

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 June 30, 2010

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: 333-57103

Mack-Cali Realty, L.P.

(Exact name of registrant as specified in its charter)

Delaware 22-3315804

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

343 Thornall Street, Edison, New Jersey 08837-2206

(Address of principal executive offices) (Zip Code)

(732) 590-1000

(Registrant's telephone number, including area code)

Not Applicable

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

MACK-CALI REALTY, L.P.

FORM 10-Q

INDEX

<u>Part I</u>	<u>Financial Information</u>	<u>Page</u>
Item 1.	Financial Statements (<i>unaudited</i>):	
	Consolidated Balance Sheets as of June 30, 2010 and December 31, 2009.....	4
	Consolidated Statements of Operations for the three and six months ended June 30, 2010 and 2009.....	5
	Consolidated Statement of Changes in Equity for the six months ended June 30, 2010.....	6
	Consolidated Statements of Cash Flows for the six months ended June 30, 2010 and 2009.....	7
	Notes to Consolidated Financial Statements.....	8-37
Item 2.	Management’s Discussion and Analysis of Financial Condition and Results of Operations.....	38-54
Item 3.	Quantitative and Qualitative Disclosures About Market Risk.....	54-55
Item 4.	Controls and Procedures.....	55
<u>Part II</u>	<u>Other Information</u>	
Item 1.	Legal Proceedings.....	56
Item 1A.	Risk Factors.....	56
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds.....	57
Item 3.	Defaults Upon Senior Securities.....	57
Item 4.	(Removed and Reserved).....	57
Item 5.	Other Information.....	58
Item 6.	Exhibits.....	58
	Signatures	59
	Exhibit Index	60

MACK-CALI REALTY, L.P.

Part I – Financial Information

Item 1. Financial Statements

The accompanying unaudited consolidated balance sheets, statements of operations, of changes in 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, L.P.’s Annual Report on Form 10-K for the fiscal year ended December 31, 2009.

The results of operations for the three and six month periods ended June 30, 2010 are not necessarily indicative of the results to be expected for the entire fiscal year or any other period.

MACK-CALI REALTY, L.P. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS *(in thousands, except per unit amounts) (unaudited)*

ASSETS	June 30, 2010	December 31, 2009
Rental property		
Land and leasehold interests	\$ 770,239	\$ 771,794
Buildings and improvements	3,949,892	3,948,509
Tenant improvements	448,799	456,547
Furniture, fixtures and equipment	9,316	9,358
	5,178,246	5,186,208
Less – accumulated depreciation and amortization	(1,207,917)	(1,153,223)
Net investment in rental property	3,970,329	4,032,985
Cash and cash equivalents	140,990	291,059
Investments in unconsolidated joint ventures	35,998	35,680
Unbilled rents receivable, net	122,601	119,469
Deferred charges and other assets, net	216,809	213,674
Restricted cash	19,320	20,681
Accounts receivable, net of allowance for doubtful accounts of \$2,708 and \$2,036	11,623	8,089
Total assets	\$ 4,517,670	\$ 4,721,637
LIABILITIES AND EQUITY		
Senior unsecured notes	\$ 1,432,944	\$ 1,582,434
Mortgages, loans payable and other obligations	733,874	755,003
Dividends and distributions payable	42,124	42,109
Accounts payable, accrued expenses and other liabilities	121,404	106,878
Rents received in advance and security deposits	50,787	54,693
Accrued interest payable	35,735	37,330
Total liabilities	2,416,868	2,578,447
Commitments and contingencies		
Partners' Capital:		
General Partner, 10,000 and 10,000 preferred units outstanding	24,836	24,836
General Partner, 79,398,646 and 78,969,752 common units outstanding	1,713,176	1,740,326
Limited partners, 13,099,906 and 13,495,036 common units outstanding	359,742	374,999
Total Mack-Cali Realty, L.P. partners' capital	2,097,754	2,140,161
Noncontrolling interests in consolidated joint ventures	3,048	3,029
Total equity	2,100,802	2,143,190
Total liabilities and equity	\$ 4,517,670	\$ 4,721,637

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

MACK-CALI REALTY, L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS *(in thousands, except per unit amounts) (unaudited)*

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
REVENUES				
Base rents	\$149,692	\$152,891	\$302,385	\$301,022
Escalations and recoveries from tenants	25,837	24,623	51,956	52,390
Construction services	22,357	4,794	33,219	8,705
Real estate services	1,669	2,116	3,646	4,642
Other income	3,230	3,399	6,162	6,350
Total revenues	202,785	187,823	397,368	373,109
EXPENSES				
Real estate taxes	25,912	23,293	48,073	46,565
Utilities	16,409	15,956	36,235	36,653
Operating services	28,073	26,619	56,754	54,261
Direct construction costs	21,411	4,296	31,704	8,010
General and administrative	8,658	10,651	17,072	20,708
Depreciation and amortization	47,474	49,240	95,964	97,083
Total expenses	147,937	130,055	285,802	263,280
Operating income	54,848	57,768	111,566	109,829
OTHER (EXPENSE) INCOME				
Interest expense	(37,335)	(33,205)	(76,406)	(65,701)
Interest and other investment income	18	187	39	383
Equity in earnings (loss) of unconsolidated joint ventures	260	(1,922)	(262)	(7,036)
Gain on reduction of other obligations	--	1,693	--	1,693
Total other (expense) income	(37,057)	(33,247)	(76,629)	(70,661)
Income from continuing operations	17,791	24,521	34,937	39,168
Discontinued Operations:				
Income from discontinued operations	11	104	242	54
Realized gains (losses) and unrealized losses on disposition of rental property, net	4,447	--	4,447	--
Total discontinued operations, net	4,458	104	4,689	54
Net income	22,249	24,625	39,626	39,222
Noncontrolling interest in consolidated joint ventures	86	135	173	767
Preferred unit distributions	(500)	(500)	(1,000)	(1,000)
Net income available to common unitholders	\$ 21,835	\$ 24,260	\$ 38,799	\$ 38,989
Basic earnings per common unit:				
Income from continuing operations	\$ 0.19	\$ 0.28	\$ 0.37	\$ 0.46
Discontinued operations	0.05	--	0.05	--
Net income available to common unitholders	\$ 0.24	\$ 0.28	\$ 0.42	\$ 0.46
Diluted earnings per common unit:				
Income from continuing operations	\$ 0.19	\$ 0.28	\$ 0.37	\$ 0.46
Discontinued operations	0.05	--	0.05	--
Net income available to common unitholders	\$ 0.24	\$ 0.28	\$ 0.42	\$ 0.46
Basic weighted average units outstanding	92,357	88,000	92,348	84,480
Diluted weighted average units outstanding	92,489	88,000	92,482	84,480

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

MACK-CALI REALTY, L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(in thousands) (unaudited)*

	General Partner Preferred Units	General Partner Common Units	Limited Partners Common Units	General Partner Preferred Unitholders	General Partner Common Unitholders	Limited Partners Common Unitholders	Noncontrolling Interests in Consolidated Subsidiaries	Total Equity
Balance at January 1, 2010	10	78,970	13,495	\$24,836	\$1,740,326	\$374,999	\$3,029	\$2,143,190
Net income	--	--	--	1,000	33,234	5,565	(173)	39,626
Distributions	--	--	--	(1,000)	(71,408)	(11,837)	--	(84,245)
Increase in noncontrolling interest	--	--	--	--	--	--	192	192
Redemption of limited partners common units for shares of general partner common units	--	395	(395)	--	8,985	(8,985)	--	--
Units issued under Dividend Reinvestment and Stock Purchase Plan	--	3	--	--	82	--	--	82
Contributions – proceeds from stock options exercised	--	18	--	--	513	--	--	513
Stock compensation	--	13	--	--	1,444	--	--	1,444
Balance at June 30, 2010	10	79,399	13,100	\$24,836	\$1,713,176	\$359,742	\$3,048	\$2,100,802

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

MACK-CALI REALTY, L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (in thousands) (unaudited)

	Six Months Ended June 30,	
CASH FLOWS FROM OPERATING ACTIVITIES	2010	2009
Net income	\$ 39,626	\$ 39,222
Adjustments to reconcile net income to net cash provided by Operating activities:		
Depreciation and amortization, including related intangible assets	95,283	94,302
Depreciation and amortization on discontinued operations	409	905
Amortization of stock compensation	1,444	1,183
Amortization of deferred financing costs and debt discount	1,376	1,343
Gain on reduction of other obligations	--	(1,693)
Equity in (earnings) loss of unconsolidated joint venture, net	262	7,036
Realized gains on disposition of rental property	(4,447)	--
Distributions of cumulative earnings from unconsolidated joint ventures	102	2,131
Changes in operating assets and liabilities:		
Increase in unbilled rents receivable, net	(3,077)	(2,738)
(Increase) decrease in deferred charges and other assets, net	(18,815)	5,005
(Increase) decrease in accounts receivable, net	(3,534)	13,765
Increase (decrease) in accounts payable, accrued expenses and other liabilities	17,434	(970)
(Decrease) increase in rents received in advance and security deposits	(3,906)	2,054
Decrease in accrued interest payable	(1,595)	(2,365)
Net cash provided by operating activities	\$ 120,562	\$ 159,180
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to rental property and related intangibles	\$ (30,267)	\$ (35,101)
Repayment of notes receivable	--	89
Investment in unconsolidated joint ventures	(667)	(4,268)
Distributions in excess of cumulative earnings from unconsolidated joint ventures	--	81
Increase (decrease) in restricted cash	8	(8,066)
Net cash used in investing activities	\$ (30,926)	\$ (47,265)
CASH FLOW FROM FINANCING ACTIVITIES		
Borrowings from revolving credit facility	--	\$ 302,000
Repayment of revolving credit facility and money market loans	--	(463,000)
Repayments of senior unsecured notes	\$(150,000)	(199,724)
Proceeds from mortgages and loans payable	--	81,500
Repayment of mortgages, loans payable and other obligations	(3,978)	(6,169)
Payment of financing costs	(2,010)	(631)
Proceeds from offering of Common Stock	--	274,827
Proceeds from stock options exercised	513	--
Payment of dividends and distributions	(84,230)	(89,136)
Net cash used in financing activities	\$ (239,705)	\$ (100,333)
Net (decrease) increase in cash and cash equivalents	\$ (150,069)	\$ 11,582
Cash and cash equivalents, beginning of period	291,059	21,621
Cash and cash equivalents, end of period	\$ 140,990	\$ 33,203

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

MACK-CALI REALTY, L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(unaudited)*

1. ORGANIZATION AND BASIS OF PRESENTATION

ORGANIZATION

Mack-Cali Realty, L.P., a Delaware limited partnership, together with its subsidiaries (collectively, the “Company”), was formed on May 31, 1994 to conduct the business of providing leasing, management, acquisition, development, construction and tenant-related services for its sole general partner, Mack-Cali Realty Corporation (“the Corporation” or “General Partner”). The Company, through its operating divisions and subsidiaries, including the Mack-Cali property-owning partnerships and limited liability companies (collectively, the “Property Partnerships”) is the entity through which all of the General Partner’s operations are conducted.

The General Partner is a fully-integrated self-administered, self-managed real estate investment trust (“REIT”). The General Partner controls the Company as its sole general partner and owned an 85.8 percent and 85.4 percent common unit interest in the Company as of June 30, 2010 and December 31, 2009, respectively.

The General Partner’s business is the ownership of interests in and operation of the Company, and all of the General Partner’s expenses are incurred for the benefit of the Company. The General Partner is reimbursed by the Company for all expenses it incurs relating to the ownership and operation of the Company.

As of June 30, 2010, the Company owned or had interests in 287 properties plus developable land (collectively, the “Properties”). The Properties aggregate approximately 32.9 million square feet, which are comprised of 275 buildings, primarily office and office/flex buildings totaling approximately 32.5 million square feet (which include 19 buildings, primarily office buildings aggregating approximately 2.1 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, one hotel (which is owned by an unconsolidated joint venture in which the Company has an investment interest) and three parcels of land leased to others. The Properties are located in five 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 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. Certain reclassifications have been made to prior period amounts in order to conform with current period presentation.

On July 1, 2009, the Financial Accounting Standards Board (“FASB”) issued the FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles, also known as FASB Accounting Standards Codification (“ASC”) 105-10, General Accepted Accounting Principles, (“ASC 105-10”). ASC 105-10 establishes the FASB Accounting Standards Codification (“Codification”) as the single source of authoritative U.S. GAAP recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission (“SEC”) under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. The Codification supersedes all existing non-SEC accounting and reporting standards. All other nongrandfathered, non-SEC accounting literature not included in the Codification will become nonauthoritative. Following the Codification, the FASB will not issue new standards in the form of Statements, FASB Staff Positions or Emerging Issues Task Force Abstracts. Instead, it will issue Accounting Standards Updates, which will serve to update the Codification, provide background information about the guidance

and provide the basis for conclusions on the changes to the Codification. GAAP was not intended to be changed as a result of the FASB's Codification project, but it will change the way the guidance is organized and presented. The Company has implemented the Codification by providing references to the Codification topics, as appropriate.

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. Pursuant to the Company's adoption of ASC 805, Business Combinations, effective January 1, 2009, acquisition-related costs are expensed as incurred. 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, tenant improvement and development in-progress of \$53,022,000 and \$107,226,000 as of June 30, 2010 and December 31, 2009, 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 assumed, 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 fair values. The Company records goodwill or a gain on bargain purchase (if any) if the net assets acquired/liabilities assumed exceed the purchase consideration of a transaction. 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 initially 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 rental properties held for use may be impaired. In addition to identifying any specific circumstances which may effect a property or properties, management considers other criteria for determining which properties may require assessment for potential impairment. The criteria considered by management include reviewing low leased percentages, significant near-term lease expirations, recently acquired properties, current and historical operating and/or cash flow losses, near-term mortgage debt maturities or other factors that might impact the Company's intent and ability to hold the property. 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. These assumptions are generally based on management's experience in its local real estate markets and the effects of current market conditions. The assumptions 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, and actual losses or impairment may be realized in the future.

***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 disposed of 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.

***Investments in
Unconsolidated
Joint Ventures***

The Company accounts for its investments in unconsolidated joint ventures under the equity method of accounting. The Company applies the equity method by initially recording these investments at cost, as Investments in Unconsolidated Joint Ventures, subsequently adjusted for equity in earnings and cash contributions and distributions.

ASC 810, Consolidation, 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, the consideration of whether an entity is a VIE 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.

On January 1, 2010, the Company adopted the updated provisions of ASC 810, pursuant to FASB No. 167, which amends FIN 46(R) to require ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity. Additionally, FASB No. 167 amends FIN 46(R) to eliminate the quantitative approach previously required for determining the primary beneficiary of a variable interest entity, which was based on determining which enterprise absorbs the majority of the entity’s expected losses, receives a majority of the entity’s expected residual returns, or both. FASB No. 167 amends certain guidance in Interpretation 46(R) for determining whether an entity is a variable interest entity. Also, FASB No. 167 amends FIN 46(R) to require enhanced disclosures that will provide users of financial statements with more transparent information about an enterprise’s involvement in a variable interest entity. The enhanced disclosures are required for any enterprise that holds a variable interest in a variable interest entity. The adoption of this guidance did not have a material impact to these financial statements. See Note 4: Investments in Unconsolidated Joint Ventures for disclosures regarding the Company’s 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. The Company’s estimates of value for each investment (particularly in commercial real estate joint ventures) 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 operating costs. As these factors are difficult to predict and are subject to future events that may alter management’s assumptions, the values estimated by management in its

impairment analyses may not be realized. 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 equity until realized. A decline in the market value of any held-to-maturity 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 fair value of the marketable securities is determined using level I inputs under ASC 820, Fair Value Measurements and Disclosures. Level I inputs represent quoted prices available in an active market for identical investments as of the reporting date.

***Deferred
Financing Costs***

Costs incurred in obtaining financing are capitalized and amortized over the term of the related indebtedness. Amortization of such costs is included in interest expense and was \$660,000 and \$636,000 for the three months ended June 30, 2010 and 2009, respectively, and \$1,376,000 and \$1,343,000 for the six months ended June 30, 2010 and 2009, 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 Corporation are compensated for providing leasing services to the Properties. The portion of such compensation, which is capitalized and amortized, approximated \$901,000 and \$940,000 for the three months ended June 30, 2010 and 2009, respectively and \$1,856,000 and \$1,800,000 for the six months ended June 30, 2010 and 2009, 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 initially recorded based on the present value (using a discount rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to each in-place lease and (ii) management's estimate of fair market lease rates for each corresponding in-place lease,

measured over a period equal to the remaining term of the lease for above-market leases and the initial term plus the term of any below-market fixed-rate renewal options for below-market leases. The capitalized above-market lease values for acquired properties are amortized as a reduction of base rental revenue over the remaining term of the respective leases, and the capitalized below-market lease values are amortized as an increase to base rental revenue over the remaining initial terms plus the terms of any below-market fixed-rate renewal options of the respective leases. Escalations and recoveries from tenants are received from tenants for certain costs as provided in the lease agreements. These costs generally include real estate taxes, utilities, insurance, common area maintenance and other recoverable costs. See Note 15: Tenant Leases. 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 to determine if accounts receivable balances are impaired based on factors affecting the collectability 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 is a partnership, and, as a result, all income and losses of the partnership are allocated to the partners for inclusion in their respective tax returns. Accordingly, no provision or benefit for income taxes has been made in the accompanying financial statements.

Certain of the Company's corporate subsidiaries are taxable REIT subsidiaries (each a "TRS"). In general, a TRS 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 Corporation fails to qualify as a REIT in any taxable year, the Corporation will be subject to federal income tax (including any applicable alternative minimum tax) on its taxable income at regular corporate tax rates. The Corporation is subject to certain state and local taxes.

Pursuant to the amended provisions related to uncertain tax provisions of ASC 740, Income Taxes, the Company recognizes no material adjustments regarding its tax accounting treatment. The Company expects to recognize interest and penalties related to uncertain tax positions, if any, as income tax expense, which is included in general and administrative expense.

In the normal course of business, the Company or one of its subsidiaries is subject to examination by federal, state and local jurisdictions in which it operates, where applicable. As of June 30, 2010, the tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations are generally from the year 2005 forward.

***Earnings
Per Unit***

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

***Distributions
Payable***

The distributions payable at June 30, 2010 represents distributions payable to preferred unitholders (10,000 Series C preferred units) and common unitholders (92,498,798 common units), for all such holders of record as of July 6, 2010 with respect to the second quarter 2010. The second quarter 2010 preferred unit distributions of \$50.00 per preferred unit and common unit distributions of \$0.45 per common unit were approved by the Corporation’s Board of Directors on May 25, 2010. The common unit distributions payable were paid on July 9, 2010. The preferred unit distributions payable were paid on July 15, 2010.

The distributions payable at December 31, 2009 represents distributions payable to preferred unitholders (10,000 Series C preferred units) and common unitholders (92,464,894 common units), for all such holders of record as of January 6, 2010 with respect to the fourth quarter 2009. The fourth quarter 2009 preferred unit distributions of \$50.00 per preferred unit and common unit distributions of \$0.45 per common unit were approved by the Corporation’s Board of Directors on December 8, 2009. The common unit distributions and preferred unit distributions payable were paid on January 15, 2010.

***Costs Incurred
For Stock
Issuances***

Costs incurred in connection with the Corporation’s stock issuances are reflected as a reduction of General Partner’s capital.

***Stock
Compensation***

The Company accounts for stock options and restricted stock awards granted prior to 2002 using the intrinsic value method prescribed in the previously existing accounting guidance on accounting for stock issued to employees. Under this guidance, compensation cost for stock options is measured as the excess, if any, of the quoted market price of the Corporation’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 Corporation’s policy is to grant options with an exercise price equal to the quoted closing market price of the Corporation’s stock on the business day preceding the grant date. Accordingly, no compensation cost has been recognized under the Corporation’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 ASC 718, Compensation-Stock Compensation. In 2006, the Company adopted the amended guidance, 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. The Company recorded restricted stock expense of \$626,000, and \$517,000 for the three months ended June 30, 2010 and 2009, respectively, and \$1,243,000 and \$1,034,000 for the six months ended June 30, 2010 and 2009, respectively.

**Other
Comprehensive
Income**

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

3. REAL ESTATE TRANSACTION

The Company's office property located at 105 Challenger Road in Ridgefield Park, New Jersey, aggregating 150,050 square feet, was collateral for a \$19.5 million mortgage loan scheduled to mature on June 6, 2010. The Company had recorded an impairment charge on the property of \$16.6 million at December 31, 2009. On June 1, 2010, the Company transferred the deed for 105 Challenger to the lender in satisfaction of its obligations. As a result, the Company recorded a gain on the disposal of the office property of approximately \$4.4 million.

4. INVESTMENTS IN UNCONSOLIDATED JOINT VENTURES

The debt of the Company's unconsolidated joint ventures generally 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.

PLAZA VIII AND IX ASSOCIATES, L.L.C.

Plaza VIII and IX Associates, L.L.C. is a joint venture between the Company and Columbia Development Company, L.L.C. ("Columbia"), which owns 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. The Company and Columbia each hold a 50 percent interest in the venture. The venture owns undeveloped land currently used as a parking facility.

SOUTH PIER AT HARBORSIDE – HOTEL

The Company has a joint venture with Hyatt Corporation ("Hyatt") which owns a 350-room hotel on the South Pier at Harborside Financial Center, Jersey City, New Jersey. The Company owns a 50 percent interest in the venture.

The venture has a mortgage loan with a balance as of June 30, 2010 of \$66.8 million collateralized by the hotel property. The loan carries an interest rate of 6.15 percent and matures in November 2016. The venture has a loan with a balance as of June 30, 2010 of \$6.3 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 \$6.3 million letter of credit in support of this loan, half of which is indemnified by Hyatt.

RED BANK CORPORATE PLAZA

The Company has a joint venture with The PRC Group, which owns Red Bank Corporate Plaza, a 92,878 square foot office building located in Red Bank, New Jersey. The property is fully leased to Hovnanian Enterprises, Inc. through September 30, 2017. The Company holds a 50 percent interest in the venture.

The venture has a \$22.0 million loan with a commercial bank collateralized by the office property. The loan (with a balance as of June 30, 2010 of \$20.6 million), carries an interest rate of LIBOR plus 125 basis points and matures in April 2011. On January 26, 2010, the venture sold a vacant land parcel it had owned for approximately \$1.7 million.

The Company performs management, leasing and other services for the property owned by the joint venture and recognized \$24,000 and \$24,900 in fees for such services during the three months ended June 30, 2010 and 2009, respectively, and \$48,000 and \$47,900 for the six months ended June 30, 2010 and 2009, respectively.

MACK-GREEN-GALE LLC/GRAMERCY AGREEMENT

On May 9, 2006, the Company entered into a joint venture, Mack-Green-Gale LLC and subsidiaries ("Mack-Green"), with SL Green, pursuant to which Mack-Green held an approximate 96 percent interest in and acted as general partner of Gale SLG NJ Operating Partnership, L.P. (the "OPLP"). The Company's acquisition cost

for its interest in Mack-Green was approximately \$125 million, which was funded primarily through borrowing under the Company's revolving credit facility. At the time, the OPLP owned 100 percent of entities ("Property Entities") which owned 25 office properties (the "OPLP Properties") which aggregated 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). In December 2007, the OPLP sold its eight properties located in Troy, Michigan for \$83.5 million. The venture recognized a loss of approximately \$22.3 million from the sale.

As defined in the Mack-Green operating agreement, the Company shared 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 OPLP.

The Mack-Green operating agreement generally provided 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 OPLP 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 OPLP 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 OPLP Properties were encumbered by mortgage loans with an aggregate outstanding principal balance of \$276.3 million at March 31, 2009. \$185.0 million of the mortgage loans bore interest at a weighted average fixed interest rate of 6.26 percent per annum and matured at various times through May 2016.

Six of the OPLP Properties (the "Portfolio Properties") were encumbered by \$90.3 million of mortgage loans which bore interest at a floating rate of LIBOR plus 275 basis points per annum and were scheduled to mature in May 2009. The floating rate mortgage loans were provided to the six entities which owned the Portfolio Properties (collectively, the "Portfolio Entities") by Gramercy, which was a related party of SL Green. Based on the venture's anticipated holding period pertaining to the Portfolio Properties, the venture believed that the carrying amounts of these properties may not have been recoverable at December 31, 2008. Accordingly, as the venture determined that its carrying value of these properties exceeded the estimated fair value, it recorded an impairment charge of approximately \$32.3 million as of December 31, 2008.

On April 29, 2009, the Company acquired the remaining interests in Mack-Green from SL Green. As a result, the Company owns 100 percent of Mack-Green. Additionally, on April 29, 2009, the mortgage loans with Gramercy on the Portfolio Properties (the "Gramercy Agreement") were modified to provide for, among other things, interest to accrue at the current rate of LIBOR plus 275 basis point per annum, with the interest pay rate capped at 3.15 percent per annum. Under the Gramercy Agreement, the payment of debt service is subordinate to the payment of operating expenses. Interest at the pay rate is payable only out of funds generated by the Portfolio Properties and only to the extent that the Portfolio Properties' operating expenses have been paid, with any accrued unpaid interest above the pay rate serving to increase the balance of the amounts due at the termination of the agreement. Any excess funds after payment of debt service generally will be escrowed and available for future capital and leasing costs, as well as to cover future cash flow shortfalls, as appropriate. The Gramercy Agreement terminates on May 9, 2011. Approximately six months in advance of the end of the term of the Gramercy Agreement, the Portfolio Entities are to provide estimates of each property's fair market value ("FMV"). Gramercy has the right to accept or reject the FMV. If Gramercy rejects the FMV, Gramercy must market the property for sale in cooperation with the Portfolio Entities and must approve the ultimate sale. However, Gramercy has no obligation to market a Portfolio Property if the FMV is less than the allocated amount due, including accrued, unpaid interest. If any Portfolio Property is not sold, the Portfolio Entities have agreed to give a deed in lieu of foreclosure, unless the FMV was equal to or greater than the allocated amount due for such Portfolio Property, in which case they can elect to have that Portfolio Property released by paying the FMV. If Gramercy accepts the FMV, the Portfolio Property will be released from the Gramercy Agreement upon payment of the FMV. Under the direction of Gramercy, the Company continues to perform management, leasing, and construction services for the Portfolio Properties at market terms. The Portfolio Entities have a participation interest which provides for sharing 50 percent of any amount realized in excess of the allocated amounts due for each Portfolio Property.

As the Company acquired SL Green's interests in Mack-Green, the Company owns 100 percent of Mack-Green and is consolidating Mack-Green as of the closing date. Mack-Green, in turn, has been and will continue consolidating the OPLP as Mack-Green's approximate 96 percent, general partner ownership interest in the OPLP remained unchanged as of the closing date. Additionally, as of the closing date, the OPLP continues to consolidate its Property Entities which own 11 office properties aggregating 1.5 million square feet as its 100-percent ownership and rights regarding these entities were unchanged in the transaction. The OPLP will not be consolidating the Portfolio Entities that own six office properties, aggregating 786,198 square feet, as the Gramercy Agreement is considered a reconsideration event under the provisions of ASC 810, Consolidation, and accordingly, the Portfolio Entities were deemed to be variable interest entities for which the OPLP was not considered the primary beneficiary based on the Gramercy Agreement as described above. As a result of the SLG Transactions, the Company has an unconsolidated joint venture interest in the Portfolio Properties.

On March 31, 2010, the venture sold one of its unconsolidated Portfolio Properties subject to the Gramercy Agreement, 1280 Wall Street West, a 121,314 square foot office property, located in Lyndhurst, New Jersey, for approximately \$13.9 million, which was primarily used to pay down mortgage loans pursuant to the Gramercy Agreement.

The Company performs management, leasing, and construction services for properties owned by the unconsolidated joint ventures and recognized \$234,000 and \$807,000 in income (net of \$0 and \$286,000 in direct costs) for such services in the three months ended June 30, 2010 and 2009, respectively, and \$467,000 and \$2.7 million in income (net of \$0 and \$1.1 million in direct costs) for the six months ended June 30, 2010 and 2009, respectively.

GE/GALE FUNDING LLC (Princeton Forrestal Village)

The Gale agreement signed as part of the Gale/Green transactions in May 2006 provided for the Company to acquire certain ownership interests in 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 provide for the initial distributions of net cash flow solely to the Company, and thereafter an affiliate of Mr. 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.

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"). The Company consolidates GMW Village, which includes accounts for investments in unconsolidated joint venture and noncontrolling interests in consolidated joint ventures, with any profit and loss recorded in equity in earnings (loss) and noncontrolling interests. 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 527,015 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 with a balance of \$50.3 million at June 30, 2010. The loan bears interest at a rate of the London Interbank Offered Rate ("LIBOR") plus 275 basis points and matures on January 9, 2011. LIBOR was 0.35 percent at June 30, 2010.

The Company performs management, leasing, and other services for PFV and recognized \$213,000 and \$299,000 in income for such services in the three months ended June 30, 2010 and 2009, respectively, and \$621,000 and \$522,000 in income for the six months ended June 30, 2010 and 2009, respectively.

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 developed and placed in service a 175,000 square foot office property that is leased to a single tenant, 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 (of which Mark Yeager, a former Executive Vice President of the Corporation, has a direct 26 percent interest).

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 JPMorgan (“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.

On September 21, 2007, 100 Kimball obtained a \$47 million mortgage loan which bore interest at a rate of 5.95 percent and was scheduled to mature in September 2012. On December 30, 2009 the venture paid the lender \$40 million to satisfy the debt and recorded a gain of \$7.0 million (of which the Company’s share of \$579,000 is included in equity in earnings for the year ended December 31, 2009). Concurrently, 100 Kimball obtained a \$32 million mortgage loan that bears interest at a rate of the greater of LIBOR plus 400 basis points, or 5.50 percent. The loan matures on January 10, 2013 with two one-year extension options, subject to certain conditions and payment of a fee.

The Company performs management, leasing, and other services for the property owned by 100 Kimball for which it recognized \$71,800 and \$67,000 in income for the three months ended June 30, 2010 and 2009, respectively, and \$142,300 and \$122,000 in income for the six months ended June 30, 2010 and 2009, respectively.

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 (of which Mr. Yeager has a direct 15 percent interest).

The office property at 12 Vreeland is a 139,750 square foot office building. The property is subject to a fully-amortizing mortgage loan, which matures on July 1, 2012, and bears interest at 6.9 percent per annum. As of June 30, 2010 the outstanding balance on the mortgage note was \$4.3 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.

BOSTON-DOWNTOWN CROSSING

On October 20, 2006, the Company formed a joint venture (the “MC/Gale JV LLC”) with Gale International/426 Washington St. LLC (“Gale/426”), which, in turn, entered into a joint venture (the “Vornado JV LLC”) with VNO 426 Washington Street JV LLC (“Vornado”), an affiliate of Vornado Realty LP, which was formed to acquire and redevelop the Filenes property located in the Downtown Crossing district of Boston, Massachusetts (the “Filenes Property”).

On January 25, 2007, (i) each of M-C/Gale JV LLC, Gale and Washington Street Realty Member LLC (“JPM”) formed a joint venture (“JPM JV LLC”), (ii) M-C/Gale JV LLC assigned its entire 50 percent ownership interest in the Vornado JV LLC to JPM JV LLC, (iii) the Limited Liability Company Agreement of Vornado JV LLC was amended to reflect, among other things, the change in the ownership structure described in subsection (ii) above, and (iv) the Limited Liability Company Agreement of MC/Gale JV LLC was amended and restated to reflect, among other things, the change in the ownership structure described in subsection (ii) above. The Vornado JV LLC acquired the Filenes Property on January 29, 2007, for approximately \$100 million.

On or about September 16, 2008, Vornado JV LLC was reorganized in contemplation of developing and converting the Filenes property into a condominium consisting of a retail unit, an office unit, a parking unit, a hotel unit and a residential unit. Pursuant to this reorganization, (i) the Company and Gale/426 formed a new joint venture (“M-C/Gale JV II LLC”) and (ii) M-C/Gale JV II LLC and Washington Street Realty Member II LLC (“JPM II”) formed a new joint venture (“JPM JV II LLC”) to invest in a new joint venture (“Vornado JV II LLC”) with Vornado RTR DC LLC, an affiliate of Vornado Realty, LP (“Vornado II”). Following this reorganization, Vornado JV LLC owns the interests in the retail unit and the office unit (the “Filenes Office/Retail Component”) and Vornado JV II LLC owns the interests in the parking unit, the hotel unit and the residential unit (“the “Filenes Hotel/Residential/Parking Component”). In connection with the foregoing, (a) the Limited Liability Company Agreement of Vornado JV LLC, as amended, was amended and restated to reflect, among other things, the change in the ownership structure described above, (b) the Limited Liability Company Agreement of JPM JV LLC was amended and restated to reflect, among other things, the change in the ownership structure described above and (c) the Limited Liability Company Agreement of M-C/Gale JV LLC was amended and restated to reflect, among other things, the change in the ownership structure described above.

As a result of the foregoing transactions, (A) (i) the Filenes Office/Retail Component is owned by Vornado JV LLC, (ii) Vornado JV LLC is owned 50 percent by each of Vornado and JPM JV LLC, (iii) JPM JV LLC is owned 30 percent by M-C/Gale JV LLC, 70 percent by JPM and managed by Gale/426, which has no ownership interest in JPM JV LLC, and (iv) M-C/Gale JV LLC is owned 99.99 percent by the Company and 0.01 percent by Gale/426 and (B) (i) the Filenes Hotel/Residential/Parking Component is owned by Vornado JV II LLC, (ii) Vornado JV II LLC is owned 50 percent by each of Vornado II and JPM JV II LLC, (iii) JPM JV II LLC is owned 30 percent by M-C/Gale JV II LLC, 70 percent by JPM II and managed by Gale/426, which has no ownership interest in JPM JV II LLC, and (iv) M-C/Gale JV II LLC is owned 99.99 percent by the Company and 0.01 percent by Gale/426. Thus, the Company holds approximately a 15 percent indirect ownership interest in each of Vornado JV LLC and Vornado JV II LLC and the Filenes Property.

Distributions are made (i) by Vornado JV LLC in proportion to its members’ respective ownership interests, (ii) by JPM JV LLC (a) initially, in proportion to its members’ respective ownership interests until JPM’s investment yields an 11 percent IRR, (b) thereafter, 60/40 to JPM and MC/Gale JV LLC, respectively, until JPM’s investment yields a 15 percent IRR and (c) thereafter, 50/50 to JPM and MC/Gale JV LLC, respectively, and (iii) by MC/Gale JV LLC (w) initially, in proportion to its members’ respective ownership interests until each member has received a 10 percent IRR on its investment, (x) thereafter, 65/35 to the Company and Gale/426, respectively, until the Company’s investment yields a 15 percent IRR, (y) if by the time the Company receives a 15 percent IRR on its investment, Gale/426 has not done so, 100 percent to Gale/426 until Gale/426’s investment yields a 15 percent IRR, and (z) thereafter, 50/50 to each of the Company and Gale/426.

Distributions are made (i) by Vornado JV II LLC in proportion to its members’ respective ownership interests, (ii) by JPM JV II LLC (a) initially, in proportion to its members’ respective ownership interests until JPM II’s investment yields an 11 percent IRR, (b) thereafter, 60/40 to JPM II and M-C/Gale JV II LLC, respectively, until JPM II’s investment yields a 15 percent IRR and (c) thereafter, 50/50 to JPM II and M-C/Gale JV II LLC, respectively, and (iii) by M-C/Gale JV II LLC (w) initially, in proportion to its members’ respective ownership

interests until each member has received a 10 percent IRR on its investment, (x) thereafter, 65/35 to the Company and Gale/426, respectively, until the Company's investment yields a 15 percent IRR, (y) if by the time the Company receives a 15 percent IRR on its investment, Gale/426 has not done so, 100 percent to Gale/426 until Gale/426's investment yields a 15 percent IRR, and (z) thereafter, 50/50 to each of the Company and Gale/426.

The joint venture has suspended its plans for the development of the Filenes Property which was to include approximately 1.2 million square feet consisting of office, retail, condominium apartments, hotel and a parking garage. The project is subject to governmental approvals. The venture recorded an impairment charge of approximately \$69.5 million on its development project as of December 31, 2008.

GALE JEFFERSON, L.L.C.

On August 22, 2007, the Company entered into a joint venture with a Gale Affiliate to form M-C Jefferson, L.L.C. ("M-C Jefferson"). M-C Jefferson was formed for the sole purpose of acquiring a Gale Affiliate's 33.33 percent membership interest in Gale Jefferson, L.L.C. ("Gale Jefferson"), an entity holding a 25 percent interest in One Jefferson Road LLC ("One Jefferson"), which developed and placed in service a 100,000 square foot office property at One Jefferson Road, Parsippany, New Jersey, ("the Jefferson Property"). The property has been fully leased to a single tenant through August 2025.

The operating agreement of M-C Jefferson provides, among other things, for the Gale Participation Rights (of which Mark Yeager, a former Executive Vice President of the Corporation, has a direct 26 percent interest). Gale Jefferson is owned 33.33 percent by M-C Jefferson and 66.67 percent by the Hampshire Generational Fund, L.L.C. ("Hampshire"). The operating agreements of Gale Jefferson provides, among other things, for the distribution of net cash flow, first, in accordance with its member's respective interests until each member is provided, as a result of such distributions, with an annual 12 percent compound return on the Member's Capital Contributions, as defined in the operating agreement and secondly, 50 percent to each of the Company and Hampshire.

One Jefferson has a loan in an amount not to exceed \$21 million (with a balance of \$16.7 million at June 30, 2010), bearing interest at a rate of LIBOR plus 160 basis points and maturing on October 24, 2010 with a one-year extension option, subject to certain conditions and payment of a fee.

The Company performs management, leasing and other services for Gale Jefferson and recognized \$94,500 and \$204,000 in income (net of \$3.0 million and \$151,000 in direct costs) for such services for the three months ended June 30, 2010 and 2009, respectively, and \$131,500 and \$653,000 in income (net of \$4.0 million and \$465,000 in direct costs) for the six months ended June 30, 2010 and 2009, respectively.

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

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 666,697 square feet, located in the towns of Andover, Bedford and Billerica, Massachusetts. Profits and losses were shared by the partners in proportion to their respective interests until the investment yielded an 11 percent IRR, then sharing shifted to 40/60, and when the IRR reached 15 percent, then sharing shifted to 50/50. The Route 93 Participant is a joint venture between the Company and a Gale affiliate. Profits and losses were shared by the partners under this venture in proportion to their respective interests (83.3/16.7) until the investment yielded an 11 percent IRR, then sharing shifted to 50/50.

On March 31, 2009, on account of the deterioration at the time in the commercial real estate markets in the Boston area, the Company wrote off its investment in the venture and recorded an impairment charge in equity in earnings (loss) of \$4.0 million (of which \$0.6 million was attributable to noncontrolling interest in consolidated joint ventures) during the period. The Route 93 Ventures had a mortgage loan with a \$44.2 million balance at September 1, 2009 collateralized by its office properties. The loan bore interest at a rate of LIBOR plus 220 basis points and was scheduled to mature on July 11, 2009. On September 2, 2009, the venture transferred the deeds to the lender in satisfaction of its obligations.

SUMMARIES OF UNCONSOLIDATED JOINT VENTURES

The following is a summary of the financial position of the unconsolidated joint ventures in which the Company had investment interests as of June 30, 2010 and December 31, 2009. (dollars in thousands)

	June 30, 2010									Combined Total
	Plaza VIII & IX Associates	Harborside South Pier	Red Bank Corporate Plaza	Gramercy Agreement	Princeton Forrestal Village	Gale Kimball	12 Vreeland	Boston- Downtown Crossing	Gale Jefferson	
Assets:										
Rental property, net	\$ 9,254	\$ 67,375	\$ 23,966	\$ 67,700	\$ 37,334	--	\$ 14,669	--	--	\$ 220,298
Other assets	1,354	9,510	5,993	9,535	21,481	\$ 1,812	937	\$ 46,383	\$ 2,085	99,090
Total assets	\$ 10,608	\$ 76,885	\$ 29,959	\$ 77,235	\$ 58,815	\$ 1,812	\$ 15,606	\$ 46,383	\$ 2,085	\$ 319,388
Liabilities and partners'/members' capital (deficit):										
Mortgages, loans payable and other obligations	--	\$ 73,055	\$ 20,594	\$ 77,758	\$ 50,307	--	\$ 4,342	--	--	\$ 226,056
Other liabilities	\$ 532	5,779	18	2,400	2,553	--	--	--	--	11,282
Partners'/members' capital (deficit)	10,076	(1,949)	9,347	(2,923)	5,955	\$ 1,812	11,264	\$ 46,383	\$ 2,085	82,050
Total liabilities and partners'/members' capital (deficit)	\$ 10,608	\$ 76,885	\$ 29,959	\$ 77,235	\$ 58,815	\$ 1,812	\$ 15,606	\$ 46,383	\$ 2,085	\$ 319,388
Company's investment in unconsolidated joint ventures, net	\$ 4,960	\$ 231	\$ 4,504	--	\$ 1,451	\$ 1,199	\$ 9,664	\$ 13,117	\$ 872	\$ 35,998

	December 31, 2009									Combined Total
	Plaza VIII & IX Associates	Harborside South Pier	Red Bank Corporate Plaza	Gramercy Agreement	Princeton Forrestal Village	Gale Kimball	12 Vreeland	Boston- Downtown Crossing	Gale Jefferson	
Assets:										
Rental property, net	\$ 9,560	\$ 61,836	\$ 24,884	\$ 73,037	\$ 38,739	--	\$ 15,265	--	--	\$ 223,321
Other assets	997	15,255	4,623	8,631	21,937	\$ 1,998	1,068	\$ 45,884	\$ 1,780	102,173
Total assets	\$ 10,557	\$ 77,091	\$ 29,507	\$ 81,668	\$ 60,676	\$ 1,998	\$ 16,333	\$ 45,884	\$ 1,780	\$ 325,494
Liabilities and partners'/members' capital (deficit):										
Mortgages, loans payable and other obligations	--	\$ 73,553	\$ 20,764	\$ 90,288	\$ 51,187	--	\$ 5,007	--	--	\$ 240,799
Other liabilities	\$ 532	4,374	162	2,589	3,830	--	--	--	--	11,487
Partners'/members' capital (deficit)	10,025	(836)	8,581	(11,209)	5,659	\$ 1,998	11,326	\$ 45,884	\$ 1,780	73,208
Total liabilities and partners'/members' capital (deficit)	\$ 10,557	\$ 77,091	\$ 29,507	\$ 81,668	\$ 60,676	\$ 1,998	\$ 16,333	\$ 45,884	\$ 1,780	\$ 325,494
Company's investment in unconsolidated joint ventures, net	\$ 4,935	\$ 860	\$ 4,104	--	\$ 1,211	\$ 1,259	\$ 9,599	\$ 12,948	\$ 764	\$ 35,680

SUMMARIES OF UNCONSOLIDATED JOINT VENTURES

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 June 30, 2010 and 2009. (dollars in thousands)

	Three Months Ended June 30, 2010										
	Plaza VIII & IX Associates	Harborside South Pier	Red Bank Corporate Plaza	Gramercy Agreement	Princeton Forrestal Village	Gale Kimball	12 Vreeland	Boston- Downtown Crossing	Gale Jefferson	Route 93 Portfolio	Combined Total
Total revenues	\$ 191	\$ 9,277	\$ 823	\$ 2,790	\$ 3,117	\$ 78	\$ 396	--	--	--	\$ 16,672
Operating and other	(47)	(6,423)	(219)	(1,290)	(1,702)	--	(76)	\$ (318)	\$ (95)	--	(10,170)
Depreciation and amortization	(153)	(1,325)	(231)	(949)	(877)	--	(315)	--	--	--	(3,850)
Interest expense	--	(1,106)	(86)	(608)	(422)	--	(53)	--	--	--	(2,275)
Net income	\$ (9)	\$ 423	\$ 287	\$ (57)	\$ 116	\$ 78	\$ (48)	\$ (318)	\$ (95)	--	\$ 377
Company's equity in earnings (loss) of unconsolidated joint ventures	\$ (5)	\$ 140	\$ 231	--	\$ 19	\$ 26	\$ (24)	\$ (96)	\$ (31)	--	\$ 260

	Three Months Ended June 30, 2009										
	Plaza VIII & IX Associates	Harborside South Pier	Red Bank Corporate Plaza	M-G-G	Princeton Forrestal Village	Gale Kimball	12 Vreeland	Boston- Downtown Crossing	Gale Jefferson	Route 93 Portfolio	Combined Total
Total revenues	\$ 199	\$ 8,841	\$ 803	\$ 6,459	\$ 3,227	--	\$ 597	--	--	\$ 967	\$ 21,093
Operating and other	(52)	(5,830)	(209)	(2,792)	(1,444)	\$ (29)	(16)	\$ (7,738)	--	(863)	(18,973)
Depreciation and amortization	(153)	(1,087)	(149)	(2,421)	(1,326)	--	(127)	--	--	(456)	(5,719)
Interest expense	--	(1,161)	(89)	(1,632)	(450)	--	(113)	--	--	(305)	(3,750)
Net income	\$ (6)	\$ 763	\$ 356	\$ (386)	\$ 7	\$ (29)	\$ 341	\$ (7,738)	--	\$ (657)	\$ (7,349)
Company's equity in earnings (loss) of unconsolidated joint ventures	\$ (3)	\$ 750	\$ 178	\$ (202)	\$ (88)	\$ 23	\$ 170	\$ (2,750)	--	--	\$ (1,922)

SUMMARIES OF UNCONSOLIDATED JOINT VENTURES

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 six months ended June 30, 2010 and 2009. (dollars in thousands)

	Six Months Ended June 30, 2010										
	Plaza VIII & IX Associates	Harborside South Pier	Red Bank Corporate Plaza	Gramercy Agreement	Princeton Forrestal Village	Gale Kimball	12 Vreeland	Boston- Downtown Crossing	Gale Jefferson	Route 93 Portfolio	Combined Total
Total revenues	\$ 452	\$ 14,384	\$ 2,580	\$ 14,508	\$ 6,428	\$ 122	\$ 990	--	--	--	\$ 39,464
Operating and other	(96)	(10,876)	(431)	(2,989)	(3,561)	--	(90)	\$ (509)	\$ (152)	--	(18,704)
Depreciation and amortization	(306)	(2,435)	(451)	(1,952)	(1,719)	--	(631)	--	--	--	(7,494)
Interest expense	--	(2,186)	(169)	(1,281)	(852)	--	(139)	--	--	--	(4,627)
Net income	\$ 50	\$ (1,113)	\$ 1,529	\$ 8,286	\$ 296	\$ 122	\$ 130	\$ (509)	\$ (152)	--	\$ 8,639
Company's equity in earnings (loss) of unconsolidated joint ventures	\$ 25	\$ (628)	\$ 383	--	\$ 47	\$ 42	\$ 65	\$ (153)	\$ (43)	--	\$ (262)

	Six Months Ended June 30, 2009										
	Plaza VIII & IX Associates	Harborside South Pier	Red Bank Corporate Plaza	M-G-G	Princeton Forrestal Village	Gale Kimball	12 Vreeland	Boston- Downtown Crossing	Gale Jefferson	Route 93 Portfolio	Combined Total
Total revenues	\$ 387	\$ 15,668	\$ 1,613	\$ 19,638	\$ 6,406	\$ 35	\$ 1,192	--	--	\$ 1,687	\$ 46,626
Operating and other	(94)	(10,809)	(458)	(8,128)	(3,173)	--	(35)	\$ (8,858)	--	(1,971)	(33,526)
Depreciation and amortization	(306)	(2,085)	(297)	(7,255)	(2,232)	--	(255)	--	--	(909)	(13,339)
Interest expense	--	(2,305)	(172)	(5,276)	(925)	--	(234)	--	--	(611)	(9,523)
Net income	\$ (13)	\$ 469	\$ 686	\$ (1,021)	\$ 76	\$ 35	\$ 668	\$ (8,858)	--	\$ (1,804)	\$ (9,762)
Company's equity in earnings (loss) of unconsolidated joint ventures	\$ (7)	\$ 1,496	\$ 343	\$ (915)	\$ (72)	\$ 42	\$ 334	\$ (3,903)	--	\$ (4,354)	\$ (7,036)

5. DEFERRED CHARGES AND OTHER ASSETS

<i>(dollars in thousands)</i>	June 30, 2010	December 31, 2009
Deferred leasing costs	\$ 226,190	\$ 229,725
Deferred financing costs	28,743	26,733
	254,933	256,458
Accumulated amortization	(117,239)	(119,267)
Deferred charges, net	137,694	137,191
In-place lease values, related intangible and other assets, net	41,445	49,180
Prepaid expenses and other assets, net	37,670	27,303
Total deferred charges and other assets, net	\$ 216,809	\$ 213,674

6. DISCONTINUED OPERATIONS

On June 1, 2010, the Company disposed of its 150,050 square foot office property located at 105 Challenger Road in Ridgefield Park, New Jersey and recorded a gain on the disposal of the office property of approximately \$4.4 million. The Company has presented this property as discontinued operations in its statement of operations for all periods presented.

The following table summarizes income from discontinued operations and the related realized gains (losses) and unrealized losses on disposition of rental property, net, for the three and six month periods ended June 30, 2010 and 2009: *(dollars in thousands)*

	Three Months		Six Months	
	June 30,		June 30,	
	2010	2009	2010	2009
Total revenues	\$ 945	\$1,515	\$2,255	\$2,895
Operating and other expenses	(498)	(633)	(1,173)	(1,336)
Depreciation and amortization	(302)	(475)	(409)	(905)
Interest expense (net of interest income)	(134)	(303)	(431)	(600)
Income from discontinued operations before gains (losses) and unrealized losses on disposition of rental property	11	104	242	54
Realized gains (losses) and unrealized losses on disposition of rental property, net	4,447	--	4,447	--
Total discontinued operations, net	\$4,458	\$ 104	\$4,689	\$ 54

7. SENIOR UNSECURED NOTES

A summary of the Company's senior unsecured notes as of June 30, 2010 and December 31, 2009 is as follows (dollars in thousands):

	June 30, 2010	December 31, 2009	Effective Rate (1)
5.050% Senior Unsecured Notes, due April 15, 2010 (2)	--	\$ 149,984	5.265%
7.835% Senior Unsecured Notes, due December 15, 2010	\$ 15,000	15,000	7.950%
7.750% Senior Unsecured Notes, due February 15, 2011	299,900	299,814	7.930%
5.250% Senior Unsecured Notes, due January 15, 2012	99,696	99,599	5.457%
6.150% Senior Unsecured Notes, due December 15, 2012	93,701	93,455	6.894%
5.820% Senior Unsecured Notes, due March 15, 2013	25,806	25,751	6.448%
4.600% Senior Unsecured Notes, due June 15, 2013	99,915	99,901	4.742%
5.125% Senior Unsecured Notes, due February 15, 2014	200,869	200,989	5.110%
5.125% Senior Unsecured Notes, due January 15, 2015	149,579	149,533	5.297%
5.800% Senior Unsecured Notes, due January 15, 2016	200,427	200,464	5.806%
7.750% Senior Unsecured Notes, due August 15, 2019	248,051	247,944	8.017%
Total Senior Unsecured Notes	\$1,432,944	\$1,582,434	

- (1) Includes the cost of terminated treasury lock agreements (if any), offering and other transaction costs and the discount/premium on the notes, as applicable.
(2) These notes were paid at maturity on April 15, 2010.

8. UNSECURED REVOLVING CREDIT FACILITY

The Company has a \$775 million unsecured credit facility (expandable to \$800 million) with a group of 23 Lenders. The interest rate on outstanding borrowings (not electing the Company's competitive bid feature) is LIBOR plus 55 basis points at the BBB/Baa2 pricing level. In June 2010, the Company exercised its option to extend the credit facility for one year to June 2012 and paid the \$1,162,500 extension fee.

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 55 basis point spread. The Company may also elect an interest rate representing the higher of the lender's prime rate or the Federal Funds rate plus 50 basis points. The unsecured facility also requires a 15 basis point facility fee on the current borrowing capacity payable quarterly in arrears.

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

Company'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-	100.0	25.0
BBB-/Baa3/BBB-	75.0	20.0
BBB/Baa2/BBB (current)	55.0	15.0
BBB+/Baa1/BBB+	42.5	15.0
A-/A3/A- or higher	37.5	12.5

- (a) If the Company 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 Company 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 Company has debt ratings from only one agency, it will be considered to have no rating or less than BBB-/Baa3/BBB- per the above table.

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

The lending group for the credit facility consists of: JPMorgan Chase Bank, N.A., as administrative agent (the "Agent"); Bank of America, N.A., as syndication agent; Scotiabanc, Inc., 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 Tokyo-Mitsubishi UFJ, Ltd. (Successor by merger to UFJ Bank Limited); North Fork Bank; Bank Hapoalim B.M.; Comerica Bank; Chang Hwa Commercial Bank, Ltd., New York Branch; First Commercial Bank, New York Agency; Mega International Commercial Bank Co. Ltd., New York Branch; Deutsche Bank Trust Company Americas and Hua Nan Commercial Bank, New York Agency, as participants.

As of June 30, 2010 and December 31, 2009, the Company had no outstanding borrowings under its unsecured revolving credit facility.

MONEY MARKET LOAN

The Company has an agreement with JPMorgan Chase Bank to participate in a noncommitted money market loan program ("Money Market Loan"). The Money Market Loan is an unsecured borrowing of up to \$75 million arranged by JPMorgan Chase Bank with maturities of 30 days or less. The rate of interest on the Money Market Loan borrowing is set at the time of each borrowing. As of June 30, 2010 and December 31, 2009, the Company had no outstanding borrowings under the Money Market Loan.

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. As of June 30, 2010, 31 of the Company's properties, with a total book value of approximately \$982,438,000, are encumbered by the Company's mortgages and loans payable. Payments on mortgages, loans payable and other obligations are generally due in monthly installments of principal and interest, or interest only.

A summary of the Company's mortgages, loans payable and other obligations as of June 30, 2010 and December 31, 2009 is as follows: (dollars in thousands)

Property Name	Lender	Effective Interest Rate (a)	June 30, 2010	December 31, 2009	Maturity
105 Challenger Road (b)	Archon Financial CMBS	6.235%	--	\$ 19,408	--
2200 Renaissance Boulevard	Wachovia CMBS	5.888%	\$ 16,398	16,619	12/01/12
Soundview Plaza	Morgan Stanley Mortgage Capital	6.015%	16,356	16,614	01/01/13
9200 Edmonston Road	Principal Commercial Funding L.L.C.	5.534%	4,726	4,804	05/01/13
6305 Ivy Lane	John Hancock Life Insurance Co.	5.525%	6,586	6,693	01/01/14
395 West Passaic	State Farm Life Insurance Co.	6.004%	11,505	11,735	05/01/14
6301 Ivy Lane	John Hancock Life Insurance Co.	5.520%	6,201	6,297	07/01/14
35 Waterview Boulevard	Wachovia CMBS	6.348%	19,477	19,613	08/11/14
6 Becker, 85 Livingston, 75 Livingston & 20 Waterview	Wachovia CMBS	10.220%	60,806	60,409	08/11/14
4 Sylvan	Wachovia CMBS	10.190%	14,376	14,357	08/11/14
10 Independence	Wachovia CMBS	12.440%	15,469	15,339	08/11/14
4 Becker	Wachovia CMBS	9.550%	36,677	36,281	05/11/16
5 Becker	Wachovia CMBS	12.830%	11,347	11,111	05/11/16
210 Clay	Wachovia CMBS	13.420%	11,297	11,138	05/11/16
51 Imclone	Wachovia CMBS	8.390%	3,896	3,899	05/11/16
Various (c)	Prudential Insurance	6.332%	150,000	150,000	01/15/17
23 Main Street	JPMorgan CMBS	5.587%	31,791	32,042	09/01/18
Harborside Plaza 5	The Northwestern Mutual Life Insurance Co. & New York Life Insurance Co.	6.842%	235,907	237,248	11/01/18
100 Walnut Avenue	Guardian Life Insurance Co.	7.311%	19,538	19,600	02/01/19
One River Center (d)	Guardian Life Insurance Co.	7.311%	44,759	44,900	02/01/19
581 Main Street	Valley National Bank	6.935% (e)	16,762	16,896	07/01/34
Total mortgages, loans payable and other obligations			\$733,874	\$755,003	

- (a) Reflects effective rate of debt, including deferred financing costs, comprised of the cost of terminated treasury lock agreements (if any), debt initiation costs, mark-to-market adjustment of acquired debt and other transaction costs, as applicable.
- (b) On June 1, 2010, the Company transferred the deed for 105 Challenger Road to the lender in satisfaction of its obligations.
- (c) Mortgage is collateralized by seven properties. On January 15, 2010, the Company extended the mortgage loan until January 15, 2017 at an effective interest rate of 6.33 percent.
- (d) Mortgage is collateralized by the three properties comprising One River Center.
- (e) The coupon interest rate will be reset at the end of year 10 and year 20 at 225 basis points over the 10-year treasury yield 45 days prior to the reset dates with a minimum rate of 6.875 percent.

CASH PAID FOR INTEREST AND INTEREST CAPITALIZED

Cash paid for interest for the six months ended June 30, 2010 and 2009 was \$74,973,000, and \$67,381,000, respectively. Interest capitalized by the Company for the six months ended June 30, 2010 and 2009 was \$775,000 and \$845,000, respectively.

SUMMARY OF INDEBTEDNESS

As of June 30, 2010, the Company's total indebtedness of \$2,166,818,000 (weighted average interest rate of 6.81 percent) was comprised of all fixed rate debt. As of December 31, 2009, the Company's total indebtedness of \$2,337,437,000 (weighted average interest rate of 6.61 percent) was comprised of all fixed rate debt.

10. MACK-CALI REALTY, L.P.'S PARTNERS' CAPITAL

Partners' Capital in the accompanying consolidated financial statements relates to (a) General Partner's capital consisting of common units and Series C preferred units ("Preferred Units") in the Company, and (b) Limited Partners' capital consisting of common units held by the limited partners.

Any transactions resulting in the issuance of additional common and preferred stock of the Corporation result in a corresponding issuance by the Company of an equivalent amount of common and preferred units to the Corporation.

GENERAL PARTNER'S CAPITAL

PREFERRED STOCK

The Corporation has 10,000 units of eight-percent Series C cumulative redeemable perpetual preferred stock issued and outstanding ("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 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 Corporation's Board of Directors until dividends have been paid in full. At June 30, 2010, there were no dividends in arrears. The Corporation 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.

The Series C Preferred Stock is redeemable at the option of the Corporation, in whole or in part, at \$25 per depositary share, plus accrued and unpaid dividends.

PREFERRED UNITS

In connection with the Corporation's issuance of \$25 million of Series C cumulative redeemable perpetual preferred stock, the Corporation acquired from the Company \$25 million of Series C Preferred Units (the "Series C Preferred Units"), which have terms essentially identical to the Series C preferred stock.

REPURCHASE OF GENERAL PARTNER'S UNITS

On September 12, 2007, the Corporation's Board of Directors authorized an increase to the Corporation's repurchase program under which the Corporation was permitted to purchase up to \$150 million of the Corporation's outstanding common stock ("Repurchase Program"). The Corporation has purchased and retired 2,893,630 shares of its outstanding common stock for an aggregate cost of approximately \$104 million through June 30, 2010 under the Repurchase Program (none of which has occurred in 2009 and the three months ended June 30, 2010.) Concurrent with these purchases, the Corporation sold to the Company 2,893,630 common units for approximately \$104 million. The Corporation has a remaining authorization to repurchase up to an additional \$46 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 Corporation 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 June 30, 2010 under this plan. In September 2000, the Corporation 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 Corporation 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 Corporation'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 Corporation 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 Corporation'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 June 30, 2010 and December 31, 2009, the stock options outstanding had a weighted

average remaining contractual life of approximately 2.0 and 2.5 years, respectively. Stock options exercisable at June 30, 2010 and December 31, 2009 had a weighted average remaining contractual life of approximately 2.0 and 2.5 years, respectively.

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

	Shares Under Options	Weighted Average Exercise Price	Aggregate Intrinsic Value \$(000's)
Outstanding at January 1, 2010	352,184	\$28.74	\$2,055
Exercised	(18,448)	27.81	
Lapsed or canceled	--		
Outstanding at June 30, 2010 (\$26.26 – \$45.47)	333,736	\$28.79	\$ 315
Options exercisable at June 30, 2010	333,736		
Available for grant at June 30, 2010	3,811,548		

Cash received from options exercised under all stock option plans was \$202,000 and \$0 for the three month ended June 30, 2010 and 2009, respectively, and \$513,000 and \$0 for the six months ended June 30, 2010 and 2009, respectively. The total intrinsic value of options exercised during the three months ended June 30, 2010 and 2009 was \$61,000 and \$0, respectively, and \$141,000 and \$0 for the six months ended June 30, 2010 and 2009, respectively. The Corporation has a policy of issuing new shares to satisfy stock option exercises.

STOCK COMPENSATION

The Corporation has issued stock awards ("Restricted Stock Awards") to officers, certain other employees, and nonemployee members of the Board of Directors of the Corporation, which allow the holders to each receive a certain amount of shares of the Corporation's common stock generally over a one to seven-year vesting period, of which 216,802 unvested shares were outstanding as of June 30, 2010. Of the outstanding Restricted Stock Awards issued to executive officers and senior management, 137,932 are contingent upon the Corporation meeting certain performance goals to be set by the Executive Compensation and Option Committee of the Board of Directors of the Corporation each year, with the remaining based on time and service. All Restricted Stock Awards provided to the officers and certain other employees were issued under the 2000 Employee Plan and the Employee Plan. Restricted Stock Awards provided to directors were issued under the 2000 Director Plan.

Information regarding the Restricted Stock Awards is summarized below:

	Shares	Weighted-Average Grant – Date Fair Value
Outstanding at January 1, 2010	323,088	\$36.58
Granted	36,200	35.40
Vested	(119,008)	34.63
Forfeited	(23,478)	35.70
Outstanding at June 30, 2010	216,802	\$37.55

DEFERRED STOCK COMPENSATION PLAN FOR DIRECTORS

The Amended and Restated Deferred Compensation Plan for Directors, which commenced January 1, 1999, allows non-employee directors of the Corporation 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 Corporation, as defined in the plan. Deferred stock units are credited to each director quarterly using the closing price of the Corporation's common stock on the applicable dividend record date for the respective quarter. Each participating director's account is also credited for an equivalent amount of deferred stock units based on the dividend rate for each quarter.

During the six months ended June 30, 2010 and 2009, 6,311 and 8,813 deferred stock units were earned, respectively. As of June 30, 2010 and 2009, there were 77,506 and 64,112 director stock units outstanding, respectively.

LIMITED PARTNERS' CAPITAL

Common Units

Certain individuals and entities own common units in the Company. A common unit and a share of Common Stock of the Corporation have substantially the same economic characteristics in as much as they effectively share equally in the net income or loss of the Company. Common unitholders (other than the General Partner) have the right to redeem their common units, subject to certain restrictions. The redemption is required to be satisfied in shares of Common Stock of the General Partner, cash, or a combination thereof, calculated as follows: one share of the General Partner's Common Stock, or cash equal to the fair market value of a share of the General Partner's Common Stock at the time of redemption, for each common unit. The Company, in its sole discretion, determines the form of redemption of common units (i.e., whether a common unitholder receives Common Stock of the General Partner, cash, or any combination thereof). If the Company elects to satisfy the redemption with shares of Common Stock of the General Partner as opposed to cash, the General Partner is obligated to issue shares of its Common Stock to the redeeming unitholder. Regardless of the rights described above, the common unitholders may not put their units for cash to the Company or the General Partner under any circumstances.

EARNINGS PER UNIT

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

The following information presents the Company's results for the three months ended June 30, 2010 and 2009 in accordance with ASC 260, Earnings Per Unit: *(dollars in thousands)*

Computation of Basic EPU	Three Months Ended June 30,	
	2010	2009
Income from continuing operations	\$ 17,791	\$ 24,521
Add: Noncontrolling interest in consolidated joint ventures	86	135
Deduct: Preferred unit distributions	(500)	(500)
Income from continuing operations available to common unitholders	17,377	24,156
Income from discontinued operations available to common unitholders	4,458	104
Net income available to common unitholders	\$ 21,835	\$ 24,260
Weighted average common units	92,357	88,000
Basic EPU:		
Income from continuing operations available to common unitholders	\$ 0.19	\$ 0.28
Income from discontinued operations available to common unitholders	0.05	--
Net income available to common unitholders	\$ 0.24	\$ 0.28

Computation of Diluted EPU	Three Months Ended June 30,	
	2010	2009
Income from continuing operations available to common unitholders	17,377	24,156
Income from discontinued operations available to common unitholders	4,458	104
Net income available to common unitholders	\$ 21,835	\$ 24,260
Weighted average common units	92,489	88,000

Diluted EPU:

Income from continuing operations available to common unitholders	\$ 0.19	\$ 0.28
Income from discontinued operations available to common unitholders	0.05	--
Net income available to common unitholders	\$ 0.24	\$ 0.28

The following information presents the Company's results for the six months ended June 30, 2010 and 2009 in accordance with ASC 260, Earnings Per Unit: *(dollars in thousands)*

Computation of Basic EPU	Six Months Ended June 30,	
	2010	2009
Income from continuing operations	\$ 34,937	\$ 39,168
Add: Noncontrolling interest in consolidated joint ventures	173	767
Deduct: Preferred unit distributions	(1,000)	(1,000)
Income from continuing operations available to common unitholders	34,110	38,935
Income from discontinued operations available to common unitholders	4,689	54
Net income available to common unitholders	\$ 38,799	\$ 38,989
Weighted average common units	92,348	84,480

Basic EPU:

Income from continuing operations available to common unitholders	\$ 0.37	\$ 0.46
Income from discontinued operations available to common unitholders	0.05	--
Net income available to common unitholders	\$ 0.42	\$ 0.46

Computation of Diluted EPU	Six Months Ended June 30,	
	2010	2009
Income from continuing operations available to common unitholders	34,110	38,935
Income from discontinued operations available to common unitholders	4,689	54
Net income available to common unitholders	\$ 38,799	\$ 38,989
Weighted average common units	92,482	84,480

Diluted EPU:

Income from continuing operations available to common unitholders	\$ 0.37	\$ 0.46
Income from discontinued operations available to common unitholders	0.05	--
Net income available to common unitholders	\$ 0.42	\$ 0.46

The following schedule reconciles the units used in the basic EPU calculation to the units used in the diluted EPU calculation:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Basic EPU units	92,357	88,000	92,348	84,480
Add: Stock options	52	--	54	--
Restricted Stock Awards	80	--	80	--
Diluted EPU Units	92,489	88,000	92,482	84,480

Unvested restricted stock outstanding as of June 30, 2010 and 2009 were 216,802 and 301,418, respectively.

The following are distributions declared per Common Unit for the three and six months ended June 30, 2010 and 2009.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Distributions declared per common unit	\$0.45	\$0.45	\$0.90	\$0.90

11. CONSOLIDATED JOINT VENTURES

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

12. EMPLOYEE BENEFIT 401(k) PLANS

Employees of the Corporation, who meet certain minimum age and service requirements, are eligible to participate in the Mack-Cali Realty Corporation 401(k) Savings/Retirement Plan (the "401(k) Plan"). Eligible employees may elect to defer from one percent up to 60 percent of their annual compensation on a pre-tax basis to the 401(k) Plan, subject to certain limitations imposed by federal law. The amounts contributed by employees are immediately vested and non-forfeitable. The Corporation may make discretionary matching or profit sharing contributions to the 401(k) Plan on behalf of eligible participants in any plan year. Participants are always 100 percent vested in their pre-tax contributions and will begin vesting in any matching or profit sharing contributions made on their behalf after two years of service with the Corporation at a rate of 20 percent per year, becoming 100 percent vested after a total of six years of service with the Corporation. All contributions are allocated as a percentage of compensation of the eligible participants for the Plan year. The assets of the 401(k) Plan are held in trust and a separate account is established for each participant. A participant may receive a distribution of his or her vested account balance in the 401(k) Plan in a single sum or in installment payments upon his or her termination of service with the Corporation. The Company did not recognize any expense for the 401(k) Plan for each of the three months ended June 30, 2010 and 2009, respectively and for each of the six months ended June 30, 2010 and 2009, respectively. The Company did not make any contributions to the 401(k) Plan in 2009 and for the three and six months ended June 30, 2010.

13. DISCLOSURE OF FAIR VALUE OF FINANCIAL INSTRUMENTS

Effective April 2009, the Company adopted the provisions of ASC 825, Financial Instruments, related to interim disclosures about fair value of financial instruments. The authoritative guidance requires disclosures about fair value of financial instruments in both interim and annual financial statements. It also requires those disclosures in summarized financial information at interim reporting periods.

The following disclosure of estimated fair value was determined by management using available market information and appropriate valuation methodologies. However, considerable judgment is necessary to interpret market data and develop estimated fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize on disposition of the financial instruments at June 30, 2010 and December 31, 2009. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

Cash equivalents, marketable securities, receivables, accounts payable, and accrued expenses and other liabilities are carried at amounts which reasonably approximate their fair values as of June 30, 2010 and December 31, 2009.

The fair value of the Company's long-term debt, consisting of senior unsecured notes, an unsecured revolving credit facility and mortgages, loans payable and other obligations aggregate approximately \$2.3 billion and \$2.4 billion as compared to the book value of approximately \$2.2 billion and \$2.3 billion as of June 30, 2010 and December 31, 2009, respectively. The fair value of the Company's long-term debt is estimated on a level 2 basis (as provided by ASC 820, Fair Value Measurements and Disclosures), using a discounted cash flow analysis based on the borrowing rates currently available to the Company for loans with similar terms and maturities. The fair value of the mortgage debt and the unsecured notes was determined by discounting the future contractual interest and principal payments by a market rate.

Disclosure about fair value of financial instruments is based on pertinent information available to management as of June 30, 2010 and December 31, 2009. Although management is not aware of any factors that would significantly affect the fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since June 30, 2010 and current estimates of fair value may differ significantly from the amounts presented herein.

14. COMMITMENTS AND CONTINGENCIES

TAX ABATEMENT AGREEMENTS

Harborside Financial Center

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

The Harborside Plaza 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 \$275,000 and \$250,000 for the three months ended June 30, 2010 and 2009, respectively, and \$550,000 and \$500,000 for the six months ended June 30, 2010 and 2009, respectively.

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 June 30, 2010 and 2009, respectively, and \$1.6 million and \$1.6 million for the six months ended June 30, 2010 and 2009, respectively.

Total Project Costs for Harborside Plaza 5 and Harborside Plaza 4-A are currently being reviewed by the City of Jersey City. The Company believes that the ultimate resolution of such reviews will not have a material adverse effect on the Company's financial condition.

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

LITIGATION

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

GROUND LEASE AGREEMENTS

Future minimum rental payments under the terms of all non-cancelable ground leases under which the Company is the lessee, as of June 30, 2010, are as follows: *(dollars in thousands)*

Year	Amount
July 1 through December 31, 2010	\$ 229
2011	375
2012	367
2013	351
2014	367
2015 through 2084	17,060
Total	\$18,749

Ground lease expense incurred by the Company during the three months ended June 30, 2010 and 2009 amounted to \$127,000, and \$178,000, respectively, and \$286,000 and \$369,000 for the six months ended June 30, 2010 and 2009, respectively.

OTHER

The Company may not dispose of or distribute certain of its properties, currently comprising seven properties with an aggregate net book value of approximately \$133.9 million, which were originally contributed by certain unrelated common unitholders, without the express written consent of such 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 specific 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 Corporation'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 specific common unitholders, which include members of the Mack Group (which includes William L. Mack, Chairman of the Corporation's Board of Directors; David S. Mack, director of the Corporation; Earle I. Mack, a former director of the Corporation; and Mitchell E. Hersh, president, chief executive officer and director of the Corporation), the Robert Martin Group (which includes Robert F. Weinberg, director of the Corporation; Martin S. Berger, a former director of the Corporation; and Timothy M. Jones, former president of the Corporation), the Cali Group (which includes John R. Cali, director of the Corporation, and John J. Cali, a former director of the Corporation). 130 of the Company's properties, with an aggregate net book value of approximately \$1.8 billion, have lapsed restrictions and are subject to these conditions.

The Company had been obligated to acquire from an entity (the "Florham Entity") whose beneficial owners include Stanley C. Gale and Mark Yeager, a former executive officer of the Corporation, a 50 percent interest in a venture which owns a developable land parcel in Florham Park, New Jersey (the "Florham Park Land") for a maximum purchase price of up to \$10.5 million. In the event the acquisition of the Florham Park Land did not close by May 9, 2010, subject to certain conditions, the Florham Entity would have been obligated to pay certain deferred costs and an additional \$1 million to the Company at that time. On May 10, 2010, the parties agreed that the Company would not be obligated to purchase the land and the total amount due to the Company was reduced to \$840,000, of which \$351,000 is due in May 2015.

Sanofi-Aventis U.S. Inc. ("Sanofi"), which occupies neighboring buildings in Bridgewater, New Jersey, exercised its option to cause the Company to construct a building on its vacant, developable land and has signed a lease for the building. The lease has a term of fifteen years, subject to three five-year extension options. The construction of the 205,000 square foot building commenced in 2009 and is expected to be delivered to the tenant in January 2011. The total estimated costs of the project are expected to be approximately \$50.9 million (of which the Company has incurred \$30.8 million through June 30, 2010.)

15. TENANT LEASES

The Properties are leased to tenants under operating leases with various expiration dates through 2030. 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 June 30, 2010 are as follows (*dollars in thousands*):

Year	Amount
July 1 through December 31, 2010	\$ 295,457
2011	563,649
2012	504,649
2013	424,597
2014	354,866
2015 and thereafter	1,185,781
Total	\$3,328,999

16. SEGMENT REPORTING

The Company operates in two business segments: (i) real estate and (ii) construction services. The Company provides leasing, property and facilities management, acquisition, development, construction and tenant-related services for its portfolio. In May 2006, in conjunction with the Company's acquisition of the Gale Company and related businesses, the Company acquired a business specializing solely in construction and related services whose operations comprise the Company's construction services segment. The Company had no revenues from foreign countries recorded for the three and six months ended June 30, 2010 and 2009. The Company had no long lived assets in foreign locations as of June 30, 2010 and December 31, 2009. The accounting policies of the segments 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 real estate segment and net operating income from its construction services segment.

Selected results of operations for the three and six months ended June 30, 2010 and 2009 and selected asset information as of June 30, 2010 and December 31, 2009 regarding the Company's operating segments are as follows (dollars in thousands):

	Real Estate	Construction Services	Corporate & Other (d)	Total Company	
Total revenues:					
Three months ended:					
June 30, 2010	\$ 179,848	\$ 22,518	\$ 419	\$ 202,785	
June 30, 2009	182,316	5,988	(481)	187,823	
Six months ended:					
June 30, 2010	\$ 370,808	\$ 33,440	\$ (6,880)	\$ 397,368	
June 30, 2009	363,008	17,504	(7,403)	373,109	
Total operating and interest expenses(a):					
Three months ended:					
June 30, 2010	\$ 68,716	\$ 22,142	\$ 46,922	\$ 137,780	(e)
June 30, 2009	65,095	5,811	42,927	113,833	(f)
Six months ended:					
June 30, 2010	\$ 130,308	\$ 33,095	\$ 102,802	\$ 266,205	(g)
June 30, 2009	129,464	17,472	84,579	231,515	(h)
Equity in earnings (loss) of unconsolidated joint ventures:					
Three months ended:					
June 30, 2010	\$ 260	--	--	\$ 260	
June 30, 2009	1,442	--	\$ (3,364)	(1,922)	
Six months ended:					
June 30, 2010	\$ (262)	--	--	\$ (262)	
June 30, 2009	(3,386)	--	\$ (3,650)	(7,036)	
Net operating income (b):					
Three months ended:					
June 30, 2010	\$ 111,392	\$ 376	\$ (46,503)	\$ 65,265	(e)
June 30, 2009	118,663	177	(46,772)	72,068	(f)
Six months ended:					
June 30, 2010	\$ 240,238	\$ 345	\$(109,682)	\$ 130,901	(g)
June 30, 2009	230,158	32	(95,632)	134,558	(h)
Total assets:					
June 30, 2010	\$4,441,454	\$ 25,329	\$ 50,887	\$4,517,670	
December 31, 2009	4,512,974	12,015	196,648	4,721,637	
Total long-lived assets (c):					
June 30, 2010	\$4,128,881	--	\$ 48	\$4,128,929	
December 31, 2009	4,189,276	--	(1,142)	4,188,134	

- (a) Total operating and interest expenses represent the sum of: real estate taxes; utilities; operating services; direct construction costs; general and administrative and interest expense (net of interest and other investment 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 \$47,474 of depreciation and amortization.
- (f) Excludes \$49,240 of depreciation and amortization.
- (g) Excludes \$95,964 of depreciation and amortization.
- (h) Excludes \$97,083 of depreciation and amortization

17. IMPACT OF RECENTLY-ISSUED ACCOUNTING STANDARDS

FASB Accounting Standards Update No. 2010-02, Consolidation (Topic 810), *Accounting and Reporting for Decreases in Ownership of a Subsidiary—a Scope Clarification*

The objective of this Update is to address implementation issues related to the changes in ownership provisions in the Consolidation—Overall Subtopic (Subtopic 810-10) of the *FASB Accounting Standards Codification*TM, originally issued as FASB Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements*. Subtopic 810-10 establishes the accounting and reporting guidance for noncontrolling interests and changes in ownership interests of a subsidiary. An entity is required to deconsolidate a subsidiary when the entity ceases to have a controlling financial interest in the subsidiary. Upon deconsolidation of a subsidiary, an entity recognizes a gain or loss on the transaction and measures any retained investment in the subsidiary at fair value. The gain or loss includes any gain or loss associated with the difference between the fair value of the retained investment in the subsidiary and its carrying amount at the date the subsidiary is deconsolidated. In contrast, an entity is required to account for a decrease in its ownership interest of a subsidiary that does not result in a change of control of the subsidiary as an equity transaction.

This Update provides amendments to Subtopic 810-10 and related guidance within U.S. GAAP to clarify that the scope of the decrease in ownership provisions of the Subtopic and related guidance applies to the following:

1. A subsidiary or group of assets that is a business or nonprofit activity
2. A subsidiary that is a business or nonprofit activity that is transferred to an equity method investee or joint venture
3. An exchange of a group of assets that constitutes a business or nonprofit activity for a noncontrolling interest in an entity (including an equity method investee or joint venture).

The amendments in this Update also clarify that the decrease in ownership guidance in Subtopic 810-10 does not apply to the following transactions even if they involve businesses:

1. Sales of in substance real estate. Entities should apply the sale of real estate guidance in Subtopics 360-20 (Property, Plant, and Equipment) and 976-605 (Retail/Land) to such transactions.
2. Conveyances of oil and gas mineral rights. Entities should apply the mineral property conveyance and related transactions guidance in Subtopic 932-360 (Oil and Gas—Property, Plant, and Equipment) to such transactions.

If a decrease in ownership occurs in a subsidiary that is not a business or nonprofit activity, an entity first needs to consider whether the substance of the transaction causing the decrease in ownership is addressed in other U.S. GAAP, such as transfers of financial assets, revenue recognition, exchanges of nonmonetary assets, sales of in substance real estate, or conveyances of oil and gas mineral rights, and apply that guidance as applicable. If no other guidance exists, an entity should apply the guidance in Subtopic 810-10.

The amendments in this Update expand the disclosures about the deconsolidation of a subsidiary or derecognition of a group of assets within the scope of Subtopic 810-10. In addition to existing disclosures, an entity should disclose the following for such a deconsolidation or derecognition:

1. The valuation techniques used to measure the fair value of any retained investment in the former subsidiary or group of assets and information that enables users of its financial statements to assess the inputs used to develop the measurement
2. The nature of continuing involvement with the subsidiary or entity acquiring the group of assets after it has been deconsolidated or derecognized
3. Whether the transaction that resulted in the deconsolidation of the subsidiary or the derecognition of the group of assets was with a related party or whether the former subsidiary or entity acquiring the group of assets will be a related party after deconsolidation.

An entity also should disclose the valuation techniques used to measure an equity interest in an acquiree held by the entity immediately before the acquisition date in a business combination achieved in stages.

The amendments in this Update are effective beginning in the period that an entity adopts Statement 160 (now included in Subtopic 810-10). If an entity has previously adopted Statement 160 as of the date the amendments in this Update are included in the Accounting Standards Codification, the amendments in this Update are effective beginning in the first interim or annual reporting period ending on or after December 15, 2009. The amendments in this Update should be applied retrospectively to the first period that an entity adopted Statement 160. The adoption of this Update did not have a material impact on the Company's financial position, results of operations and disclosures contained in its financial statements.

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 together with its subsidiaries, (the "Corporation" or the "General Partner") is one of the largest real estate investment trusts (REITs) in the United States. Mack-Cali Realty, L.P. ("the Company") has been involved in all aspects of commercial real estate development, management and ownership for over 50 years and the Corporation has been a publicly-traded REIT since 1994. The Company owns or has interests in 287 properties (collectively, the "Properties"), primarily class A office and office/flex buildings, totaling approximately 32.9 million square feet, leased to approximately 2,100 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 12.5 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.

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 88.9 percent at June 30, 2010 as compared to 88.8 percent at March 31, 2010 and 90.6 percent at June 30, 2009. Percentage leased includes all leases in effect as of the period end date, some of which have commencement dates in the future and leases that expire at the period end date. Leases that expired as of June 30, 2010, March 31, 2010 and June 30, 2009 aggregate 154,534, 53,057 and 81,451 square feet, respectively, or 0.5, 0.2 and 0.3 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 June 30, 2010 decreased an average of 11.2 percent compared to rates that were in effect under the prior leases, as compared to a

7.3 percent decrease for the three months ended June 30, 2009. The Company believes that vacancy rates may continue to increase in some of its markets through 2010 and possibly beyond. As a result, the Company's future earnings and cash flow may continue to be negatively impacted by current market conditions.

The Company expects that the impact of the current state of the economy, including high unemployment and the unprecedented volatility in the financial and credit market, will continue to have a dampening effect on the fundamentals of its business, including increases in past due accounts, defaults, lower occupancy and reduced effective rents. These conditions would negatively affect the Company's future net income and cash flows and could have a material adverse effect on the Company's financial condition.

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

- real estate transactions;
- critical accounting policies and estimates;
- results of operations for the three and six months ended June 30, 2010 as compared to the three and six months ended June 30, 2009;
- liquidity and capital resources.

Real Estate Transactions

The Company's office property located at 105 Challenger Road in Ridgefield Park, New Jersey, aggregating 150,050 square feet, was collateral for a \$19.5 million mortgage loan scheduled to mature on June 6, 2010. The Company had recorded an impairment charge on the property of \$16.6 million at December 31, 2009. On June 1, 2010, the Company transferred the deed for 105 Challenger to the lender in satisfaction of its obligations. As a result, the Company recorded a gain on the disposal of the office property of approximately \$4.4 million.

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 June 30, 2010 and 2009 was \$0.4 million and \$0.2 million, respectively, and \$0.8 million and \$0.8 million for the six months ended June 30, 2010 and 2009, 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 fair values. The Company records goodwill or a gain on bargain purchase (if any) if the net assets acquired/liabilities assumed exceed the purchase consideration of a transaction. 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 initially 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. In addition to identifying any specific circumstances which may effect a property or properties, management considers other criteria for determining which properties may require assessment for potential impairment. The criteria considered by management include reviewing low leased percentages, significant near-term lease expirations, recently acquired properties, current and historical operating and/or cash flow losses, near-term mortgage debt maturities or other factors that might impact the Company's intent and ability to hold the

property. 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. These assumptions are generally based on management's experience in its local real estate markets and the effects of current market conditions. The assumptions 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, and actual losses or impairments may be realized in the future.

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.

Investments in Unconsolidated Joint Ventures:

The Company accounts for its investments in unconsolidated joint ventures under the equity method of accounting. The Company applies the equity method by initially recording these investments at cost, as Investments in Unconsolidated Joint Ventures, subsequently adjusted for equity in earnings and cash contributions and distributions.

Accounting Standards Codification ("ASC") 810, Consolidation, 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 VIEs (the "primary beneficiary"). Generally, the consideration of whether an entity is a VIE 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.

On January 1, 2010, the Company adopted the updated provisions of ASC 810, pursuant to FASB No. 167, which amends FIN 46(R) to require ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity. Additionally, FASB No. 167 amends FIN 46(R) to eliminate the quantitative approach previously required for determining the primary beneficiary of a variable interest entity, which was based on determining which enterprise absorbs the majority of the entity's expected losses, receives a majority of the entity's expected residual returns, or both. FASB No. 167 amends certain guidance in Interpretation 46(R) for determining whether an entity is a variable interest entity. Also, FASB No. 167 amends FIN 46(R) to require enhanced disclosures that will provide users of financial statements with more transparent information about an enterprise's involvement in a variable interest entity. The enhanced disclosures are required for any enterprise that holds a variable interest in a variable interest entity. The adoption of this guidance did not have a material impact to the Financial Statements. See Note 4: Investments in Unconsolidated Joint Ventures to the Financial Statements for disclosures regarding the Company's 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. The Company's estimates of value for each investment (particularly in commercial real estate joint ventures) 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 operating costs. As these factors are difficult to predict and are subject to future events that may alter management's assumptions, the values estimated by management in its impairment analyses may not be realized.

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 initially 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 collectability 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 six months ended June 30, 2010 (“2010”), as compared to the three and six months ended June 30, 2009 (“2009”), make reference to the following: (i) the effect of the “Same-Store Properties,” which represent all in-service properties owned by the Company at March 31, 2009 (for the three-month period comparisons), and which represent all in-service properties owned by the Company at December 31, 2008 (for the six-month period comparisons), excluding properties sold or held for sale through June 30, 2010, and (ii) the effect of the “Acquired Properties,” which represent all properties acquired by the Company, commencing initial operations, or initially consolidated by the Company, from April 1, 2009 through June 30, 2010 (for the three-month period comparisons), and which represent all properties acquired by the Company commencing initial operations, or initially consolidated by the Company from January 1, 2009 through June 30, 2010 (for the six-month period comparisons).

Three Months Ended June 30, 2010 Compared to Three Months Ended June 30, 2009

<i>(dollars in thousands)</i>	Three Months Ended June 30,		Dollar	Percent
	2010	2009	Change	Change
Revenue from rental operations and other:				
Base rents	\$ 149,692	\$ 152,891	\$ (3,199)	(2.1)%
Escalations and recoveries from tenants	25,837	24,623	1,214	4.9
Other income	3,230	3,399	(169)	(5.0)
Total revenues from rental operations	178,759	180,913	(2,154)	(1.2)
Property expenses:				
Real estate taxes	25,912	23,293	2,619	11.2
Utilities	16,409	15,956	453	2.8
Operating services	28,073	26,619	1,454	5.5
Total property expenses	70,394	65,868	4,526	6.9
Non-property revenues:				
Construction services	22,357	4,794	17,563	366.4
Real estate services	1,669	2,116	(447)	(21.1)
Total non-property revenues	24,026	6,910	17,116	247.7
Non-property expenses:				
Direct construction costs	21,411	4,296	17,115	398.4
General and administrative	8,658	10,651	(1,993)	(18.7)
Depreciation and amortization	47,474	49,240	(1,766)	(3.6)
Total non-property expenses	77,543	64,187	13,356	20.8
Operating income	54,848	57,768	(2,920)	(5.1)
Other (expense) income:				
Interest expense	(37,335)	(33,205)	(4,130)	(12.4)
Interest and other investment income	18	187	(169)	(90.4)
Equity in earnings (loss) of unconsolidated joint ventures	260	(1,922)	2,182	113.5
Gain on reduction of other obligations	--	1,693	(1,693)	(100.0)
Total other (expense) income	(37,057)	(33,247)	(3,810)	(11.5)
Income from continuing operations	17,791	24,521	(6,730)	(27.4)
Discontinued Operations:				
Income from discontinued operations	11	104	(93)	(89.4)
Realized gains (losses) and unrealized losses on disposition of rental property, net	4,447	--	4,447	--
Total discontinued operations, net	4,458	104	4,354	4,186.5
Net income	22,249	24,625	(2,376)	(9.6)
Noncontrolling interest in consolidated joint ventures	86	135	(49)	(36.3)
Preferred unit distributions	(500)	(500)	--	--
Net income available to common unitholders	\$ 21,835	\$ 24,260	\$ (2,425)	(10.0)%

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:

<i>(dollars in thousands)</i>	<u>Total Company</u>		<u>Same-Store Properties</u>		<u>Acquired Properties</u>	
	Dollar Change	Percent Change	Dollar Change	Percent Change	Dollar Change	Percent Change
Revenue from rental operations and other:						
Base rents	\$(3,199)	(2.1)%	\$(5,364)	(3.5)%	\$ 2,165	1.4%
Escalations and recoveries from tenants	1,214	4.9	1,017	4.1	197	0.8
Other income	(169)	(5.0)	(166)	(4.9)	(3)	(0.1)
Total	\$(2,154)	(1.2)%	\$(4,513)	(2.5)%	\$ 2,359	1.3%
Property expenses:						
Real estate taxes	\$ 2,619	11.2%	\$ 2,299	9.9%	\$ 320	1.3%
Utilities	453	2.8	357	2.2	96	0.6
Operating services	1,454	5.5	919	3.5	535	2.0
Total	\$ 4,526	6.9%	\$ 3,575	5.4%	\$ 951	1.5%

OTHER DATA:

Number of Consolidated Properties

(excluding properties held for sale): 267 255 12

Square feet *(in thousands)* 30,796 29,345 1,451

Base rents for the Same-Store Properties decreased \$5.4 million, or 3.5 percent, for 2010 as compared to 2009 due primarily to decreased occupancy and rental rates. Escalations and recoveries from tenants for the Same-Store Properties increased \$1.0 million, or 4.1 percent, for 2010 over 2009, due primarily to higher real estate taxes and utility expenses in 2010, as compared to 2009. Other income for the Same-Store Properties decreased \$0.2 million, or 4.9 percent, for 2010 as compared to 2009, due primarily to a decrease in lease breakage fees in 2010.

Real estate taxes on the Same-Store Properties increased \$2.3 million, or 9.9 percent, for 2010 as compared to 2009, due primarily to increased tax rates in 2010. Utilities for the Same-Store Properties increased \$0.4 million, or 2.2 percent, for 2010 as compared to 2009, due primarily to higher rates in 2010 as compared to 2009. Operating services for the Same-Store Properties increased \$0.9 million, or 3.5 percent due primarily to increases in maintenance costs for 2010 as compared to 2009.

Construction services revenue increased \$17.6 million, or 366.4 percent, in 2010 as compared to 2009, due to increased construction contracts in late 2009 and 2010. Real estate services revenue decreased by \$0.4 million, or 21.1 percent, for 2010 as compared to 2009, due primarily to decreases in commissions income of \$0.2 million, and management fees and related salary reimbursements of \$0.2 million for 2010 as compared to 2009.

Direct construction costs increased \$17.1 million, or 398.4 percent, in 2010 as compared to 2009, due primarily to increased construction contracts in late 2009 and 2010. General and administrative expense decreased \$2.0 million, or 18.7 percent, for 2010 as compared to 2009, which was due primarily to a decrease in professional fees and salaries and related expenses in 2010.

Depreciation and amortization decreased by \$1.8 million, or 3.6 percent, for 2010 over 2009. This decrease was due primarily to assets becoming fully depreciated in 2010.

Interest expense increased \$4.1 million or 12.4 percent for 2010 as compared to 2009. This increase was due primarily as a result of higher average debt balances and interest rates in 2010 as compared to 2009.

Interest and other investment income decreased \$0.2 million, or 90.4 percent, for 2010 as compared to 2009. This decrease was due primarily to the repayment of a note receivable in late 2009.

Equity in earnings (loss) of unconsolidated joint ventures increased \$2.2 million, or 113.5 percent, for 2010 as compared to 2009, due primarily to a decreased loss of \$2.7 million in the Boston-Downtown Crossing venture, partially offset by decreased income of \$0.6 million in the Harborside South Pier venture in 2010 as compared to 2009.

Income from continuing operations decreased to approximately \$17.8 million in 2010 from \$24.5 million in 2009. The decrease of \$6.7 million was due to the factors discussed above.

Net income available to common unitholders decreased by \$2.5 million, from approximately \$24.3 million in 2009 to \$21.8 million in 2010. This decrease was the result of a decrease in income from continuing operations of \$6.7 million for 2010 as compared to 2009, a decrease in income from discontinued operations of \$0.1 million, and a decrease in noncontrolling interest in consolidated joint ventures of \$0.1 million. These were partially offset by a realized gain on disposition of rental property of \$4.4 million in 2010 as compared to 2009.

Six Months Ended June 30, 2010 Compared to Six Months Ended June 30, 2009

<i>(dollars in thousands)</i>	Six Months Ended June 30,		Dollar	Percent
	2010	2009	Change	Change
Revenue from rental operations and other:				
Base rents	\$ 302,385	\$ 301,022	\$ 1,363	0.5%
Escalations and recoveries from tenants	51,956	52,390	(434)	(0.8)
Other income	6,162	6,350	(188)	(3.0)
Total revenues from rental operations	360,503	359,762	741	0.2
Property expenses:				
Real estate taxes	48,073	46,565	1,508	3.2
Utilities	36,235	36,653	(418)	(1.1)
Operating services	56,754	54,261	2,493	4.6
Total property expenses	141,062	137,479	3,583	2.6
Non-property revenues:				
Construction services	33,219	8,705	24,514	281.6
Real estate services	3,646	4,642	(996)	(21.5)
Total non-property revenues	36,865	13,347	23,518	176.2
Non-property expenses:				
Direct construction costs	31,704	8,010	23,694	295.8
General and administrative	17,072	20,708	(3,636)	(17.6)
Depreciation and amortization	95,964	97,083	(1,119)	(1.2)
Total non-property expenses	144,740	125,801	18,939	15.1
Operating income	111,566	109,829	1,737	1.6
Other (expense) income:				
Interest expense	(76,406)	(65,701)	(10,705)	(16.3)
Interest and other investment income	39	383	(344)	(89.8)
Equity in earnings (loss) of unconsolidated joint ventures	(262)	(7,036)	6,774	96.3
Gain on reduction of other obligations	--	1,693	(1,693)	(100.0)
Total other (expense) income	(76,629)	(70,661)	(5,968)	(8.4)
Income from continuing operations	34,937	39,168	(4,231)	(10.8)
Discontinued Operations:				
Income from discontinued operations	242	54	188	348.1
Realized gains (losses) and unrealized losses on disposition of rental property, net	4,447	--	4,447	--
Total discontinued operations, net	4,689	54	4,635	8,583.3
Net income	39,626	39,222	404	1.0
Noncontrolling interest in consolidated joint ventures	173	767	(594)	(77.4)
Preferred unit distributions	(1,000)	(1,000)	--	--
Net income available to common unitholders	\$ 38,799	\$ 38,989	\$ (190)	(0.5)%

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:

<i>(dollars in thousands)</i>	<u>Total Company</u>		<u>Same-Store Properties</u>		<u>Acquired Properties</u>	
	Dollar Change	Percent Change	Dollar Change	Percent Change	Dollar Change	Percent Change
Revenue from rental operations and other:						
Base rents	\$ 1,363	0.5%	\$ (9,407)	(3.1)%	\$ 10,770	3.6%
Escalations and recoveries from tenants	(434)	(0.8)	(1,566)	(3.0)	1,132	2.2
Other income	(188)	(3.0)	(190)	(3.0)	2	--
Total	\$ 741	0.2%	\$(11,163)	(3.1)%	\$ 11,904	3.3%
Property expenses:						
Real estate taxes	\$ 1,508	3.2%	\$ (140)	(0.3)%	\$ 1,648	3.5%
Utilities	(418)	(1.1)	(1,085)	(3.0)	667	1.9
Operating services	2,493	4.6	333	0.6	2,160	4.0
Total	\$ 3,583	2.6%	\$ (892)	(0.6)%	\$ 4,475	3.2%

OTHER DATA:

Number of Consolidated Properties (excluding properties held for sale):	267	254	13
Square feet <i>(in thousands)</i>	30,796	29,095	1,701

Base rents for the Same-Store Properties decreased \$9.4 million, or 3.1 percent, for 2010 as compared to 2009 due primarily to decreased occupancy and rental rates. Escalations and recoveries from tenants for the Same-Store Properties decreased \$1.6 million, or 3.0 percent, for 2010 over 2009, due primarily to lower real estate taxes and utility expenses in 2010, as compared to 2009. Other income for the Same-Store Properties decreased \$0.2 million, or 3.0 percent, for 2010 as compared to 2009 due primarily to a decrease in lease breakage fees in 2010 as compared to 2009.

Real estate taxes on the Same-Store Properties decreased \$0.1 million, or 0.3 percent, for 2010 as compared to 2009, due primarily to refunds on tax appeals received in 2010 for certain properties, partially offset by higher rates in 2010 as compared to 2009. Utilities for the Same-Store Properties decreased \$1.1 million, or 3.0 percent, for 2010 as compared to 2009, due primarily to lower usage in 2010 as compared to 2009. Operating services for the Same-Store Properties increased \$0.3 million, or 0.6 percent, due primarily to an increase in snow removal costs for 2010 as compared to 2009.

Construction services revenue increased \$24.5 million, or 281.6 percent, in 2010 as compared to 2009, due to increased construction contracts in late 2009 and 2010. Real estate services revenue decreased by \$1.0 million, or 21.5 percent, for 2010 as compared to 2009, due primarily to decreases in management fee income of \$0.5 million, and salary reimbursements of \$0.4 million for 2010 as compared to 2009.

Direct construction costs increased \$23.7 million, or 295.8 percent, in 2010 as compared to 2009, due primarily to increased construction contracts in late 2009 and 2010. General and administrative expense decreased \$3.6 million, or 17.6 percent, for 2010 as compared to 2009, which was due primarily to a decrease in professional fees and salaries and related expenses in 2010.

Depreciation and amortization decreased by \$1.1 million, or 1.2 percent, for 2010 over 2009. This decrease was due primarily to assets becoming fully depreciated in 2010.

Interest expense increased \$10.7 million or 16.3 percent for 2010 as compared to 2009. This increase was due primarily as a result of higher average debt balances and interest rates in 2010 as compared to 2009.

Interest and other investment income decreased \$0.3 million, or 89.8 percent, for 2010 as compared to 2009. This decrease was due primarily to the repayment of a note receivable in late 2009.

Equity in earnings (loss) of unconsolidated joint ventures increased \$6.8 million, or 96.3 percent, for 2010 as compared to 2009, due primarily to a loss in 2009 of \$4.4 million in the Route 93 Portfolio venture and a decreased loss of \$3.8 million in the Boston-Downtown Crossing venture for 2010 as compared to 2009.

Income from continuing operations decreased to approximately \$35.0 million in 2010 from \$39.2 million in 2009. The decrease of approximately \$4.2 million was due to the factors discussed above.

Net income available to common unitholders decreased by approximately \$0.2 million, from \$39.0 million in 2009 to \$38.8 million in 2010. This decrease was the result of a decrease in income from continuing operations of \$4.2 million and a decrease in noncontrolling interest in consolidated joint ventures of \$0.6 million for 2010 as compared to 2009. These were partially offset by a realized gain on disposition of rental property of \$4.4 million in 2010 and an increase in income from discontinued operations of \$0.2 million for 2010 as compared to 2009.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Overview:

Historically, rental revenue has been the Company's principal source of funds to pay operating expenses, debt service, capital expenditures and distributions, 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 and Corporation have and expect to continue to finance such activities through borrowings under the Company's revolving credit facility and other debt and equity financings.

The Company believes that with the general downturn in the Company's markets in recent years, 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 2010 and possibly beyond. 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 securities by the Company and equity financings by the Corporation.

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 by the Company and/or equity securities by the Corporation.

If current economic conditions persist or deteriorate, the Company may experience increases in past due accounts, defaults, lower occupancy rates and reduced effective rents. This condition would negatively affect the Company's future net income and cash flows and could have a material adverse effect on the Company's financial condition.

Construction Projects and Other:

Sanofi-Aventis U.S. Inc. ("Sanofi"), which occupies neighboring buildings in Bridgewater, New Jersey, exercised its option to cause the Company to construct a building on its vacant, developable land and has signed a lease for the building. The lease has a term of fifteen years, subject to three five-year extension options. The construction of the

205,000 square foot building commenced in 2009 and is expected to be delivered to the tenant in January 2011. The total estimated costs of the project are expected to be approximately \$50.9 million (of which the Company has incurred \$30.8 million through June 30, 2010.)

The Company had been obligated to acquire from an entity (the “Florham Entity”) whose beneficial owners include Stanley C. Gale and Mark Yeager, a former executive officer of the Corporation, a 50 percent interest in a venture which owns a developable land parcel in Florham Park, New Jersey (the “Florham Park Land”) for a maximum purchase price of up to \$10.5 million. In the event the acquisition of the Florham Park Land did not close by May 9, 2010, subject to certain conditions, the Florham Entity had been obligated to pay certain deferred costs and an additional \$1 million to the Company at that time. On May 10, 2010, the parties agreed that the Company would not be obligated to purchase the land and the total amount due to the Company was reduced to \$840,000, of which \$351,000 is due in May 2015.

REIT Restrictions:

To maintain its qualification as a REIT under the Code, the Corporation 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 Corporation intends to continue to make regular quarterly distributions to its common stockholders. Based upon the most recently paid quarterly common stock dividend of \$0.45 per common share, in the aggregate, such distributions would equal approximately \$142.9 million on an annualized basis. However, any such distribution, whether for federal income tax purposes or otherwise, would be paid out of (a) 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, and (b) for distributions declared on or before December 31, 2012 with respect to a taxable year ending on or before December 31, 2011, the Corporation’s stock, as permitted pursuant to Internal Revenue Service Revenue Procedure 2010-12, 2010-3 I.R.B. Under this Revenue Procedure, the Corporation is permitted to make taxable distributions of its stock (in lieu of cash) if (x) any such distribution is declared on or before December 31, 2012 with respect to a taxable year ending on or before December 31, 2011, and (y) each of its stockholders is permitted to elect to receive its entire entitlement under such declaration in either cash or shares of equivalent value subject to a limitation in the amount of cash to be distributed in the aggregate; provided that (i) the amount of cash that is set aside for distribution is not less than 10 percent of the aggregate distribution so declared, and (ii) if too many of its stockholders elect to receive cash, a pro rata amount of cash will be distributed to each such stockholder electing to receive cash, but in no event will any such stockholder receive less than its entire entitlement under such declaration.

Property Lock-Ups:

The Company may not dispose of or distribute certain of its properties, currently comprising seven properties with an aggregate net book value of approximately \$133.9 million, which were originally contributed by certain unrelated common unitholders of the Company, without the express written consent of such 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 specific 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 Corporation’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 specific common unitholders, which include members of the Mack Group (which includes William L. Mack, Chairman of the Corporation’s Board of Directors; David S. Mack, director of the Corporation; Earle I. Mack, a former director of the Corporation; and Mitchell E. Hersh, president, chief executive officer and director of the Corporation), the Robert Martin Group (which includes Robert F. Weinberg, director of the Corporation; Martin S. Berger, a former director of the Corporation; and Timothy M. Jones, former president of the Corporation), the Cali Group (which includes John R. Cali, director of the Corporation, and John J. Cali, a former director of the Corporation). As of June 30, 2010, 130 of the Company’s properties, with an aggregate net book value of approximately \$1.8 billion, have lapsed restrictions and are subject to these conditions.

Unencumbered Properties:

As of June 30, 2010, the Company had 236 unencumbered properties, totaling 24.3 million square feet, representing 79.0 percent of the Company's total portfolio on a square footage basis.

Cash Flows

Cash and cash equivalents decreased by \$150.0 million to \$141.0 million at June 30, 2010, compared to \$291.0 million at December 31, 2009. This decrease is comprised of the following net cash flow items:

- 1) \$120.6 million provided by operating activities.
- 2) \$30.9 million used in investing activities, consisting primarily of the following:
 - (a) \$30.2 million used for additions to rental property; plus
 - (b) \$0.7 million used for investments in unconsolidated joint ventures.
- 3) \$239.7 million used in financing activities, consisting primarily of the following:
 - (a) \$84.2 million used for payments of dividends and distributions; plus
 - (b) \$150.0 million used for the repayments of senior unsecured notes; plus
 - (c) \$4.0 million used for repayments of mortgages, loans payable and other obligations; plus
 - (d) \$2.0 million for payment of financing costs; minus
 - (e) \$0.5 million from proceeds received from stock options exercised.

Debt Financing**Summary of Debt:**

The following is a breakdown of the Company's debt consisting of all fixed rate financing as of June 30, 2010:

	Balance (\$000's)	% of Total	Weighted Average Interest Rate (a)	Weighted Average Maturity in Years
Fixed Rate Unsecured Debt	\$1,432,944	66.13%	6.49%	4.00
Fixed Rate Secured Debt	733,874	33.87%	7.43%	7.05
Totals/Weighted Average:	\$2,166,818	100.00%	6.81%	5.03

- (a) No variable-rate borrowings were outstanding as of June 30, 2010.

Debt Maturities:

Scheduled principal payments and related weighted average annual interest rates for the Company's debt as of June 30, 2010 are as follows:

Period	Scheduled Amortization (\$000's)	Principal Maturities (\$000's)	Total (\$000's)	Weighted Avg. Interest Rate of Future Repayments (a)
July 1 – December 31, 2010	\$ 4,177	\$ 15,000	\$ 19,177	7.87%
2011	9,217	300,000	309,217	7.92%
2012	10,687	210,148	220,835	6.21%
2013	11,320	145,223	156,543	5.39%
2014	10,473	335,257	345,730	6.82%
Thereafter	44,766	1,102,532	1,147,298	6.91%
Sub-total	90,640	2,108,160	2,198,800	
Adjustment for unamortized debt discount/premium, net, as of June 30, 2010	(31,982)	--	(31,982)	
Totals/Weighted Average	\$ 58,658	\$2,108,160	\$2,166,818	6.81%

(a) No variable rate borrowings were outstanding as of June 30, 2010.

Senior Unsecured Notes:

The terms of the Company's senior unsecured notes (which totaled approximately \$1.4 billion as of June 30, 2010) 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:

The Company has an unsecured revolving credit facility with a borrowing capacity of \$775 million (expandable to \$800 million). The interest rate on outstanding borrowings (not electing the Company's competitive bid feature) is LIBOR plus 55 basis points at the BBB/Baa2 pricing level. In June 2010, the Company exercised its option to extend the credit facility for one year to June 2012 and paid the \$1,162,500 extension fee. As of July 26, 2010, the Company had no outstanding borrowings under its unsecured revolving credit facility.

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 55 basis point spread. The Company may also elect an interest rate representing the higher of the lender's prime rate or the Federal Funds rate plus 50 basis points. The unsecured facility also requires a 15 basis point facility fee on the current borrowing capacity payable quarterly in arrears.

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

Company'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-	100.0	25.0
BBB-/Baa3/BBB-	75.0	20.0
BBB/Baa2/BBB (current)	55.0	15.0
BBB+/Baa1/BBB+	42.5	15.0
A-/A3/A- or higher	37.5	12.5

- (a) If the Company 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 Company 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 Company has debt ratings from only one agency, it will be considered to have no rating or less than BBB-/Baa3/BBB- per the above table.

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

The lending group for the credit facility consists of: JPMorgan Chase Bank, N.A., as administrative agent (the "Agent"); Bank of America, N.A., as syndication agent; Scotiabanc, Inc., 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 Tokyo-Mitsubishi UFJ, Ltd. (successor by merger to UFJ Bank Limited), North Fork Bank, Bank Hapoalim B.M., Comerica Bank, Chang Hwa Commercial Bank, Ltd., New York Branch, First Commercial Bank, New York Agency, Mega International Commercial Bank Co. Ltd., New York Branch, Deutsche Bank Trust Company Americas and Hua Nan Commercial Bank, New York Agency, as participants.

Money Market Loan:

The Company entered into an agreement with JPMorgan Chase Bank to participate in a noncommitted money market loan program ("Money Market Loan"). The Money Market Loan is an unsecured borrowing of up to \$75 million arranged by JPMorgan Chase Bank ("the lender") with maturities of 30 days or less. The rate of interest on the Money Market Loan borrowing is set at the time of each borrowing. As of June 30, 2010, the Company had no outstanding borrowings under its Money Market Loan program.

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 15, 2010, the Company refinanced its \$150 million secured loan with The Prudential Insurance Company of America. The new loan also includes VPCM, LLC, a wholly-owned subsidiary of the Virginia Retirement System, as co-lender. The mortgage loan, which is collateralized by seven properties, is for a seven-year term at an effective interest rate of 6.33 percent.

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 July 26, 2010, the Company had no outstanding borrowings under its \$775 million unsecured revolving credit facility and under the Money Market Loan. The Company is reviewing various refinancing options, including the purchase of its senior unsecured notes in privately-negotiated transactions, the issuance of additional, or exchange of current, unsecured debt, common and preferred stock, and/or obtaining additional mortgage debt, some or all of which may be completed during 2010. The Company currently 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 in the short term. However, if these sources of funds are insufficient or unavailable, due to current economic conditions or otherwise, the Corporation’s ability to make the expected distributions discussed in “REIT Restrictions” above may be adversely affected.

Equity Financing and Registration Statements

Common Equity:

The following table presents the changes in the Corporation’s issued and outstanding shares of Common Stock and the Company’s common units for the six months ended June 30, 2010:

	Common Stock	Common Units	Total
Outstanding at January 1, 2010	78,969,752	13,495,036	92,464,788
Stock options exercised	18,448	--	18,448
Common units redeemed for Common Stock	395,130	(395,130)	--
Shares issued under Dividend Reinvestment and Stock Purchase Plan	2,594	--	2,594
Restricted shares issued, net of cancellations	12,722	--	12,722
Outstanding at June 30, 2010	79,398,646	13,099,906	92,498,552

Share Repurchase Program:

The Corporation has a share repurchase program which was authorized by its Board of Directors in September 2007 to purchase up to \$150 million of the Corporation’s outstanding common stock (“Repurchase Program”), which it may repurchase from time to time in open market transactions at prevailing prices or through privately negotiated transactions. As of June 30, 2010, the Corporation has a remaining authorization under the Repurchase Program of \$46 million. Concurrent with any repurchases of common stock by the Corporation, the Corporation sells to the Company an equal number of common units.

Dividend Reinvestment and Stock Purchase Plan:

The Corporation has a Dividend Reinvestment and Stock Purchase Plan (the “DRIP”) which commenced in March 1999 under which 5.5 million shares of the Corporation’s common stock have been reserved for future issuance. The DRIP provides for automatic reinvestment of all or a portion of a participant’s dividends from the Corporation’s shares of common stock. The DRIP also permits participants to make optional cash investments up to \$5,000 a month without restriction and, if the Corporation waives this limit, for additional amounts subject to certain restrictions and other conditions set forth in the DRIP prospectus filed as part of the Corporation’s effective

registration statement on Form S-3 filed with the Securities and Exchange Commission (“SEC”) for the 5.5 million shares of the Corporation’s common stock reserved for issuance under the DRIP.

Shelf Registration Statements:

The Corporation has an effective shelf registration statement on Form S-3 filed with the SEC for an aggregate amount of \$2.0 billion in common stock, preferred stock, depositary shares, and/or warrants of the Corporation, under which \$287.5 million of securities have been sold through July 26, 2010 and \$1.7 billion remains available for future issuances.

The Corporation and the Company 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 Corporation and debt securities of the Company, under which \$250 million of securities have been sold as of July 26, 2010 and \$2.25 billion remains available for future issuances.

Off-Balance Sheet Arrangements

Unconsolidated Joint Venture Debt:

The debt of the Company’s unconsolidated joint ventures are generally 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 \$6.3 million letter of credit in support of the Harborside South Pier joint venture, half of which is indemnified by Hyatt Corporation, the Company’s joint venture partner.

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, ground lease and other agreements as of June 30, 2010:

<i>(dollars in thousands)</i>	Total	Payments Due by Period				
		Less than 1 Year	1 – 3 Years	4 – 5 Years	6 – 10 Years	After 10 Years
Senior unsecured notes	\$1,851,258	\$404,957	\$445,088	\$452,425	\$ 548,788	--
Mortgages, loans payable and other obligations	1,077,242	58,063	151,660	223,726	623,524	\$ 20,269
Payments in lieu of taxes (PILOT)	55,376	4,294	13,046	9,110	24,137	4,789
Ground lease payments	18,749	416	1,089	740	1,267	15,237
Total	\$3,002,625	\$467,730	\$610,883	\$686,001	\$1,197,716	\$ 40,295

Inflation

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

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

We consider portions of this information, including the documents incorporated by reference, to be forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in

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

Among the factors about which we have made assumptions are:

- risks and uncertainties affecting the general economic climate and conditions, including the impact of the general economic recession as it impacts the national and local economies, which in turn may have a negative effect on the fundamentals of our business and the financial condition of our tenants;
- the value of our real estate assets, which may limit our ability to dispose of assets at attractive prices or obtain or maintain debt financing secured by our properties or on an unsecured basis;
- the extent of any tenant bankruptcies or of any early lease terminations;
- our ability to lease or re-lease space at current or anticipated rents;
- changes in the supply of and demand for office, office/flex and industrial/warehouse properties;
- changes in interest rate levels and volatility in the security markets;
- changes in operating costs;
- our ability to obtain adequate insurance, including coverage for terrorist acts;
- the availability of financing on attractive terms or at all, which may adversely impact our ability to pursue acquisition and development opportunities and refinance existing debt and our future interest expense;
- changes in governmental regulation, tax rates and similar matters; and
- other risks associated with the development and acquisition of properties, including risks that the development may not be completed on schedule, that the tenants will not take occupancy or pay rent, or that development or operating costs may be greater than anticipated.

For further information on factors which could impact us and the statements contained herein, see Item 1A: Risk Factors in our annual report on Form 10-K for the year ended December 31, 2009. We assume no obligation to update and supplement forward-looking statements that become untrue because of subsequent events, new information or otherwise.

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.

All of the Company’s long-term debt as of June 30, 2010 bears interest at fixed rates and therefore the fair value of these instruments is affected by changes in market interest rates. The following table presents principal cash flows (in thousands) based upon maturity dates of the debt obligations and the related weighted-average interest rates by expected maturity dates for the fixed-rate debt.

June 30, 2010

<u>Debt,</u> <u>including current portion</u> <u>(\$'s in thousands)</u>	<u>7/1/10-</u> <u>12/31/10</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>Thereafter</u>	<u>Sub-total</u>	<u>Other (a)</u>	<u>Total</u>	<u>Fair</u> <u>Value</u>
Fixed Rate	\$19,177	\$309,217	\$220,835	\$156,543	\$345,730	\$1,147,298	\$2,198,800	\$(31,982)	\$2,166,818	\$2,278,211
Average Interest Rate	7.87%	7.92%	6.21%	5.39%	6.82%	6.91%			6.81%	

(a) Adjustment for unamortized debt discount/premium, net, as of June 30, 2010.

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 Corporation's management, with the participation of the Corporation'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 Corporation'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.

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.

MACK-CALI REALTY, L.P.

Part II – Other Information

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

None.

MACK-CALI REALTY, L.P.

Part II – Other Information (continued)

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

(a) **COMMON STOCK**

During the three months ended June 30, 2010, the Corporation issued 205,200 shares of common stock to holders of common units in the Company 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 Company 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 Corporation has registered the resale of such shares under the Securities Act.

(b) Not Applicable.

(c) Not Applicable.

Item 3. Defaults Upon Senior Securities

(a) Not Applicable.

(b) Not Applicable.

Item 4. (Removed and Reserved)

MACK-CALI REALTY, L.P.

Part II – Other Information (continued)

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.

MACK-CALI REALTY, L.P.

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, L.P.

(Registrant)

By: Mack-Cali Realty Corporation
its General Partner

Date: July 28, 2010

By: /s/ Mitchell E. Hersh
Mitchell E. Hersh
President and
Chief Executive Officer
(principal executive officer)

Date: July 28, 2010

By: /s/ Barry Lefkowitz
Barry Lefkowitz
Executive Vice President and
Chief Financial Officer
(principal accounting officer and
principal financial officer)

MACK-CALI REALTY, L.P.

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Exhibit Title</u>
31.1*	Certification of the Corporation'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 Corporation's Chief Financial Officer, Barry Lefkowitz, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of the Corporation's President and Chief Executive Officer, Mitchell E. Hersh, and the Corporation's Chief Financial Officer, Barry Lefkowitz, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.1*	The following financial statements from Mack Cali Realty, L.P.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2010, formatted in XBRL: (i) Consolidated Balance Sheets (unaudited), (ii) Consolidated Statements of Operations (unaudited), (iii) Consolidated Statement of Changes in Equity (unaudited), (iv) Consolidated Statements of Cash Flows (unaudited), and (v) Notes to Consolidated Financial Statements (unaudited), tagged as blocks of text.

*filed herewith