 194,946 and 233,744, respectively.

15. SEGMENT REPORTING

The Company operates in one business segment - real estate. The Company provides leasing, property and facilities management, acquisition, development, construction and tenant-related services for its portfolio. The Company recognized revenues from foreign operations of \$1,196,000 and \$1,829,000 for the three and nine month periods ended September 30, 2006, respectively. The Company had no long lived assets in foreign locations as of September 30, 2006 and December 31, 2005. The accounting policies of the segment are the same as those described in Note 2: Significant Accounting Policies, excluding 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 nine month periods ended September 30, 2006 and 2005 and selected asset information as of September 30, 2006 and December 31, 2005 regarding the Company's operating segment are as follows: *(dollars in thousands)*

	Total Segment	Corporate & Other (d)	Total Company	
Total revenues:				
Three months ended:				
September 30, 2006	\$ 201,428	\$ 1,789	\$ 203,217	
September 30, 2005	153,473	679	154,152	
Nine months ended:				
September 30, 2006	\$ 537,049	\$ 5,088	\$ 542,137	
September 30, 2005	446,137	645	446,782	
Total operating and interest expenses(a):				
Three months ended:				
September 30, 2006	\$ 96,809	\$ 44,871	\$ 141,680	(e)
September 30, 2005	55,167	37,932	93,099	(f)
Nine months ended:				
September 30, 2006	\$ 225,407	\$ 129,322	\$ 354,729	(g)
September 30, 2005	153,326	113,515	266,841	(h)
Equity in earnings (loss) of unconsolidated joint ventures:				
Three months ended:				
September 30, 2006	\$ (4,757)		\$ (4,757)	
September 30, 2005	322		322	
Nine months ended:				
September 30, 2006	\$ (5,356)		\$ (5,356)	
September 30, 2005	552		552	
Net operating income (b):				
Three months ended:				
September 30, 2006	\$ 99,862	\$ (43,082)	\$ 56,780	(e)
September 30, 2005	98,628	(37,253)	61,375	(f)
Nine months ended:				
September 30, 2006	\$ 306,286	\$ (124,234)	\$ 182,052	(g)
September 30, 2005	293,363	(112,870)	180,493	(h)
Total assets:				
September 30, 2006	\$ 4,572,467	\$ 96,294	\$ 4,668,761	
December 31, 2005	4,097,098	150,404	4,247,502	
Total long-lived assets (c):				
September 30, 2006	\$ 4,337,317	\$ 1,701	\$ 4,339,018	
December 31, 2005	3,921,536	2,066	3,923,602	

-
- (a) Total operating and interest expenses represent the sum of: real estate taxes; utilities; operating services; direct construction costs; real estate services salaries, wages and other costs; general and administrative and interest expense (net of interest income). All interest expense, net of interest income, (including for property-level mortgages) is excluded from segment amounts and classified in Corporate & Other for all periods.
- (b) Net operating income represents total revenues less total operating and interest expenses [as defined in Note (a)], plus equity in earnings (loss) of unconsolidated joint ventures, for the period.
- (c) Long-lived assets are comprised of net investment in rental property, unbilled rents receivable and investments in unconsolidated joint ventures.
- (d) Corporate & Other represents all corporate-level items (including interest and other investment income, interest expense and non-property general and administrative expense) as well as intercompany eliminations necessary to reconcile to consolidated Company totals.
- (e) Excludes \$40,132 of depreciation and amortization.
- (f) Excludes \$37,838 of depreciation and amortization.
- (g) Excludes \$116,980 of depreciation and amortization.
- (h) Excludes \$106,067 of depreciation and amortization.

16. IMPACT OF RECENTLY-ISSUED ACCOUNTING STANDARDS

FASB INTERPRETATION No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes* an interpretation of FASB Statement No. 109

FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company does not expect that the implementation of FIN 48 will have a material effect on the Company's consolidated financial position or results of operations.

FINANCIAL ACCOUNTING STANDARDS BOARD (FASB) STATEMENT NO. 157 (FASB No. 157), *Fair Value Measurements*

FASB No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. FASB No. 157 applies under other accounting pronouncements that require or permit fair value measurements, FASB having previously concluded in those accounting pronouncements that fair value is their relevant measurement attribute. Accordingly, this statement does not require any new fair value measurements. However, for some entities, the application of this statement will change current practice. This statement is effective for financial statements for fiscal years beginning after November 15, 2007. The Company does not expect that the implementation of FASB No. 157 will have a material effect on the Company's consolidated financial position or results of operations.

FASB STATEMENT NO. 158 (FASB No. 158), *Employers' Accounting for Defined Benefit Pension and Other Post Retirement Plans* an amendment of FASB No. s 87, 88, 106 and 132(R)

FASB No. 158 improves financial reporting by requiring an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan (other than a multi-employer plan) as an asset or liability in its statement of financial position and to recognize changes in

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that funded status in the year in which the changes occur through comprehensive income of a business entity or changes in unrestricted net assets of a not-for-profit organization. This statement also improves financial reporting by requiring an employer to measure the funded status of a plan as of the date of its year-end statement of financial position, with limited exceptions. This statement is effective for fiscal years ending after December 15, 2006. The Company does not expect that the implementation of FASB No. 158 will have a material effect on the Company's consolidated financial position or results of operations.

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STAFF ACCOUNTING BULLETIN NO. 108 (SAB No. 108)

The interpretations in SAB 108 express the staff's views regarding the process of quantifying financial statement misstatements. The SEC staff is aware of diversity in practice. For example, certain registrants do not consider the effects of prior year errors on current year financial statements, thereby allowing improper assets or liabilities to remain unadjusted. While these errors may not be material if considered only in relation to the balance sheet, correcting the errors could be material to the current year income statement. Certain registrants have proposed to the staff that allowing these errors to remain on the balance sheet as assets or liabilities in perpetuity is an appropriate application of generally accepted accounting principles. The staff believes that approach is not in the best interest of the users of financial statements. The interpretations in this SAB 108 are being issued to address diversity in practice in quantifying financial statement misstatements and the potential under current practice for the build up of improper amounts on the balance sheet. There have been two widely-recognized methods for quantifying the effects of financial statement errors: the roll-over method and the iron curtain method. The roll-over method focuses primarily on the impact of a misstatement on the income statement including the reversing effect of prior year misstatements but its use can lead to the accumulation of misstatements in the balance sheet. The iron-curtain method, on the other hand, focuses primarily on the effect of correcting the period-end balance sheet with less emphasis on the reversing effects of prior year errors on the income statement. In SAB 108, the SEC staff establishes an approach that requires quantification of financial statement errors based on the effects of the error on each of the company's financial statements and the related financial statement disclosures. This model is commonly referred to as a dual approach because it essentially requires quantification of errors under both the iron-curtain and the roll-over methods. SAB 108 is effective for financial statements for fiscal years ending after November 15, 2006. The Company does not expect that SAB 108 will have a material effect on the Company's consolidated financial position or results of operations.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

GENERAL

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

Executive Overview

Mack-Cali Realty Corporation (the Company) is one of the largest real estate investment trusts (REITs) in the United States, with a total market capitalization of approximately \$6.5 billion at September 30, 2006. The Company has been involved in all aspects of commercial real estate development, management and ownership for over 50 years and has been a publicly-traded REIT since 1994. The Company owns or has interests in 321 properties (collectively, the Properties), primarily class A office and office/flex buildings, totaling approximately 36.1 million square feet, leased to approximately 2,600 tenants. The properties are located primarily in suburban markets of the Northeast, some with adjacent, Company-controlled developable land sites able to accommodate up to 11.3 million square feet of additional commercial space.

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

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

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

OTHER

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

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

The Company's core markets continue to be weak. The percentage leased in the Company's consolidated portfolio of stabilized operating properties was 91.4 percent at September 30, 2006 as compared to 90.7 percent at June 30, 2006 and 91.0 percent at December 31, 2005. Percentage leased includes all leases in effect as of the period end date, some of which have commencement dates in the future (including, at September 30, 2006, a lease with a commencement date substantially in the future consisting of 15,125 square feet scheduled to commence in 2009), and leases that expire at the period end date. Leases that expired as of September 30, 2006, June 30, 2006 and December 31, 2005 aggregate 62,981, 100,121 and 311,623 square feet, respectively, or 0.2, 0.3 and 1.1 percentage of the net rentable square footage, respectively. Rental rates on the Company's space that was re-leased (based on

first rents payable) during the three months ended September 30, 2006 decreased an average of 1.1 percent compared to rates that were in effect under the prior leases, as compared to a 5.4 percent decrease for the three months ended September 30, 2005. The Company believes that vacancy rates may continue to increase in some of its markets in 2006. As a result, the Company's future earnings and cash flow may continue to be negatively impacted by current market conditions.

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

- property transactions during the period;
- critical accounting policies and estimates;
- results of operations for the current periods as compared to the same periods last year; and
- liquidity and capital resources.

Property Transactions in 2006

Gale/Green Transactions

On May 9, 2006, the Company completed the acquisitions of: (i) The Gale Company and certain of its related businesses, which engage in construction, property management, facilities management, and leasing services (collectively, the "Gale Company"); (ii) three office properties; and (iii) indirect interests in a portfolio of office properties, located primarily in New Jersey, which were owned indirectly by The Gale Company and its affiliates ("Gale") and affiliates of SL Green Realty Corp. ("SL Green"). The agreements to complete the aforementioned acquisitions (collectively, the "Gale/Green Transactions") required that the Company complete all of the acquisitions.

The Gale Company was acquired by the Company for initial purchase consideration of approximately \$22.3 million consisting of the issuance by the Company of 224,719 common units of the Operating Partnership and the payment of approximately \$12 million in cash, which was primarily funded through borrowing under the Company's revolving credit facility. Additionally, the agreement to acquire the Gale Company ("Gale Agreement") contains earn-out provisions providing for the payment of contingent purchase consideration of up to \$18 million in cash based upon the achievement of Gross Income and NOI (as such terms are defined in the Gale Agreement) targets and other events for the three years following the closing date.

In connection with the Company's acquisition of the Gale Company, Mr. Stanley C. Gale and certain other affiliates of Gale are restricted from competing with the Company or hiring the Company's employees for a period of four years expiring on May 9, 2010.

In addition, the Gale Agreement provides for the Company to acquire certain other ownership interests in up to 11 real estate projects (the "Non-Portfolio Properties"), subject to obtaining certain third party consents and the satisfaction of various project-related and/or other conditions. Each of the Company's acquired interests in the Non-Portfolio Properties will provide for the initial distributions of net cash flow solely to the Company, and thereafter an affiliate of Gale controlled by Stanley C. Gale ("Gale Affiliate") has participation rights ("Gale Participation Rights") in 50 percent of the excess net cash flow remaining after the distribution to the Company of the aggregate amount equal to the sum of: (a) the Company's capital contributions, plus (b) an internal rate of return of 10 percent per annum, accruing on the date or dates of the Company's investments. Mr. Gale has caused the Gale Affiliate to transfer certain of his interests in the Non-Portfolio Properties to several former employees of Gale, some of whom are current employees of the Company, including Mark Yeager, one of the Company's officers.

Through September 30, 2006, the Company completed seven of the acquisitions of interests in the Non-Portfolio Properties, which included the acquisitions of: a 530,000 square foot, mixed-use office/retail complex; a 139,750 square-foot, fully-leased office property; an office property in development; two vacant land parcels and two pre-developed projects. The aggregate cost of the completed acquisitions was approximately \$24.7 million.

In connection with the execution of the Gale Agreement, the Company entered into agreements to acquire three office properties directly and indirect ownership interests in entities which own a portfolio of office properties

(collectively, the Gale/Green Agreements). Under the Gale/Green Agreements, the Company acquired 100 percent of the ownership interests in three office properties located in New Jersey, aggregating 516,162 square feet, (the Wholly-Owned Properties). The Wholly-Owned Properties were acquired for approximately \$106 million, consisting of the assumption of \$39.9 million in existing mortgage indebtedness and the payment of \$66.1 million in cash, which was funded primarily through borrowing under the Company s revolving credit facility.

Also, as part of the Gale/Green Agreements, the Company entered into a joint venture with SL Green, known as Mack-Green-Gale LLC (Mack-Green), to hold an approximate 96 percent interest and act as general partner of Gale SLG NJ Operating Partnership, L.P. (the OP LP). The Company acquired its interest in Mack-Green for approximately \$116 million, which was funded primarily through borrowing under the Company s revolving credit facility. The OP LP owns 100 percent of entities which own 25 office properties (collectively, the OP LP Properties) which aggregate 3.5 million square feet (consisting of 17 office properties aggregating 2.3 million square feet located in New Jersey and eight properties aggregating 1.2 million square feet located in Troy, Michigan), as well as a minor, non-controlling interest in four office properties aggregating 419,000 square feet located in Naperville, Illinois. For a discussion of the ownership interests in Mack-Green, see Note 4: Investments in Unconsolidated Joint Ventures Mack-Green-Gale LLC.

Property Acquisitions

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The Company acquired the following office properties during the nine months ended September 30, 2006: *(dollars in thousands)*

Acquisition Date	Property/Address	Location	# of Bldgs.	Rentable Square Feet	Acquisition Cost
02/28/06	Capital Office Park (a)	Greenbelt, Maryland	7	842,258	\$ 166,011
05/09/06	35 Waterview Boulevard (b) (c)	Parsippany, New Jersey	1	172,498	32,600
05/09/06	105 Challenger Road (b) (d)	Ridgefield Park, New Jersey	1	150,050	31,792
05/09/06	343 Thornall Street (b) (e)	Edison, New Jersey	1	195,709	41,113
07/31/06	395 W. Passaic Street (f)	Rochelle Park, New Jersey	1	100,589	22,219
Total Property Acquisitions:			11	1,461,104	\$ 293,735

(a) This transaction was funded primarily through the assumption of \$63.2 million of mortgage debt and the issuance of 1.9 million common operating partnership units valued at \$87.2 million.

(b) The property was acquired as part of the Gale/Green Transactions.

(c) Transaction was funded primarily through borrowing on the Company's revolving credit facility and the assumption of \$20.4 million of mortgage debt.

(d) Transaction was funded primarily through borrowing on the Company's revolving credit facility and the assumption of \$19.5 million of mortgage debt.

(e) Transaction was funded primarily through borrowing on the Company's revolving credit facility.

(f) Transaction was funded primarily through borrowing on the Company's revolving credit facility and the assumption of \$13.1 million of mortgage debt.

Property Sales

The Company sold the following office properties during the nine months ended September 30, 2006: *(dollars in thousands)*

Sale Date	Property/Address	Location	# of Bldgs.	Rentable Square Feet	Net Sales Proceeds	Net Book Value	Realized Gain/ (Loss)
06/28/06	Westage Business Center	Fishkill, New York	1	118,727	\$ 14,765	\$ 10,872	\$ 3,893
06/30/06	1510 Lancer Drive	Moorestown, New Jersey	1	88,000	4,146	3,134	1,012
Total Office Property Sales:			2	206,727	\$ 18,911	\$ 14,006	\$ 4,905

Critical Accounting Policies and Estimates

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

Rental Property:

Rental properties are stated at cost less accumulated depreciation and amortization. Costs directly related to the acquisition, development and construction of rental properties are capitalized. Capitalized development and construction costs include pre-construction costs essential to the development of the property, development and construction costs, interest, property taxes, insurance, salaries and other project costs incurred during the period of development. Interest capitalized by the Company for the three months ended September 30, 2006 and 2005 was \$1.7 million and \$1.4 million, respectively, and \$4.8 million and \$4.1 million for the nine months ended September 30, 2006 and 2005, respectively. Ordinary repairs and maintenance are expensed as incurred; major replacements and betterments, which improve or extend the life of the asset, are capitalized and depreciated over their estimated useful lives. Fully-depreciated assets are removed from the accounts.

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

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

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

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

Above-market and below-market lease values for acquired properties are recorded based on the present value (using a discount rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to each in-place lease and (ii) management's estimate of fair market lease rates for each corresponding in-place lease, measured over a period equal to the remaining term of the lease for

above-market leases and the remaining initial term plus the term of any below-market fixed rate renewal options for below-market leases. The capitalized above-market lease values are amortized as a reduction of base rental revenue over the remaining term of the respective leases, and the capitalized below-market lease values are amortized as an increase to base rental revenue over the remaining initial terms plus the terms of any below-market fixed rate renewal options of the respective leases.

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

On a periodic basis, management assesses whether there are any indicators that the value of the Company's rental properties may be impaired. A property's value is impaired only if management's estimate of the aggregate future cash flows (undiscounted and without interest charges) to be generated by the property is less than the carrying value of the property. To the extent impairment has occurred, the loss shall be measured as the excess of the carrying amount of the property over the fair value of the property. The Company's estimates of aggregate future cash flows expected to be generated by each property are based on a number of assumptions that are subject to economic and market uncertainties including, among others, demand for space, competition for tenants, changes in market rental rates, and costs to operate each property. As these factors are difficult to predict and are subject to future events that may alter management's assumptions, the future cash flows estimated by management in its impairment analyses may not be achieved. Management does not believe that the value of any of the Company's rental properties is impaired.

Rental Property Held for Sale and Discontinued Operations:

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

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

Revenue Recognition:

Base rental revenue is recognized on a straight-line basis over the terms of the respective leases. Unbilled rents receivable represents the amount by which straight-line rental revenue exceeds rents currently billed in accordance with the lease agreements. Above-market and below-market lease values for acquired properties are recorded based on the present value (using a discount rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to each in-place lease and (ii) management's estimate of fair market lease rates for each corresponding in-place lease, measured over a period equal to the remaining term of the lease for above-market leases and the initial term plus the term of any below-market fixed-rate renewal options for below-market leases. The capitalized above-market lease values for acquired properties are amortized as a reduction of base rental revenue over the remaining term of the respective leases, and the capitalized

below-market lease values are amortized as an increase to base rental revenue over the remaining initial terms plus the terms of any below-market fixed-rate renewal options of the respective leases. Escalations and recoveries from tenants are received from tenants for certain costs as provided in the lease agreements. These costs generally include real estate taxes, utilities, insurance, common area maintenance and other recoverable costs.

Construction services revenue includes fees earned and reimbursements received by the Company for providing construction management and general contractor services to clients. Construction services revenue is recognized on the percentage of completion method. Using this method, profits are recorded on the basis of our estimates of the overall profit and percentage of completion of individual contracts. A portion of the estimated profits is accrued based upon estimates of the percentage of completion of the construction contract. This revenue recognition method involves inherent risks relating to profit and cost estimates. Real estate services revenue includes property management, facilities management, leasing commission fees and other services, and payroll and related costs reimbursed from clients. Other income includes income from parking spaces leased to tenants, income from tenants for additional services arranged for the Company and income from tenants for early lease terminations.

Allowance for Doubtful Accounts:

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

Results From Operations

The following comparisons for the three and nine months ended September 30, 2006 (2006), as compared to the three and nine months ended September 30, 2005 (2005), make reference to the following: (i) the effect of the Same-Store Properties, which represent all in-service properties owned by the Company at June 30, 2005 (for the three-month period comparisons), and which represent all in-service properties owned by the Company at December 31, 2004 (for the nine-month period comparisons), excluding properties sold or held for sale through September 30, 2006, and (ii) the effect of the Acquired Properties, which represent all properties acquired by the Company or commencing initial operations from July 1, 2005 through September 30, 2006 (for three-month period comparisons), and which represents all properties acquired by the Company or commencing initial operations from January 1, 2005 through September 30, 2006 (for the nine-month period comparisons).

Three Months Ended September 30, 2006 Compared to Three Months Ended September 30, 2005

(dollars in thousands)	Three Months Ended September 30, 2006	2005	Dollar Change	Percent Change	
Revenue from rental operations and other:					
Base rents	\$ 140,356	\$ 127,770	\$ 12,586	9.9	%
Escalations and recoveries from tenants	25,045	21,163	3,882	18.3	
Other income	3,927	4,583	(656)	(14.3))
Total revenues from rental operations	169,328	153,516	15,812	10.3	
Property expenses:					
Real estate taxes	22,652	19,885	2,767	13.9	
Utilities	18,766	15,867	2,899	18.3	
Operating services	23,534	19,544	3,990	20.4	
Total property expenses	64,952	55,296	9,656	17.5	
Non-property revenues:					
Construction services	23,236		23,236		
Real estate services	10,653	636	10,017	1,575.0	
Total non-property revenues	33,889	636	33,253	5,228.5	
Non-property expenses:					
Direct construction costs	22,568		22,568		
Real estate services salaries, wages and other costs	6,686		6,686		
General and administrative	12,173	7,952	4,221	53.1	
Depreciation and amortization	40,132	37,838	2,294	6.1	
Total non-property expenses	81,559	45,790	35,769	78.1	
Operating income	56,706	53,066	3,640	6.9	
Other (expense) income:					
Interest expense	(35,815)	(30,159)	(5,656)	(18.8))
Interest and other investment income	514	308	206	66.9	
Equity in earnings (loss) of unconsolidated joint ventures	(4,757)	322	(5,079)	(1,577.3))
Minority interest in consolidated joint ventures	113		113		
Gain on sale of investment in marketable securities					
Gain on sale of investment in unconsolidated joint ventures					
Total other (expense) income	(39,945)	(29,529)	(10,416)	(35.3))
Income from continuing operations before minority interest in Operating Partnership					
Operating Partnership	16,761	23,537	(6,776)	(28.8))
Minority interest in Operating Partnership	(3,263)	(4,205)	942	22.4	
Income from continuing operations	13,498	19,332	(5,834)	(30.2))
Discontinued operations (net of minority interest):					
Income from discontinued operations	3,013	1,772	1,241	70.0	
Realized gains (losses) and unrealized losses on disposition of rental property, net					
Total discontinued operations, net	3,013	1,772	1,241	70.0	
Net income	16,511	21,104	(4,593)	(21.8))
Preferred stock dividends	(500)	(500)			
Net income available to common shareholders	\$ 16,011	\$ 20,604	\$ (4,593)	(22.3))%

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The following is a summary of the changes in revenue from rental operations and other, and property expenses divided into Same-Store Properties and Acquired Properties:

(dollars in thousands)	Total Company Dollar Change	Percent Change	Same-Store Properties Dollar Change	Percent Change	Acquired Properties Dollar Change	Percent Change
Revenue from rental operations and other:						
Base rents	\$ 12,586	9.9	% \$ 5,579	4.4	% \$ 7,007	5.5
Escalations and recoveries from tenants	3,882	18.3	3,301	15.6	581	2.7
Other income	(656)	(14.3)	(1,006)	(21.9)	350	7.6
Total	\$ 15,812	10.3	% \$ 7,874	5.1	% \$ 7,938	5.2
Property expenses:						
Real estate taxes	\$ 2,767	13.9	% \$ 1,714	8.6	% \$ 1,053	5.3
Utilities	2,899	18.3	1,984	12.5	915	5.8
Operating services	3,990	20.4	1,743	8.9	2,247	11.5
Total	\$ 9,656	17.5	% \$ 5,441	9.8	% \$ 4,215	7.7
OTHER DATA:						
Number of Consolidated Properties (excluding properties held for sale):	255		240		15	
Square feet (<i>in thousands</i>)	28,866		27,169		1,697	

Base rents for the Same-Store Properties increased \$5.6 million, or 4.4 percent, for 2006 as compared to 2005, due primarily to an increase in the percentage of space leased at the properties in 2006 from 2005. Escalations and recoveries from tenants for the Same-Store Properties increased \$3.3 million, or 15.6 percent, for 2006 over 2005, due primarily to an increased amount of total property expenses in 2006. Other income for the Same-Store Properties decreased \$1.0 million, or 21.9 percent, due primarily to a decrease in lease termination fees in 2006, partially offset by \$1.4 million recognized in 2006 for additional purchase consideration earned from a past sale of a joint venture interest.

Real estate taxes on the Same-Store Properties increased \$1.7 million, or 8.6 percent, for 2006 as compared to 2005, due primarily to property tax rate increases in certain municipalities in 2006. Utilities for the Same-Store Properties increased \$2.0 million, or 12.5 percent, for 2006 as compared to 2005, due primarily to increased electric rates in 2006 as compared to 2005. Operating services for the Same-Store Properties increased \$1.7 million, or 8.9 percent due primarily to increased insurance costs of \$1.0 million and increased maintenance costs of \$0.9 million, partially offset by a decrease in salaries and related expenses of \$0.2 million, for 2006 as compared to 2005.

Construction services amounted to \$23.2 million in 2006, due to the effect of the Company's acquisitions of The Gale Company and its related businesses (the Gale/Green Transactions). Real estate services increased by \$10.7 million, for 2006 as compared to 2005, due primarily to the effect of the Gale/Green Transactions.

Direct construction costs totaled \$22.6 million in 2006, due primarily to the effect of the Gale/Green Transactions. Real estate service salaries, wages and other costs equaled \$6.7 million in 2006 due primarily to the effect of the Gale/Green Transactions. General and administrative increased by \$4.2 million, or 53.1 percent, for 2006 as compared to 2005 due primarily to the effect of the Gale/Green Transactions.

Depreciation and amortization increased by \$2.3 million, or 6.1 percent, for 2006 over 2005. Of this increase, \$2.8 million, or 7.3 percent, is attributable to the Acquired Properties, partially offset by a decrease of \$0.5 million, or 1.2 percent, which is attributable to the Same-Store Properties.

Interest expense increased \$5.7 million, or 18.8 percent, for 2006 as compared to 2005. This increase was due primarily to higher average debt balances in 2006 as compared to 2005.

Interest and other investment income increased \$0.2 million, or 66.9 percent, for 2006 as compared to 2005. This increase was due primarily to higher cash balances invested during the period as well as an overall increase in interest rates.

Equity in earnings of unconsolidated joint ventures decreased \$5.1 million, or 1,577.3 percent, for 2006 as compared to 2005. The decrease was due primarily to a loss of \$2.7 million in the Mack-Green joint venture, a loss of \$1.9 million in the Meadowlands Xanadu joint venture, and an increased loss of \$0.4 million due to the G&G Martco joint venture.

Income from continuing operations before minority interest in Operating Partnership decreased to approximately \$16.8 million in 2006 from \$23.5 million in 2005. The decrease of approximately \$6.7 million is due to the factors discussed above.

Net income available to common shareholders decreased by approximately \$4.6 million, from \$20.6 million in 2005 to \$16.0 million in 2006. This decrease was the result of a decrease in income from continuing operations before minority interest in Operating Partnership of \$6.7 million, partially offset by an increase in income from discontinued operations of \$1.2 million and a decrease in minority interest in Operating Partnership of approximately \$0.9 million.

Nine Months Ended September 30, 2006 Compared to Nine Months Ended September 30, 2005

(dollars in thousands)	Nine Months Ended September 30,		Dollar Change	Percent Change	
	2006	2005			
Revenue from rental operations and other:					
Base rents	\$ 406,989	\$ 380,284	\$ 26,705	7.0	%
Escalations and recoveries from tenants	69,862	57,128	12,734	22.3	
Other income	9,985	7,517	2,468	32.8	
Total revenues from rental operations	486,836	444,929	41,907	9.4	
Property expenses:					
Real estate taxes	64,891	56,890	8,001	14.1	
Utilities	46,789	38,648	8,141	21.1	
Operating services	66,024	59,428	6,596	11.1	
Total property expenses	177,704	154,966	22,738	14.7	
Non-property revenues:					
Construction services	36,286		36,286		
Real estate services	19,015	1,853	17,162	926.4	
Total non-property revenues	55,301	1,853	53,448	2,884.4	
Non-property expenses:					
Direct construction costs	35,148		35,148		
Real estate services salaries, wages and other costs	10,820		10,820		
General and administrative	32,796	23,449	9,347	39.9	
Depreciation and amortization	116,980	106,067	10,913	10.3	
Total non-property expenses	195,744	129,516	66,228	51.1	
Operating income	168,689	162,300	6,389	3.9	
Other (expense) income:					
Interest expense	(100,620)	(88,919)	(11,701)	(13.2)	
Interest and other investment income	2,359	493	1,866	378.5	
Equity in earnings (loss) of unconsolidated joint ventures	(5,356)	552	(5,908)	(1,070.3)	
Minority interest in consolidated joint ventures	143	(74)	217	293.2	
Gain on sale of investment in marketable securities	15,060		15,060		
Gain on sale of investment in unconsolidated joint ventures		35	(35)	(100.0)	
Total other (expense) income	(88,414)	(87,913)	(501)	(0.6)	
Income from continuing operations before minority interest in Operating Partnership	80,275	74,387	5,888	7.9	
Minority interest in Operating Partnership	(15,326)	(15,043)	(283)	(1.9)	
Income from continuing operations	64,949	59,344	5,605	9.4	
Discontinued operations (net of minority interest):					
Income from discontinued operations	7,872	12,270	(4,398)	(35.8)	
Realized gains (losses) and unrealized losses on disposition of rental property, net	3,921	8,973	(5,052)	(56.3)	
Total discontinued operations, net	11,793	21,243	(9,450)	(44.5)	
Net income	76,742	80,587	(3,845)	(4.8)	
Preferred stock dividends	(1,500)	(1,500)			
Net income available to common shareholders	\$ 75,242	\$ 79,087	\$ (3,845)	(4.9)	%

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The following is a summary of the changes in revenue from rental operations and other, and property expenses divided into Same-Store Properties and Acquired Properties:

(dollars in thousands)	Total Company Dollar Change	Percent Change	Same-Store Properties Dollar Change	Percent Change	Acquired Properties Dollar Change	Percent Change
Revenue from rental operations and other:						
Base rents	\$ 26,705	7.0	% \$ 5,242	1.4	% \$ 21,463	5.6
Escalations and recoveries from tenants	12,734	22.3	7,396	12.9	5,338	9.4
Other income	2,468	32.8	2,962	39.4	(494)	(6.6)
Total	\$ 41,907	9.4	% \$ 15,600	3.5	% \$ 26,307	5.9
Property expenses:						
Real estate taxes	\$ 8,001	14.1	% \$ 4,993	8.8	% \$ 3,008	5.3
Utilities	8,141	21.1	4,806	12.4	3,335	8.7
Operating services	6,596	11.1	1,262	2.1	5,334	9.0
Total	\$ 22,738	14.7	% \$ 11,061	7.1	% \$ 11,677	7.6
OTHER DATA:						
Number of Consolidated Properties (excluding properties held for sale):	255		238		17	
Square feet (<i>in thousands</i>)	28,866		25,573		3,293	

Base rents for the Same-Store Properties increased \$5.2 million, or 1.4 percent, for 2006 as compared to 2005, due primarily to an increase in the percentage of space leased at the properties in 2006 from 2005. Escalations and recoveries from tenants for the Same-Store Properties increased \$7.4 million, or 12.9 percent, for 2006 over 2005, due primarily to an increased amount of total property expenses in 2006. Other income for the Same-Store Properties increased \$3.0 million, or 39.4 percent, due primarily to the receipt of a legal settlement by the Company of \$2.0 million in 2006 and \$1.4 million recognized in 2006 for additional purchase consideration earned from a past sale of a joint venture interest.

Real estate taxes on the Same-Store Properties increased \$5.0 million, or 8.8 percent, for 2006 as compared to 2005, due primarily to property tax rate increases in certain municipalities in 2006. Utilities for the Same-Store Properties increased \$4.8 million, or 12.4 percent, for 2006 as compared to 2005, due primarily to increased electric rates in 2006 as compared to 2005. Operating services for the Same-Store Properties increased \$1.3 million, or 2.1 percent, due primarily to increased maintenance and related labor costs of \$3.0 million for 2006 as compared to 2005, partially offset by a decrease in snow removal costs of \$1.9 million.

Construction services amounted to \$36.3 million in 2006, due to the effect of the Gale/Green Transactions. Real estate services increased by \$17.2 million, or 926.2 percent, for the 2006 as compared to 2005, due primarily to the effect of the Gale/Green Transactions.

Direct construction costs totaled \$35.1 million in 2006, due primarily to the effect of the Gale/Green Transactions. Real estate service salaries, wages and other costs equaled \$10.8 million in 2006, due primarily to the effect of the Gale/Green Transactions. General and administrative increased by \$9.3 million, or 39.9 percent, for 2006 as compared to 2005 due primarily to the effect of the Gale/Green Transactions.

Depreciation and amortization increased by \$10.9 million, or 10.3 percent, for 2006 over 2005. Of this increase, approximately \$9.2 million, or 8.7 percent, is attributable to the Acquired Properties, and \$1.7 million, or 1.6 percent is attributable to the Same-Store Properties.

Interest expense increased \$11.7 million, or 13.2 percent, for 2006 as compared to 2005. This increase was due primarily to higher average debt balances in 2006 as compared to 2005.

Interest and other investment income increased \$1.9 million, or 378.5 percent, for 2006 as compared to 2005. This increase was due primarily to the receipt of approximately \$1.1 million of dividends on the Company's investment in marketable securities, as well as higher cash balances invested in 2006 as compared to 2005.

Equity in earnings of unconsolidated joint ventures decreased \$5.9 million, or 1,070.3 percent, for 2006 as compared to 2005. The decrease was due primarily to a loss of \$4.0 million in 2006 in the Mack-Green joint venture and a loss of \$1.9 million in 2006 in the Meadowlands Xanadu joint venture.

The Company recognized a gain on sale of investment in marketable securities of \$15.1 million in 2006.

Income from continuing operations before minority interest in Operating Partnership increased to approximately \$80.3 million in 2006 from \$74.4 million in 2005. The increase of approximately \$5.9 million is due to the factors discussed above.

Net income available to common shareholders decreased by approximately \$3.9 million, from \$79.1 million in 2005 to \$75.2 million in 2006. This decrease was the result of realized gains (losses) and unrealized losses on disposition of rental property of \$9.0 million in 2005, a decrease in income from discontinued operations of \$4.4 million, and an increase in minority interest in Operating Partnership of \$0.3 million. These were partially offset by an increase in income from continuing operations before minority interest in Operating Partnership of \$5.9 million for 2006 as compared to 2005 and realized gains (losses) and unrealized losses on disposition of rental property of \$3.9 million in 2006.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Overview:

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

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

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

Gale Company Earn-Out:

The agreement to acquire the Gale Company (Gale Agreement), which was acquired for initial purchase consideration of approximately \$22.3 million on May 9, 2006, contains earn-out provisions providing for the payment of contingent purchase consideration of up to \$18 million in cash based upon the achievement of Gross Income and NOI (as such terms are defined in the Gale Agreement) targets and other events for the three years following the closing date.

Construction Projects:

The Company entered into a 15-year lease with AAA Mid-Atlantic (AAA) for a 120,000 square foot office building to be constructed by the Company in its Horizon Center Business Park located in Hamilton Township, New Jersey. The building is expected to be completed during the latter part of 2006 at an estimated cost of approximately \$19.2 million (of which the Company has incurred \$12.9 million through September 30, 2006), which is expected to be funded through borrowings on the Company's unsecured credit facility. Concurrent with the signing of the lease, the Company executed a purchase and sale agreement with AAA pursuant to which the Company, upon the commencement of the 120,000 square foot lease, will acquire AAA's three office and office/flex buildings, totaling approximately 84,000 square feet and certain vacant, developable land, all located in Hamilton Township, New Jersey, for a total purchase price of approximately \$10 million, subject to certain conditions.

Additionally, the Company, through a joint venture with the PRC Group, is constructing a 92,878 square-foot office property, to be known as Red Bank Corporate Plaza, located in Red Bank, New Jersey, on land contributed by its joint venture partner. The project is fully leased to Hovnanian Enterprise, Inc. for a 10-year term. The total cost of the project, which is expected to be completed in the third quarter 2007, is estimated to be approximately \$27 million, of which the Company currently expects to fund approximately \$3 million. On October 20, 2006, the venture entered into a \$22.0 million construction loan with a commercial bank. The loan carries an interest rate of LIBOR plus 130 basis points and matures in April 2008. The loan currently has three one-year extension options subject to certain conditions, each of which require payment of a fee.

Property Sales:

In the third quarter 2006, the Company entered into agreements to sell its 19 remaining office buildings, aggregating 1.4 million square feet, and land holdings in Denver and Colorado Springs, Colorado; and its remaining holdings in San Francisco, California, comprised of two office properties, aggregating 451,000 square feet, and a joint venture interest in a 306,000 square foot office property. The Company is anticipating to receive total proceeds of approximately \$337 million from the sales, which are expected to be completed in three separate transactions by the end of 2006. The Company intends to use the sales proceeds to repay approximately \$250 million of outstanding borrowings on its revolving credit facility, for investments in property acquisitions and for general corporate purposes.

REIT Restrictions:

To maintain its qualification as a REIT, the Company must make annual distributions to its stockholders of at least 90 percent of its REIT taxable income, determined without regard to the dividends paid deduction and by excluding net capital gains. Moreover, the Company intends to continue to make regular quarterly distributions to its common stockholders which, based upon current policy, in the aggregate would equal approximately \$160.3 million on an annualized basis. However, any such distribution, whether for federal income tax purposes or otherwise, would only be paid out of available cash, including borrowings and other sources, after meeting operating requirements, preferred stock dividends and distributions, and scheduled debt service on the Company's debt.

Property Lock-Ups:

The Company may not dispose of or distribute certain of its properties, currently comprising 50 properties with an aggregate net book value of approximately \$1.3 billion, which were originally contributed by members of either the Mack Group (which includes William L. Mack, Chairman of the Company's Board of Directors; David S. Mack, director; Earle I. Mack, a former director; and Mitchell E. Hersch, president, chief executive officer and director), the Robert Martin Group (which includes Robert F. Weinberg, director; Martin S. Berger, a former director; and Timothy M. Jones, former president), the Cali Group (which includes John R. Cali, director, and John J. Cali, a former director) or certain other common unitholders, without the express written consent of a representative of the Mack Group, the Robert Martin Group, the Cali Group or the specific certain other common unitholders, as

applicable, except in a manner which does not result in recognition of any built-in-gain (which may result in an income tax liability) or which reimburses the appropriate Mack Group, Robert Martin Group, Cali Group members or the specific certain other common unitholders for the tax consequences of the recognition of such built-in-gains (collectively, the Property Lock-Ups). The aforementioned restrictions do not apply in the event that the Company sells all of its properties or in connection with a sale transaction which the Company's Board of Directors determines is reasonably necessary to satisfy a material monetary default on any unsecured debt, judgment or liability of the Company or to cure any material monetary default on any mortgage secured by a property. The Property Lock-Ups expire periodically through 2016. Upon the expiration of the Property Lock-Ups, the Company generally is required to use commercially reasonable efforts to prevent any sale, transfer or other disposition of the subject properties from resulting in the recognition of built-in gain to the appropriate Mack Group, Robert Martin Group, Cali Group members or the specific certain other common unitholders. 88 of our properties, with an aggregate net book value of approximately \$868.4 million, have lapsed restrictions and are subject to these conditions.

Unencumbered Properties:

As of September 30, 2006, the Company had 256 unencumbered properties, totaling 26.5 million square feet, representing 86.1 percent of the Company's total portfolio on a square footage basis.

Credit Ratings:

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

Cash Flows

Cash and cash equivalents decreased by \$39.6 million to \$20.8 million at September 30, 2006, compared to \$60.4 million at December 31, 2005. The decrease is comprised of the following net cash flow items:

- (1) \$157.0 million provided by operating activities.
- (2) \$262.2 million used in investing activities, consisting primarily of the following:
 - (a) \$192.1 million used for additions to rental property and related intangibles; plus
 - (b) \$149.0 million used in investing in unconsolidated joint ventures; plus
 - (c) \$11.9 million used for the purchase of marketable securities; minus
 - (d) \$78.6 million received from proceeds from the sale of marketable securities; minus
 - (e) \$18.9 million received from proceeds from the sales of rental property.
- (3) \$65.6 million provided by financing activities, consisting primarily of the following:
 - (a) \$660.3 million from borrowings under the Company's unsecured credit facility; plus
 - (b) \$199.9 million from proceeds from the sale of senior unsecured notes; minus
 - (c) \$550.2 million used for the repayment of borrowings under the Company's unsecured credit facility; minus

- (d) \$156.4 million used for the repayment of mortgages, loans payable and other obligations; minus
- (e) \$146.5 million used for the payment of dividends and distributions.

Debt Financing

Summary of Debt:

The following is a breakdown of the Company's debt between fixed and variable-rate financing as of September 30, 2006:

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	Balance (\$000 s)	% of Total	Weighted Average Interest Rate (a)	Weighted Average Maturity in Years
Fixed Rate Unsecured Debt	\$ 1,673,443	68.43	% 6.28	% 5.53
Fixed Rate Secured Debt and Other Obligations	360,394	14.73	% 5.44	% 5.17
Variable Rate Unsecured Debt	412,000	16.84	% 5.79	% 3.15
Totals/Weighted Average:	\$ 2,445,837	100.00	% 6.07	% 5.08

Debt Maturities:

Scheduled principal payments and related weighted average annual interest rates for the Company's debt as of September 30, 2006 are as follows:

Period	Scheduled Amortization (\$000 s)	Principal Maturities (\$000 s)	Total (\$000 s)	Weighted Average Interest Rate of Future Repayments (a)	
2006	\$ 6,849		\$ 6,849	5.00	%
2007	19,691	\$ 29,441	49,132	5.64	%
2008	17,993	12,563	30,556	5.25	%
2009	9,752	712,000	721,752	6.49	%
2010	2,794	334,500	337,294	5.26	%
Thereafter	15,267	1,293,091	1,308,358	6.11	%
Sub-total	72,346	2,381,595	2,453,941	6.07	%
Adjustment for unamortized debt discount/premium, net, as of September 30, 2006	(8,104))	(8,104))	
Totals/Weighted Average	\$ 64,242	\$ 2,381,595	\$ 2,445,837	6.07	%

(a) Actual weighted average LIBOR contract rates relating to the Company's outstanding debt as of September 30, 2006 of 5.33 percent was used in calculating revolving credit facility.

Senior Unsecured Notes:

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

The terms of the Company's senior unsecured notes (which totaled approximately \$1.6 billion as of September 30, 2006) include certain restrictions and covenants which require compliance with financial ratios relating to the maximum amount of debt leverage, the maximum amount of secured indebtedness, the minimum amount of debt service coverage and the maximum amount of unsecured debt as a percent of unsecured assets.

Unsecured Revolving Credit Facility:

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The Company has an unsecured revolving credit facility with a current borrowing capacity of \$600 million from a group of 23 lenders, which is expandable to \$800 million (2004 Unsecured Facility). As of October 25, 2006, the Company had \$428 million of outstanding borrowings under the 2004 Unsecured Facility.

The interest rate on outstanding borrowings (not electing the Company's competitive bid feature) under the 2004 Unsecured Facility is currently LIBOR plus 65 basis points. The facility has a competitive bid feature, which allows the Company to solicit bids from lenders under the facility to borrow up to \$300 million at interest rates less than the current LIBOR plus 65 basis point spread. As of September 30, 2006, the Company's outstanding borrowings carried a weighted average interest rate of LIBOR plus 46 points. The Company may also elect an interest rate

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representing the higher of the lender's prime rate or the Federal Funds rate plus 50 basis points. The 2004 Unsecured Facility also currently requires a 15 basis point facility fee on the current borrowing capacity payable quarterly in arrears. The 2004 Unsecured Facility matures in November 2009, with an extension option of one year, which would require a payment of 25 basis points of the then borrowing capacity of the facility upon exercise.

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

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

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

The Company believes that the 2004 Unsecured Facility is sufficient to meet its revolving credit facility needs.

The terms of the 2004 Unsecured Facility include certain restrictions and covenants which limit, among other things, the payment of dividends (as discussed below), the incurrence of additional indebtedness, the incurrence of liens and the disposition of real estate properties (to the extent that: (i) such property dispositions cause the Company to default on any of the financial ratios of the facility described below, or (ii) the property dispositions are completed while the Company is under an event of default under the facility, unless, under certain circumstances, such disposition is being carried out to cure such default), and which require compliance with financial ratios relating to the maximum leverage ratio, the maximum amount of secured indebtedness, the minimum amount of tangible net worth, the minimum amount of fixed charge coverage, the maximum amount of unsecured indebtedness, the minimum amount of unencumbered property interest coverage and certain investment limitations. The dividend restriction referred to above provides that, except to enable the Company to continue to qualify as a REIT under the Code, the Company will not during any four consecutive fiscal quarters make distributions with respect to common stock or other common equity interests in an aggregate amount in excess of 90 percent of funds from operations (as defined in the facility agreement) for such period, subject to certain other adjustments.

Mortgages, Loans Payable and Other Obligations:

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

On January 3, 2006, the Company repaid its \$144.6 million loan with Northwestern Mutual Life/Principal Life Insurance companies collateralized by Harborside Financial Center Plazas 2 and 3, which were scheduled to mature on that date, using borrowings under the 2004 Unsecured Facility.

On July 3, 2006, the Company repaid its \$9.4 million loan with Massachusetts Mutual Life Insurance Company collateralized by 6411 Ivy Lane, which was scheduled to mature on October 1, 2006, at par, using borrowings under the 2004 Unsecured Facility.

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On August 1, 2006, the Company repaid its \$15.6 million loan with LaSalle Bank National Banking Association collateralized by 2 Paragon Way, 3 Paragon Way and 100 Willowbrook Road, which was scheduled to mature on September 1, 2006, at par, using borrowings under the 2004 Unsecured Facility.

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Debt Strategy:

The Company does not intend to reserve funds to retire the Company's senior unsecured notes or its mortgages, loans payable and other obligations upon maturity. Instead, the Company will seek to refinance such debt at maturity or retire such debt through the issuance of additional equity or debt securities on or before the applicable maturity dates. If it cannot raise sufficient proceeds to retire the maturing debt, the Company may draw on its revolving credit facility to retire the maturing indebtedness, which would reduce the future availability of funds under such facility. As of October 23, 2006, the Company had \$428 million of outstanding borrowings under its \$600 million unsecured revolving credit facility. The Company has approximately \$30.4 million of mortgage indebtedness maturing from October 1, 2006 through September 30, 2007. The Company is reviewing various refinancing options, including the public issuance of additional unsecured debt, the issuance in public or private transactions of preferred equity instruments and/or obtaining additional mortgage debt, some or all of which may be completed during 2006. The Company anticipates that its available cash and cash equivalents and cash flows from operating activities, together with cash available from borrowings and other sources, will be adequate to meet the Company's capital and liquidity needs both in the short and long-term. However, if these sources of funds are insufficient or unavailable, the Company's ability to make the expected distributions discussed below may be adversely affected.

Equity Financing and Registration Statements**Equity Activity:**

The following table presents the changes in the Company's issued and outstanding shares of Common Stock and the Operating Partnership's common units since December 31, 2005:

	Common Stock	Common Units	Total
Outstanding at January 1, 2006	62,019,646	13,650,439	75,670,085
Stock options exercised	302,619		302,619
Common units redeemed for Common Stock	221,666	(221,666)	
Common units redeemed for cash		(1)	(1)
Common units issued		2,167,053	2,167,053
Shares issued under Dividend Reinvestment and Stock Purchase Plan	4,025		4,025
Restricted shares issued, net of cancellations	3,250		3,250
Outstanding at September 30, 2006	62,551,206	15,595,825	78,147,031

Share Repurchase Program:

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

Shelf Registration Statements:

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

The Company and the Operating Partnership also have an effective shelf registration statement on Form S-3 filed with the SEC for an aggregate amount of \$2.5 billion in common stock, preferred stock, depositary shares and guarantees of the Company and debt securities of the Operating Partnership, under which \$600 million of securities have been sold through October 23, 2006 and \$1.9 billion remains available for future issuances.

*Off-Balance Sheet Arrangements***Unconsolidated Joint Venture Debt:**

The debt of the Company's unconsolidated joint ventures aggregating \$571 million at September 30, 2006, is non-recourse to the Company except for customary exceptions pertaining to such matters as intentional misuse of funds, environmental conditions and material misrepresentations. The Company has also posted a \$7.3 million letter of credit in support of the Harborside South Pier joint venture, \$3.6 million of which is indemnified by Hyatt.

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

Contractual Obligations

The following table outlines the timing of payment requirements related to the Company's debt (principal and interest), PILOT agreements, and ground lease agreements as of September 30, 2006:

(dollars in thousands)	Payments Due by Period					
	Total	Less than 1 year	1 - 3 Years	4 - 5 years	6 - 10 Years	After 10 years
Senior unsecured notes	\$ 1,992,000	\$ 100,494	\$ 490,114	\$ 602,701	\$ 798,691	
Revolving credit facility (1)	487,539	23,854	47,709	415,976		
Mortgages, loans payable and other obligations	506,721	76,756	77,057	192,308	129,513	\$ 31,087
Payments in lieu of taxes (PILOT)	72,160	5,202	12,655	8,587	23,051	22,665
Operating lease payments	790	291	496	3		
Ground lease payments	39,935	690	1,972	1,320	3,339	32,614
Total	\$ 3,099,145	\$ 207,287	\$ 630,003	\$ 1,220,895	\$ 954,594	\$ 86,366

(1) Interest payments assume current credit facility borrowings and interest rates remain at the September 30, 2006 level until maturity.

*Other Commitments and Contingencies***Legal Proceedings:**

On February 12, 2003, the NJSEA selected The Mills Corporation and the Company to redevelop the Continental Airlines Arena site (Arena Site) for mixed uses, including retail. In March 2003, Hartz Mountain Industries, Inc., (Hartz), filed a lawsuit in the Superior Court of New Jersey, Law Division, for Bergen County, seeking to enjoin NJSEA from entering into a contract with the Meadowlands Venture for the redevelopment of the Continental Airlines Arena site. In May 2003, the court denied Hartz's request for an injunction and dismissed its suit for failure to exhaust administrative remedies. In June 2003, the NJSEA held hearings on Hartz's protest, and on a parallel protest filed by another rejected developer, Westfield, Inc. (Westfield). On September 10, 2003, the NJSEA ruled against Hartz's and Westfield's protests. Hartz and Westfield, as well as Elliot Braha and three other taxpayers (collectively Braha), thereafter filed appeals from the NJSEA's final decision. By decision dated May 14, 2004, the Appellate Division of the Superior Court of New Jersey rejected the appellants' contention that the NJSEA lacks statutory authority to allow retail development of its property. The Appellate Division also remanded Hartz's claim under the Open Public Records Acts, seeking disclosure of additional documents from NJSEA, to the Law Division for further proceedings. The Supreme Court of New Jersey declined to review the Appellate Division's decision. On August 19, 2004, the Law Division issued a decision resolving Hartz's Open Public Records Act claim and ordered NJSEA to disclose some, but not all, of the documents Hartz was seeking. The Appellate Division, in a decision rendered on November 24, 2004, upheld the findings of the Law Division in the remand proceeding. The Supreme Court of New Jersey declined to review the Appellate Division's decision. At Hartz's request, the NJSEA thereafter held further hearings on December 15 and 16, 2004, to review certain additional facts in support of Hartz's and Westfield's bid protest. Braha, as a taxpayer, did not have standing to participate in the supplemental

protest hearing. On March 4, 2005, the Hearing Officer rendered his Supplemental Report and Recommendation to the NJSEA, finding no merit in the protests presented by Hartz and Westfield. The NJSEA accepted the Hearing Officer's Supplemental Report and Recommendation on March 30, 2005 and Hartz and Braha have appealed that decision to the Appellate Division.

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

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

All of the above appeals have been consolidated by the Appellate Division. On August 17, 2006, the Appellate Division issued an opinion affirming NJSEA's selection of the Meadowlands Venture and rejecting the appellants' arguments in all respects. On August 28, 2006, Hartz made a motion before the Appellate Division for reconsideration of this decision and for supplementation of the record. That motion is pending.

On September 30, 2004, the Borough of Carlstadt filed an action in the Superior Court of New Jersey Law Division, challenging Meadowlands Xanadu, which asserted claims that are substantially the same as claims asserted by Hartz and Braha in the above appeals. By Order dated November 19, 2004, the Law Division transferred that matter to the Superior Court of New Jersey, Appellate Division. This matter was voluntarily dismissed by Carlstadt in accordance with a March 22, 2006 Settlement Agreement and Release between Carlstadt and the Meadowlands Venture.

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

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

Three separate lawsuits have been filed in the United States District Court for the District of New Jersey, challenging a permit issued by the U.S. Army Corps of Engineers (USACE) in connection with the project. The first suit was filed on March 30, 2005, by the Sierra Club, the New Jersey Public Interest Research Group, Citizen Lobby, Inc. and the New Jersey Environmental Federation. Additional suits were filed on May 16 and May 31, 2005, respectively, by Hartz (together with one of its officers as an individually-named plaintiff) and the Borough of Carlstadt. The Sierra Club also filed a motion for a preliminary injunction to stop certain construction activities on the project, which the Court denied on July 6, 2005. On October 26, 2005, the court granted the motions of the Meadowlands Venture and the USACE to dismiss the Hartz complaint for lack of standing. The deadline for appealing that decision has passed, so the Hartz action is ended. On October 31, 2005, the USACE filed a motion to dismiss the complaint filed by the Borough of Carlstadt for lack of standing. On February 7, 2006, the Court granted the motion and dismissed the Borough of Carlstadt's complaint in its entirety. On March 9, 2006, Carlstadt filed a notice of appeal of this decision to the United States Court of Appeals for the Third Circuit. This appeal has been dismissed pursuant to the Settlement Agreement and Release executed by Carlstadt and the Meadowlands Venture.

On April 5, 2005, the New York Football Giants (Giants) filed an emergent application with the Supreme Court of New Jersey, Chancery Division, seeking an injunction stopping all work on the Meadowlands Xanadu project as being in violation of its existing lease with the NJSEA. After hearing oral argument on the application on August 5, 2005,

the court denied the Giants' motion for preliminary injunctive relief. On June 22, 2006, the court entered a Stipulation and Consent Order that dismissed without prejudice the parties' respective claims.

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

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

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

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

Inflation

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

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

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

Among the factors about which we have made assumptions are:

- changes in the general economic climate and conditions, including those affecting industries in which our principal tenants compete;
- any failure of the general economy to recover from the current economic downturn;
- the extent of any tenant bankruptcies or of any early lease terminations;

- our ability to lease or re-lease space at current or anticipated rents;
- changes in the supply of and demand for office, office/flex and industrial/warehouse properties;

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

Approximately \$2.0 billion of the Company's long-term debt and other obligations bears interest at fixed rates and therefore the fair value of these instruments is affected by changes in market interest rates. The following table presents principal cash flows 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 rates on the variable rate debt as of September 30, 2006 was LIBOR plus 65 basis points.

(dollars in thousands)

September 30, 2006 Debt, including current portion	Maturity Date		2007	2008	2009	2010	Thereafter	Total	Fair Value
	10/1/06	12/31/06							
Fixed Rate	\$ 4,557	\$ 47,612	\$ 29,399	\$ 308,898	\$ 336,398	\$ 1,306,973	\$ 2,033,837	\$ 2,055,497	
Average Interest Rate	5.00	% 5.64	% 5.25	% 7.41	% 5.26	% 6.11	% 6.13	%	
Variable Rate					\$ 412,000		\$ 412,000	\$ 412,000	

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

Item 4.

Controls and Procedures

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

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

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MACK-CALI REALTY CORPORATION

Part II Other Information

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

Not Applicable.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a) **COMMON UNITS**

During the three months ended September 30, 2006, the Company issued 85,800 shares of common stock to holders of common units in the Operating Partnership upon the redemption of such common units in private offerings pursuant to Section 4(2) of the Securities Act. The holders of the common units were limited partners of the Operating Partnership and accredited investors under Rule 501 of the Securities Act. The common units were converted into an equal number of shares of common stock. The Company has registered the resale of such shares under the Securities Act.

(b) Not Applicable.

(c) None.

Item 3. Defaults Upon Senior Securities

Not Applicable.

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

Not Applicable.

Item 5. Other Information

(a) None.

(b) None.

Item 6. Exhibits

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

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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: November 1, 2006

By: /s/ Mitchell E. Hersh
Mitchell E. Hersh
President and
Chief Executive Officer

Date: November 1, 2006

By: /s/ Barry Lefkowitz
Barry Lefkowitz
Executive Vice President and
Chief Financial Officer

Exhibit Index

Exhibit Number	Exhibit Title
3.1	Restated Charter of Mack-Cali Realty Corporation dated June 11, 2001 (filed as Exhibit 3.1 to the Company's Form 10-Q dated June 30, 2001 and incorporated herein by reference).
3.2	Amended and Restated Bylaws of Mack-Cali Realty Corporation dated June 10, 1999 (filed as Exhibit 3.2 to the Company's Form 8-K dated June 10, 1999 and incorporated herein by reference).
3.3	Amendment No. 1 to the Amended and Restated Bylaws of Mack-Cali Realty Corporation dated March 4, 2003, (filed as Exhibit 3.3 to the Company's Form 10-Q dated March 31, 2003 and incorporated herein by reference).
3.4	Amendment No. 2 to the Mack-Cali Realty Corporation Amended and Restated Bylaws dated May 24, 2006 (filed as Exhibit 3.1 to the Company's Form 8-K dated May 24, 2006 and incorporated herein by reference).
3.5	Second Amended and Restated Agreement of Limited Partnership of Mack-Cali Realty, L.P. dated December 11, 1997 (filed as Exhibit 10.110 to the Company's Form 8-K dated December 11, 1997 and incorporated herein by reference).
3.6	Amendment No. 1 to the Second Amended and Restated Agreement of Limited Partnership of Mack-Cali Realty, L.P. dated August 21, 1998 (filed as Exhibit 3.1 to the Company's and the Operating Partnership's Registration Statement on Form S-3, Registration No. 333-57103, and incorporated herein by reference).
3.7	Second Amendment to the Second Amended and Restated Agreement of Limited Partnership of Mack-Cali Realty, L.P. dated July 6, 1999 (filed as Exhibit 10.1 to the Company's Form 8-K dated July 6, 1999 and incorporated herein by reference).
3.8	Third Amendment to the Second Amended and Restated Agreement of Limited Partnership of Mack-Cali Realty, L.P. dated September 30, 2003 (filed as Exhibit 3.7 to the Company's Form 10-Q dated September 30, 2003 and incorporated herein by reference).
3.9	Certificate of Designation of Series B Preferred Operating Partnership Units of Limited Partnership Interest of Mack-Cali Realty, L.P. (filed as Exhibit 10.101 to the Company's Form 8-K dated December 11, 1997 and incorporated herein by reference).
3.10	Articles Supplementary for the 8% Series C Cumulative Redeemable Perpetual Preferred Stock dated March 11, 2003 (filed as Exhibit 3.1 to the Company's Form 8-K dated March 14, 2003 and incorporated herein by reference).
3.11	Certificate of Designation for the 8% Series C Cumulative Redeemable Perpetual Preferred Operating Partnership Units dated March 14, 2003 (filed as Exhibit 3.2 to the Company's Form 8-K dated March 14, 2003 and incorporated herein by reference).

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

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Exhibit Number	Exhibit Title
4.12	Supplemental Indenture No. 9 dated as of March 22, 2004, by and between Mack-Cali Realty, L.P., as issuer, and Wilmington Trust Company, as trustee (filed as Exhibit 4.2 to the Company's Form 8-K dated March 22, 2004 and incorporated herein by reference).
4.13	Supplemental Indenture No. 10 dated as of January 25, 2005, by and between Mack-Cali Realty, L.P., as issuer, and Wilmington Trust Company, as trustee (filed as Exhibit 4.2 to the Company's Form 8-K dated January 25, 2005 and incorporated herein by reference).
4.14	Supplemental Indenture No. 11 dated as of April 15, 2005, by and between Mack-Cali Realty, L.P., as issuer, and Wilmington Trust Company, as trustee (filed as Exhibit 4.2 to the Company's Form 8-K dated April 15, 2005 and incorporated herein by reference).
4.15	Supplemental Indenture No. 12 dated as of November 30, 2005, by and between Mack-Cali Realty, L.P., as issuer, and Wilmington Trust Company, as trustee (filed as Exhibit 4.2 to the Company's Form 8-K dated November 30, 2005 and incorporated herein by reference).
4.16	Supplemental Indenture No. 13 dated as of January 24, 2006, by and between Mack-Cali Realty, L.P., as issuer, and Wilmington Trust Company, as trustee (filed as Exhibit 4.2 to the Company's Form 8-K dated January 18, 2006 and incorporated herein by reference).
4.17	Deposit Agreement dated March 14, 2003 by and among Mack-Cali Realty Corporation, EquiServe Trust Company, N.A., and the holders from time to time of the Depositary Receipts described therein (filed as Exhibit 4.1 to the Company's Form 8-K dated March 14, 2003 and incorporated herein by reference).
10.1	Amended and Restated Employment Agreement dated as of July 1, 1999 between Mitchell E. Hersh and Mack-Cali Realty Corporation (filed as Exhibit 10.2 to the Company's Form 10-Q dated June 30, 1999 and incorporated herein by reference).
10.2	Second Amended and Restated Employment Agreement dated as of July 1, 1999 between Barry Lefkowitz and Mack-Cali Realty Corporation (filed as Exhibit 10.6 to the Company's Form 10-Q dated June 30, 1999 and incorporated herein by reference).
10.3	Second Amended and Restated Employment Agreement dated as of July 1, 1999 between Roger W. Thomas and Mack-Cali Realty Corporation (filed as Exhibit 10.7 to the Company's Form 10-Q dated June 30, 1999 and incorporated herein by reference).
10.4	Employment Agreement dated as of December 5, 2000 between Michael Grossman and Mack-Cali Realty Corporation (filed as Exhibit 10.5 to the Company's Form 10-K for the year ended December 31, 2000 and incorporated herein by reference).
10.5	Employment Agreement dated as of May 9, 2006 by and between Mark Yeager and Mack-Cali Realty Corporation (filed as Exhibit 10.15 to the Company's Form 8-K dated May 9, 2006 and incorporated herein by reference).
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Exhibit Number	Exhibit Title
10.6	Restricted Share Award Agreement dated as of July 1, 1999 between Mitchell E. Hersh and Mack-Cali Realty Corporation (filed as Exhibit 10.8 to the Company's Form 10-Q dated June 30, 1999 and incorporated herein by reference).
10.7	Restricted Share Award Agreement dated as of July 1, 1999 between Barry Lefkowitz and Mack-Cali Realty Corporation (filed as Exhibit 10.12 to the Company's Form 10-Q dated June 30, 1999 and incorporated herein by reference).
10.8	Restricted Share Award Agreement dated as of July 1, 1999 between Roger W. Thomas and Mack-Cali Realty Corporation (filed as Exhibit 10.13 to the Company's Form 10-Q dated June 30, 1999 and incorporated herein by reference).
10.9	Restricted Share Award Agreement dated as of March 12, 2001 between Roger W. Thomas and Mack-Cali Realty Corporation (filed as Exhibit 10.10 to the Company's Form 10-Q dated March 31, 2001 and incorporated herein by reference).
10.10	Restricted Share Award Agreement dated as of March 12, 2001 between Michael Grossman and Mack-Cali Realty Corporation (filed as Exhibit 10.11 to the Company's Form 10-Q dated March 31, 2001 and incorporated herein by reference).
10.11	Restricted Share Award Agreement effective as of January 2, 2003 by and between Mack-Cali Realty Corporation and Mitchell E. Hersh (filed as Exhibit 10.1 to the Company's Form 8-K dated January 2, 2003 and incorporated herein by reference).
10.12	Tax Gross Up Agreement effective as of January 2, 2003 by and between Mack-Cali Realty Corporation and Mitchell E. Hersh (filed as Exhibit 10.2 to the Company's Form 8-K dated January 2, 2003 and incorporated herein by reference).
10.13	First Amendment effective as of January 2, 2003 to the Restricted Share Award Agreement dated July 1, 1999 between Mack-Cali Realty Corporation and Mitchell E. Hersh (filed as Exhibit 10.3 to the Company's Form 8-K dated January 2, 2003 and incorporated herein by reference).
10.14	Restricted Share Award Agreement effective as of January 2, 2003 by and between Mack-Cali Realty Corporation and Barry Lefkowitz (filed as Exhibit 10.7 to the Company's Form 8-K dated January 2, 2003 and incorporated herein by reference).
10.15	Tax Gross Up Agreement effective as of January 2, 2003 by and between Mack-Cali Realty Corporation and Barry Lefkowitz (filed as Exhibit 10.8 to the Company's Form 8-K dated January 2, 2003 and incorporated herein by reference).
10.16	First Amendment effective as of January 2, 2003 to the Restricted Share Award Agreement dated July 1, 1999 between Mack-Cali Realty Corporation and Barry Lefkowitz (filed as Exhibit 10.9 to the Company's Form 8-K dated January 2, 2003 and incorporated herein by reference).

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Exhibit Number	Exhibit Title
10.17	Restricted Share Award Agreement effective as of January 2, 2003 by and between Mack-Cali Realty Corporation and Roger W. Thomas (filed as Exhibit 10.10 to the Company's Form 8-K dated January 2, 2003 and incorporated herein by reference).
10.18	Tax Gross Up Agreement effective as of January 2, 2003 by and between Mack-Cali Realty Corporation and Roger W. Thomas (filed as Exhibit 10.11 to the Company's Form 8-K dated January 2, 2003 and incorporated herein by reference).
10.19	First Amendment effective as of January 2, 2003 to the Restricted Share Award Agreement dated July 1, 1999 between Mack-Cali Realty Corporation and Roger W. Thomas (filed as Exhibit 10.12 to the Company's Form 8-K dated January 2, 2003 and incorporated herein by reference).
10.20	First Amendment effective as of January 2, 2003 to the Restricted Share Award Agreement dated March 12, 2001 between Mack-Cali Realty Corporation and Roger W. Thomas (filed as Exhibit 10.13 to the Company's Form 8-K dated January 2, 2003 and incorporated herein by reference).
10.21	Restricted Share Award Agreement effective as of January 2, 2003 by and between Mack-Cali Realty Corporation and Michael A. Grossman (filed as Exhibit 10.14 to the Company's Form 8-K dated January 2, 2003 and incorporated herein by reference).
10.22	Tax Gross Up Agreement effective as of January 2, 2003 by and between Mack-Cali Realty Corporation and Michael A. Grossman (filed as Exhibit 10.15 to the Company's Form 8-K dated January 2, 2003 and incorporated herein by reference).
10.23	Restricted Share Award Agreement dated December 6, 1999 by and between Mack-Cali Realty Corporation and Michael A. Grossman (filed as Exhibit 10.16 to the Company's Form 8-K dated January 2, 2003 and incorporated herein by reference).
10.24	First Amendment effective as of January 2, 2003 to the Restricted Share Award Agreement dated December 6, 1999 between Mack-Cali Realty Corporation and Michael A. Grossman (filed as Exhibit 10.17 to the Company's Form 8-K dated January 2, 2003 and incorporated herein by reference).
10.25	First Amendment effective as of January 2, 2003 to the Restricted Share Award Agreement dated March 12, 2001 between Mack-Cali Realty Corporation and Michael A. Grossman (filed as Exhibit 10.18 to the Company's Form 8-K dated January 2, 2003 and incorporated herein by reference).
10.26	Restricted Share Award Agreement effective as of December 2, 2003 by and between Mack-Cali Realty Corporation and Mitchell E. Hersh (filed as Exhibit 10.1 to the Company's Form 8-K dated December 2, 2003 and incorporated herein by reference).

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Exhibit Number	Exhibit Title
10.27	Tax Gross Up Agreement effective as of December 2, 2003 by and between Mack-Cali Realty Corporation and Mitchell E. Hersh (filed as Exhibit 10.2 to the Company's Form 8-K dated December 2, 2003 and incorporated herein by reference).
10.28	Restricted Share Award Agreement effective as of December 2, 2003 by and between Mack-Cali Realty Corporation and Barry Lefkowitz (filed as Exhibit 10.5 to the Company's Form 8-K dated December 2, 2003 and incorporated herein by reference).
10.29	Tax Gross Up Agreement effective as of December 2, 2003 by and between Mack-Cali Realty Corporation and Barry Lefkowitz (filed as Exhibit 10.6 to the Company's Form 8-K dated December 2, 2003 and incorporated herein by reference).
10.30	Restricted Share Award Agreement effective as of December 2, 2003 by and between Mack-Cali Realty Corporation and Roger W. Thomas (filed as Exhibit 10.7 to the Company's Form 8-K dated December 2, 2003 and incorporated herein by reference).
10.31	Tax Gross Up Agreement effective as of December 2, 2003 by and between Mack-Cali Realty Corporation and Roger W. Thomas (filed as Exhibit 10.8 to the Company's Form 8-K dated December 2, 2003 and incorporated herein by reference).
10.32	Restricted Share Award Agreement effective as of December 2, 2003 by and between Mack-Cali Realty Corporation and Michael Grossman (filed as Exhibit 10.9 to the Company's Form 8-K dated December 2, 2003 and incorporated herein by reference).
10.33	Tax Gross Up Agreement effective as of December 2, 2003 by and between Mack-Cali Realty Corporation and Michael Grossman (filed as Exhibit 10.10 to the Company's Form 8-K dated December 2, 2003 and incorporated herein by reference).
10.34	Restricted Share Award Agreement effective December 7, 2004 by and between Mack-Cali Realty Corporation and Mitchell E. Hersh (filed as Exhibit 10.2 to the Company's Form 8-K dated December 7, 2004 and incorporated herein by reference).
10.35	Tax Gross Up Agreement effective December 7, 2004 by and between Mack-Cali Realty Corporation and Mitchell E. Hersh (filed as Exhibit 10.3 to the Company's Form 8-K dated December 7, 2004 and incorporated herein by reference).
10.36	Restricted Share Award Agreement effective December 7, 2004 by and between Mack-Cali Realty Corporation and Barry Lefkowitz (filed as Exhibit 10.4 to the Company's Form 8-K dated December 7, 2004 and incorporated herein by reference).
10.37	Tax Gross Up Agreement effective December 7, 2004 by and between Mack-Cali Realty Corporation and Barry Lefkowitz (filed as Exhibit 10.5 to the Company's Form 8-K dated December 7, 2004 and incorporated herein by reference).
10.38	Restricted Share Award Agreement effective December 7, 2004 by and between Mack-Cali Realty Corporation and Roger W. Thomas (filed as Exhibit 10.6 to the Company's Form 8-K dated December 7, 2004 and incorporated herein by reference).
10.39	Tax Gross Up Agreement effective December 7, 2004 by and between Mack-Cali Realty Corporation and Roger W. Thomas (filed as Exhibit 10.7 to the Company's Form 8-K dated December 7, 2004 and incorporated herein by reference).

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Exhibit Number	Exhibit Title
10.40	Restricted Share Award Agreement effective December 7, 2004 by and between Mack-Cali Realty Corporation and Michael A. Grossman (filed as Exhibit 10.8 to the Company's Form 8-K dated December 7, 2004 and incorporated herein by reference).
10.41	Tax Gross Up Agreement effective December 7, 2004 by and between Mack-Cali Realty Corporation and Michael A. Grossman (filed as Exhibit 10.9 to the Company's Form 8-K dated December 7, 2004 and incorporated herein by reference).
10.42	Restricted Share Award Agreement effective December 6, 2005 by and between Mack-Cali Realty Corporation and Mitchell E. Hersh (filed as Exhibit 10.2 to the Company's Form 8-K dated December 6, 2005 and incorporated herein by reference).
10.43	Tax Gross Up Agreement effective December 6, 2005 by and between Mack-Cali Realty Corporation and Mitchell E. Hersh (filed as Exhibit 10.3 to the Company's Form 8-K dated December 6, 2005 and incorporated herein by reference).
10.44	Restricted Share Award Agreement effective December 6, 2005 by and between Mack-Cali Realty Corporation and Barry Lefkowitz (filed as Exhibit 10.4 to the Company's Form 8-K dated December 6, 2005 and incorporated herein by reference).
10.45	Tax Gross Up Agreement effective December 6, 2005 by and between Mack-Cali Realty Corporation and Barry Lefkowitz (filed as Exhibit 10.5 to the Company's Form 8-K dated December 6, 2005 and incorporated herein by reference).
10.46	Restricted Share Award Agreement effective December 6, 2005 by and between Mack-Cali Realty Corporation and Roger W. Thomas (filed as Exhibit 10.6 to the Company's Form 8-K dated December 6, 2005 and incorporated herein by reference).
10.47	Tax Gross Up Agreement effective December 6, 2005 by and between Mack-Cali Realty Corporation and Roger W. Thomas (filed as Exhibit 10.7 to the Company's Form 8-K dated December 6, 2005 and incorporated herein by reference).
10.48	Restricted Share Award Agreement effective December 6, 2005 by and between Mack-Cali Realty Corporation and Michael A. Grossman (filed as Exhibit 10.8 to the Company's Form 8-K dated December 6, 2005 and incorporated herein by reference).
10.49	Tax Gross Up Agreement effective December 6, 2005 by and between Mack-Cali Realty Corporation and Michael A. Grossman (filed as Exhibit 10.9 to the Company's Form 8-K dated December 6, 2005 and incorporated herein by reference).
10.50	Restricted Share Award Agreement by and between Mack-Cali Realty Corporation and Mark Yeager (filed as Exhibit 10.16 to the Company's Form 8-K dated May 9, 2006 and incorporated herein by reference).

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Exhibit Number	Exhibit Title
10.51	Amended and Restated Revolving Credit Agreement dated as of September 27, 2002, among Mack-Cali Realty, L.P. and JPMorgan Chase Bank, Fleet National Bank and Other Lenders Which May Become Parties Thereto with JPMorgan Chase Bank, as administrative agent, swing lender and fronting bank, Fleet National Bank and Commerzbank AG, New York and Grand Cayman branches as syndication agents, Bank of America, N.A. and Wells Fargo Bank, National Association, as documentation agents, and J.P. Morgan Securities Inc. and Fleet Securities, Inc, as arrangers (filed as Exhibit 10.1 to the Company's Form 8-K dated September 27, 2002 and incorporated herein by reference).
10.52	Second Amended and Restated Revolving Credit Agreement among Mack-Cali Realty, L.P., JPMorgan Chase Bank, N.A., Bank of America, N.A., and other lending institutions that are or may become a party to the Second Amended and Restated Revolving Credit Agreement dated as of November 23, 2004 (filed as Exhibit 10.1 to the Company's Form 8-K dated November 23, 2004 and incorporated herein by reference).
10.53	Extension and Modification Agreement dated as of September 16, 2005 by and among Mack-Cali Realty, L.P., JPMorgan Chase Bank, N.A., as administrative agent, and the several Lenders Party thereto (filed as Exhibit 10.1 to the Company's Form 8-K dated September 16, 2005 and incorporated herein by reference).
10.54	Second Modification Agreement dated as of July 14, 2006 by and among Mack-Cali Realty, L.P., JPMorgan Chase Bank, N.A., as administrative agent, and the several Lenders party thereto (filed as Exhibit 10.1 to the Company's Form 8-K dated July 14, 2006 and incorporated herein by reference).
10.55	Amended and Restated Master Loan Agreement dated as of November 12, 2004 among Mack-Cali Realty, L.P., and Affiliates of Mack-Cali Realty Corporation and Mack-Cali Realty, L.P., as Borrowers, Mack-Cali Realty Corporation and Mack-Cali Realty L.P., as Guarantors and The Prudential Insurance Company of America, as Lender (filed as Exhibit 10.1 to the Company's Form 8-K dated November 12, 2004 and incorporated herein by reference).
10.56	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).
10.57	First Amendment to Contribution and Exchange Agreement, dated as of December 11, 1997, by and among the Company and the Mack Group (filed as Exhibit 10.99 to the Company's Form 8-K dated December 11, 1997 and incorporated herein by reference).
10.58	Employee Stock Option Plan of Mack-Cali Realty Corporation (filed as Exhibit 10.1 to the Company's Post-Effective Amendment No. 1 to Form S-8, Registration No. 333-44443, and incorporated herein by reference).

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Exhibit Number	Exhibit Title
10.59	Director Stock Option Plan of Mack-Cali Realty Corporation (filed as Exhibit 10.2 to the Company's Post-Effective Amendment No. 1 to Form S-8, Registration No. 333-44443, and incorporated herein by reference).
10.60	2000 Employee Stock Option Plan (filed as Exhibit 10.1 to the Company's Registration Statement on Form S-8, Registration No. 333-52478, and incorporated herein by reference), as amended by the First Amendment to the 2000 Employee Stock Option Plan (filed as Exhibit 10.17 to the Company's Form 10-Q dated June 30, 2002 and incorporated herein by reference).
10.61	Amended and Restated 2000 Director Stock Option Plan (filed as Exhibit 10.2 to the Company's Post-Effective Amendment No. 1 to Registration Statement on Form S-8, Registration No. 333-100244, and incorporated herein by reference).
10.62	Mack-Cali Realty Corporation 2004 Incentive Stock Plan (filed as Exhibit 10.1 to the Company's Registration Statement on Form S-8, Registration No. 333-116437, and incorporated herein by reference).
10.63	Deferred Compensation Plan for Directors (filed as Exhibit 10.1 to the Company's Registration Statement on Form S-8, Registration No. 333-80081, and incorporated herein by reference).
10.64	Form of Indemnification Agreement by and between Mack-Cali Realty Corporation and each of William L. Mack, John J. Cali, Mitchell E. Hersh, John R. Cali, David S. Mack, Martin S. Berger, Alan S. Bernikow, Kenneth M. Duberstein, Martin D. Gruss, Nathan Gantcher, Vincent Tese, Roy J. Zuckerberg, Alan G. Philibosian, Irvin D. Reid, Robert F. Weinberg, Barry Lefkowitz, Roger W. Thomas, Michael A. Grossman, Anthony Krug, Dean Cingolani, Anthony DeCaro Jr., Mark Durno, William Fitzpatrick, John Kropke, Nicholas Mitarotonda, Jr., Michael Nevins, Virginia Sobol, Albert Spring, Daniel Wagner, Deborah Franklin, John Marazzo, Christopher DeLorenzo, Jeffrey Warner, Diane Chayes and James Corrigan (filed as Exhibit 10.28 to the Company's Form 10-Q dated September 30, 2002 and incorporated herein by reference).
10.65	Indemnification Agreement dated October 22, 2002 by and between Mack-Cali Realty Corporation and John Crandall (filed as Exhibit 10.29 to the Company's Form 10-Q dated September 30, 2002 and incorporated herein by reference).
10.66	Second Amendment to Contribution and Exchange Agreement, dated as of June 27, 2000, between RMC Development Company, LLC f/k/a Robert Martin Company, LLC, Robert Martin Eastview North Company, L.P., the Company and the Operating Partnership (filed as Exhibit 10.44 to the Company's Form 10-K dated December 31, 2002 and incorporated herein by reference.)
10.67	Limited Partnership Agreement of Meadowlands Mills/Mack-Cali Limited Partnership by and between Meadowlands Mills Limited Partnership, Mack-Cali Meadowlands Entertainment L.L.C. and Mack-Cali Meadowlands Special L.L.C. dated November 25, 2003 (filed as Exhibit 10.1 to the Company's Form 8-K dated December 3, 2003 and incorporated herein by reference).

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Exhibit Number	Exhibit Title
10.68	Redevelopment Agreement by and between the New Jersey Sports and Exposition Authority and Meadowlands Mills/Mack-Cali Limited Partnership dated December 3, 2003 (filed as Exhibit 10.2 to the Company's Form 8-K dated December 3, 2003 and incorporated herein by reference).
10.69	First Amendment to Redevelopment Agreement by and between the New Jersey Sports and Exposition Authority and Meadowlands Mills/Mack-Cali Limited Partnership dated October 5, 2004 (filed as Exhibit 10.54 to the Company's Form 10-Q dated September 30, 2004 and incorporated herein by reference).
10.70	Letter Agreement by and between Mack-Cali Realty Corporation and The Mills Corporation dated October 5, 2004 (filed as Exhibit 10.55 to the Company's Form 10-Q dated September 30, 2004 and incorporated herein by reference).
10.71	First Amendment to Limited Partnership Agreement of Meadowlands Mills/Mack-Cali Limited Partnership by and between Meadowlands Mills Limited Partnership, Mack-Cali Meadowlands Entertainment L.L.C. and Mack-Cali Meadowlands Special L.L.C. dated as of June 30, 2005 (filed as Exhibit 10.66 to the Company's Form 10-Q dated June 30, 2005 and incorporated herein by reference).
10.72	Contribution and Exchange Agreement by and between Mack-Cali Realty, L.P. and Tenth Springhill Lake Associates L.L.L.P., Eleventh Springhill Lake Associates L.L.L.P., Twelfth Springhill Lake Associates L.L.L.P., Fourteenth Springhill Lake Associates L.L.L.P., each a Maryland limited liability limited partnership, Greenbelt Associates, a Maryland general partnership, and Sixteenth Springhill Lake Associates L.L.L.P., a Maryland limited liability limited partnership, and certain other natural persons, dated as of November 21, 2005 (filed as Exhibit 10.69 to the Company's Form 10-K dated December 31, 2005 and incorporated herein by reference).
10.73	Membership Interest Purchase and Contribution Agreement by and among Mr. Stanley C. Gale, SCG Holding Corp., Mack-Cali Realty Acquisition Corp. and Mack-Cali Realty, L.P. dated as of March 7, 2006 (filed as Exhibit 10.1 to the Company's Form 8-K dated March 7, 2006 and incorporated herein by reference).
10.74	Amendment No. 1 to Membership Interest Purchase and Contribution Agreement dated as of March 31, 2006 (filed as Exhibit 10.1 to the Company's Form 8-K dated March 28, 2006 and incorporated herein by reference).
10.75	Amendment No. 2 to Membership Interest Purchase and Contribution Agreement dated as of May 9, 2006 (filed as Exhibit 10.1 to the Company's Form 8-K dated May 9, 2006 and incorporated herein by reference).
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Exhibit Number

Exhibit Title

- 10.76 Contribution and Sale Agreement by and among Gale SLG NJ LLC, a Delaware limited liability company, Gale SLG NJ MEZZ LLC, a Delaware limited liability company, and Gale SLG RIDGEFIELD MEZZ LLC, a Delaware limited liability company and Mack-Cali Ventures L.L.C. dated as of March 7, 2006 (filed as Exhibit 10.2 to the Company's Form 8-K dated March 7, 2006 and incorporated herein by reference).
- 10.77 First Amendment to Contribution and Sale Agreement by and among GALE SLG NJ LLC, a Delaware limited liability company, GALE SLG NJ MEZZ LLC, a Delaware limited liability company, and GALE SLG RIDGEFIELD MEZZ LLC, a Delaware limited liability company, and Mack-Cali Ventures L.L.C., a Delaware limited liability company, dated as of May 9, 2006 (filed as Exhibit 10.4 to the Company's Form 8-K dated May 9, 2006 and incorporated herein by reference).
- 10.78 Non-Portfolio Property Interest Contribution Agreement by and among Mr. Stanley C. Gale, Mr. Mark Yeager, GCF II Investor LLC, The Gale Investments Company, LLC, Gale & Wentworth Vreeland, LLC, Gale Urban Solutions LLC, MSGW-ONE Campus Investors, LLC, Mack-Cali Realty Acquisition Corp. and Mack-Cali Realty, L.P. dated as of May 9, 2006 (filed as Exhibit 10.2 to the Company's Form 8-K dated May 9, 2006 and incorporated herein by reference).
- 10.79 Loan Agreement by and among the entities set forth on Exhibit A, collectively, as Borrowers, and Gramercy Warehouse Funding I LLC, as Lender, dated May 9, 2006 (filed as Exhibit 10.5 to the Company's Form 8-K dated May 9, 2006 and incorporated herein by reference).
- 10.80 Promissory Note of One Grande SPE LLC, 1280 Wall SPE LLC, 10 Sylvan SPE LLC, 5 Independence SPE LLC, 1 Independence SPE LLC, and 3 Becker SPE LLC, as Borrowers, in favor of Gramercy Warehouse Funding I, LLC, as Lender, in the principal amount of \$90,286,551 dated May 9, 2006 (filed as Exhibit 10.6 to the Company's Form 8-K dated May 9, 2006 and incorporated herein by reference).
- 10.81 Mortgage, Security Agreement and Fixture Filing by and between 4 Becker SPE LLC, as Borrower, and Wachovia Bank, National Association, as Lender, dated May 9, 2006 (filed as Exhibit 10.7 to the Company's Form 8-K dated May 9, 2006 and incorporated herein by reference).
- 10.82 Promissory Note of 4 Becker SPE LLC, as Borrower, in favor of Wachovia Bank, National Association, as Lender, in the principal amount of \$43,000,000 dated May 9, 2006 (filed as Exhibit 10.8 to the Company's Form 8-K dated May 9, 2006 and incorporated herein by reference).
- 10.83 Mortgage, Security Agreement and Fixture Filing by and between 210 Clay SPE LLC, as Borrower, and Wachovia Bank, National Association, as Lender, dated May 9, 2006 (filed as Exhibit 10.9 to the Company's Form 8-K dated May 9, 2006 and incorporated herein by reference).
- 10.84 Promissory Note of 210 Clay SPE LLC, as Borrower, in favor of Wachovia Bank, National Association, as Lender, in the principal amount of \$16,000,000 dated May 9, 2006 (filed as Exhibit 10.10 to the Company's Form 8-K dated May 9, 2006 and incorporated herein by reference).

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Exhibit Number	Exhibit Title
10.85	Mortgage, Security Agreement and Fixture Filing by and between 5 Becker SPE LLC, as Borrower, and Wachovia Bank, National Association, as Lender, dated May 9, 2006 (filed as Exhibit 10.11 to the Company's Form 8-K dated May 9, 2006 and incorporated herein by reference).
10.86	Promissory Note of 5 Becker SPE LLC, as Borrower, in favor of Wachovia Bank, National Association, as Lender, in the principal amount of \$15,500,000 dated May 9, 2006 (filed as Exhibit 10.12 to the Company's Form 8-K dated May 9, 2006 and incorporated herein by reference).
10.87	Mortgage, Security Agreement and Fixture Filing by and between 51 CHUBB SPE LLC, as Borrower, and Wachovia Bank, National Association, as Lender, dated May 9, 2006 (filed as Exhibit 10.13 to the Company's Form 8-K dated May 9, 2006 and incorporated herein by reference).
10.88	Promissory Note of 51 CHUBB SPE LLC, as Borrower, in favor of Wachovia Bank, National Association, as Lender, in the principal amount of \$4,500,000 dated May 9, 2006 (filed as Exhibit 10.14 to the Company's Form 8-K dated May 9, 2006 and incorporated herein by reference).
10.89	Form of Amended and Restated Limited Liability Company Agreement of Mack-Green-Gale LLC dated _____, 2006 (filed as Exhibit 10.3 to the Company's Form 8-K dated March 7, 2006 and incorporated herein by reference).
10.90	Form of Limited Liability Company Operating Agreement (filed as Exhibit 10.3 to the Company's Form 8-K dated May 9, 2006 and incorporated herein by reference).
10.91*	Agreement of Sale and Purchase dated August 9, 2006 by and between Mack-Cali Realty, L.P. and Westcore Properties AC, LLC.
10.92*	First Amendment to Agreement of Sale and Purchase dated September 6, 2006 by and between Mack-Cali Realty, L.P. and Westcore Properties AC, LLC.
10.93*	Second Amendment to Agreement of Sale and Purchase dated September 15, 2006 by and between Mack-Cali Realty, L.P. and Westcore Properties AC, LLC.
10.94*	Agreement of Sale and Purchase dated September 25, 2006 by and between Phelan Realty Associates L.P., 795 Folsom Realty Associates L.P. and Westcore Properties AC, LLC.
31.1*	Certification of the Company's President and Chief Executive Officer, Mitchell E. Hersh, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of the Company's Chief Financial Officer, Barry Lefkowitz, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of the Company's President and Chief Executive Officer, Mitchell E. Hersh, and the Company's Chief Financial Officer, Barry Lefkowitz, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

*filed herewith