

MACK CALI REALTY CORP
Form 8-K
April 29, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT

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

Date of report (Date of earliest event reported): April 29, 2005

MACK-CALI REALTY CORPORATION

(Exact Name of Registrant as Specified in Charter)

Maryland
(State or Other Jurisdiction
of Incorporation)

1-13274
(Commission File Number)

22-3305147
(IRS Employer
Identification No.)

11 Commerce Drive, Cranford, New Jersey,
(Address of Principal Executive Offices)

07016
(Zip Code)

(908) 272-8000

(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-

Item 8.01 Other Events.

On March 2, 2005, Mack-Cali Realty Corporation (the Company), through its operating partnership Mack-Cali Realty, L.P., completed its acquisition of 100 percent of the partnership interests in three general partnerships which in turn own 100 percent of a 1.2 million square-foot class A office tower on the Jersey City waterfront located at 101 Hudson Street, Jersey City, New Jersey (101 Hudson) for an acquisition cost of approximately \$330 million in cash, pursuant to the terms and conditions of an Agreement of Purchase and Sale of Partnership Interests among the parties dated as of November 23, 2004 (the Purchase Agreement). The Company previously reported its entry into the Purchase Agreement on a Current Report on Form 8-K dated November 23, 2004 under Item 1.01, and the Purchase Agreement was filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 2004.

The acquisition of 101 Hudson was not significant to the Company and the seller was not an affiliate of the Company. This Current Report on Form 8-K is being filed to provide certain historical and pro forma financial information related to this acquisition pursuant to Rule 3-14 of Regulation S-X promulgated by the Securities and Exchange Commission under the Securities Act of 1933, as amended.

In connection with the foregoing, the Company hereby files the following documents:

Item 9.01 Financial Statements and Exhibits.

(a) Financial Statements of Businesses Acquired.

- (1) Audited Statement of Revenue and Certain Operating Expenses for the Year Ended December 31, 2004 for 101 Hudson Street.
- (2) Unaudited pro forma financial information for the Company is presented as follows:

Consolidated balance sheet as of December 31, 2004;

Condensed consolidated statement of operations for the year ended December 31, 2004;

Notes to Pro Forma Condensed Consolidated Financial Statements; and

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Estimated Twelve Month Pro Forma Statement of Taxable Operating Results and Operating Funds Available

101 HUDSON STREET

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Statement of Revenue and Certain Operating Expenses

Year ended December 31, 2004

(With Independent Auditors' Report Thereon)

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101 HUDSON STREET

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Independent Auditors Report

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The Partners
101 Hudson Street:

We have audited the accompanying statement of revenue and certain operating expenses of 101 Hudson Street (the Property) for the year ended December 31, 2004. This statement is the responsibility of the Property's management. Our responsibility is to express an opinion on this statement based on our audit.

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We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement. We believe that our audit provides a reasonable basis for our opinion.

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The accompanying statement of revenue and certain operating expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and for inclusion in the Forms 8-K of Mack-Cali Realty Corporation and Mack-Cali Realty, L.P., as described in note 1. This presentation is not intended to be a complete presentation of the Property's revenues and expenses.

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In our opinion, the statement of revenue and certain operating expenses referred to above presents fairly, in all material respects, the revenue and certain operating expenses described in note 1 of 101 Hudson Street for the year ended December 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG LLP

Philadelphia, Pennsylvania
March 21, 2005

101 HUDSON STREET

Statement of Revenue and Certain Operating Expenses

Year ended December 31, 2004

| | | |
|--|----|------------|
| Operating revenues: | | |
| Base rents | \$ | 23,586,174 |
| Escalations and recoveries from tenants | | 12,634,582 |
| | | 36,220,756 |
| Certain operating expenses: | | |
| Real estate taxes | | 4,194,279 |
| Utilities | | 792,589 |
| Operating services | | 7,788,138 |
| Management fees | | 1,048,108 |
| General and administrative | | 212,276 |
| | | 14,035,390 |
| Revenues in excess of certain operating expenses | \$ | 22,185,366 |

See accompanying notes to statement of revenue and certain operating expenses

101 HUDSON STREET

Notes to Statement of Revenue and Certain Operating Expenses

December 31, 2004

(1) Organization and Basis of Presentation

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The accompanying statement of revenues and certain operating expenses includes the accounts of the property known as 101 Hudson Street (the Property), a 1.2 million square-foot office property located in Jersey City, New Jersey. The Property was owned by several entities, which were directly or indirectly owned by Hudson Street Owners Limited Partnership I and Hudson Street Owners Limited Partnership II (collectively, the Partners).

The accompanying statement of revenue and certain operating expenses for the year ended December 31, 2004 was prepared for the purpose of complying with the provisions of Article 3.14 of Regulation S-X promulgated by the Securities and Exchange Commission (SEC), which requires certain information with respect to real estate operations to be included with certain filings with the SEC. The statement of revenue and certain operating expenses includes the historical revenue and certain operating expenses of the Property for the year ended December 31, 2004, exclusive of interest income, write-offs of straight-line rental receivables, mortgage interest expense, and depreciation and amortization, which may not be comparable to the corresponding amounts reflected in the future operations of the Property under its new ownership by subsidiaries of Mack-Cali Realty Corporation and Mack-Cali Realty, L.P., who collectively acquired the ownership interests in the Property on March 2, 2005.

(2) Significant Accounting Policies

(a) Revenue Recognition

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Revenue relating to operating leases is recognized on a straight-line basis over the lease term, regardless of when payments are due. During 2004, contractual rental payments received in excess of straight-line rental revenues recognized were \$5,193,263.

The Property is subject to a concentration of credit risk as three tenants (note 3) aggregate approximately 73% of the amount recorded as revenue for the year ended December 31, 2004.

(b) Escalations and Recoveries from Tenants

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Certain operating expenses incurred in the operations of the Property are recoverable from the tenants. The recoverable amounts are based on actual expenses incurred. Expense recoveries are recognized as revenue in the period in which the applicable costs are incurred.

(c) Use of Estimates

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The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(3) Operating Leases

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The Property is leased to tenants under operating leases with expiration dates through 2017. Substantially all of the leases provide for annual base rents plus recoveries and escalation charges based upon the tenants 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. One lease also provides for rents based on a percentage of the tenant's sales over a stipulated amount.

The Property has entered into a lease agreement dated December 29, 1989, with an affiliate of one of the Partners (Tenant). Under the terms of the lease, Tenant will lease approximately 49% of the building for an initial term through March 31, 2007. The lease contains five renewal options, each for five years. The lease provides that Tenant will reimburse the Property for its proportionate share of the Property's operating expenses, as defined. The obligations of Tenant under the lease have been guaranteed by Merrill Lynch & Co., Inc.

Base annual rentals under the lease are as follows:

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| | | | |
|------------|------------|----|------------|
| April 1992 | March 1997 | \$ | 8,860,439 |
| April 1997 | March 2002 | | 9,450,613 |
| April 2002 | March 2007 | | 10,040,787 |

The Property also entered into a lease agreement, during 1994, with Lehman Brothers Holding, Inc. (Lehman). Under the original terms of the lease, Lehman leased approximately 399,000 square feet, or 32% of the building, for an initial term through December 31, 2010. The lease contains two renewal options, each of five years at the prevailing market rate. The lease provides that Lehman will reimburse the Property for its proportionate share of the Property's operating expenses, as defined.

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Effective November 1, 2004, Lehman surrendered approximately 192,000 square feet of space. Upon surrendering this space, Lehman now leases approximately 207,000 square feet, or 17% of the building, through December 31, 2010. As such, the accumulated straight-line base rental revenue recognized over the term in excess of contractual payments received, of \$3,180,255, was written off in 2004, since those future payments were no longer due to be received. This amount written off has not been included in the accompanying statement of revenues and certain operating expenses since it is not indicative of future operations. This space has been re-leased as described below.

Base annual rentals under the original lease, net of surrendered space are as follows:

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| | | | |
|---------------|---------------|----|-----------|
| January 2001 | October 2004 | \$ | 5,890,582 |
| December 2004 | December 2005 | | 3,058,582 |
| January 2006 | December 2010 | | 3,420,667 |

During 2004, the Property entered into a lease agreement with National Union Fire Insurance Company (NUFIC) to assume the space previously surrendered by Lehman. Under the terms of the lease, NUFIC has leased approximately 208,000 square feet, or 16% of the building, for an initial term through December 31, 2012.

Base annual rentals under the lease are as follows:

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| | | | |
|---------------|---------------|----|-----------|
| November 2004 | December 2008 | \$ | 4,472,129 |
| January 2009 | December 2010 | | 5,096,147 |
| January 2011 | December 2012 | | 6,240,180 |

Expected future minimum rentals to be received from tenants under noncancelable leases, excluding renewal options, in effect at December 31, 2004 are as follows:

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| | Amount |
|------------|----------------|
| 2005 | \$ 22,644,982 |
| 2006 | 23,016,609 |
| 2007 | 15,269,870 |
| 2008 | 11,795,101 |
| 2009 | 11,585,201 |
| Thereafter | 24,876,568 |
| | \$ 109,188,331 |

The total expected future minimum rentals presented above do not include amounts that may be received under leases for percentage rents or other charges related to escalations and recoveries from tenants for expenses.

(4) Transactions with Affiliates

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LCOR, Inc., an affiliate, performed various services on behalf of the Partnership including accounting, maintenance, and data processing services in 2004. The cost for these services (\$645,691 in 2004) is included in the respective expense caption in the accompanying statement of revenue and certain operating expenses.

For its services in connection with the management of the Property's affairs, LCOR, Inc. received a management fee equal to 3% of gross receipts, as defined. Management fees totaling \$1,048,108 were incurred by the Property during 2004.

If an unrelated third party had provided such services, then the amounts paid for these services may have been different.

(5) Operating Services

Operating services expenses consisted of the following for the year ended December 31, 2004:

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| | | |
|------------------------------------|----|-----------|
| Maintenance, repairs, and supplies | \$ | 2,001,359 |
| Salaries and related costs | | 1,867,218 |
| Insurance | | 347,939 |
| Tenant services | | 2,822,167 |
| Other | | 749,455 |
| | \$ | 7,788,138 |

(6) Real Estate Taxes

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The Property has an agreement with the City of Jersey City requiring the payment of an annual service charge to the City of Jersey City in lieu of real estate taxes (the Agreement) which ends in December 2006. The Agreement currently provides for the payment of a minimum annual service charge of approximately \$4,193,000, subject to certain adjustments as provided in the Agreement. At the conclusion of the Agreement, it is expected that the Property will be assessed by the municipality and be subject to real estate taxes at the then-prevailing rates.

MACK-CALI REALTY CORPORATION

Pro Forma Consolidated Balance Sheet (unaudited)

As of December 31, 2004

(in thousands)

The following unaudited pro forma condensed consolidated balance sheet as of December 31, 2004 is presented as if the Company's acquisition of 101 Hudson Street, a 1.2 million square foot office building located in Jersey City, New Jersey (101 Hudson), which was acquired by the Company on March 2, 2005, had occurred on December 31, 2004. The unaudited pro forma condensed consolidated balance sheet should be read in conjunction with the pro forma condensed consolidated statement of operations of the Company and the historical financial statements and notes thereto of the Company included in its Form 10-K for the year ended December 31, 2004.

The unaudited pro forma condensed consolidated balance sheet is not necessarily indicative of what the actual financial position of the Company would have been assuming the Company's acquisition of 101 Hudson had occurred on December 31, 2004, nor does it purport to represent the future financial position of the Company.

| | Company Historical (A) | Pro Forma Adjustments for 101 Hudson | Company Pro Forma |
|--|---------------------------|--|----------------------|
| ASSETS | | | |
| Rental property | | | |
| Land and leasehold interests | \$ 593,606 | \$ 45,530(B) | \$ 639,136 |
| Buildings and improvements | 3,296,789 | 255,565(B) | 3,552,354 |
| Tenant improvements | 262,626 | 16,354(B) | 278,980 |
| Furniture, fixtures and equipment | 7,938 | | 7,938 |
| | 4,160,959 | 317,449 | 4,478,408 |
| Less accumulated depreciation and amortization | (641,626) | | (641,626) |
| | 3,519,333 | 317,449 | 3,836,782 |
| Rental property held for sale, net | 19,132 | | 19,132 |
| Net investment in rental property | 3,538,465 | 317,449 | 3,855,914 |
| Cash and cash equivalents | 12,270 | | 12,270 |
| Investments in unconsolidated joint ventures | 46,743 | | 46,743 |
| Unbilled rents receivable, net | 82,586 | | 82,586 |
| Deferred charges and other assets, net | 155,060 | 27,962(B) | 183,022 |
| Restricted cash | 10,477 | | 10,477 |
| Accounts receivable, net of allowance for doubtful accounts of \$1,235 and \$1,235 | 4,564 | | 4,564 |
| Total assets | \$ 3,850,165 | \$ 345,411 | \$ 4,195,576 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| Senior unsecured notes | \$ 1,031,102 | | \$ 1,031,102 |
| Revolving credit facilities | 107,000 | \$ 330,233(C) | 437,233 |
| Mortgages, loans payable and other obligations | 564,198 | | 564,198 |
| Dividends and distributions payable | 47,712 | | 47,712 |
| Accounts payable, accrued expenses and other liabilities | 57,002 | 15,178(B) | 72,180 |
| Rents received in advance and security deposits | 47,938 | | 47,938 |
| Accrued interest payable | 22,144 | | 22,144 |
| Total liabilities | 1,877,096 | 345,411 | 2,222,507 |

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| | | | | |
|---|----|-----------|----|-----------|
| Minority interests: | | | | |
| Operating Partnership | | 416,855 | | 416,855 |
| Consolidated joint ventures | | 11,103 | | 11,103 |
| Total minority interests | | 427,958 | | 427,958 |
| Commitments and contingencies | | | | |
| Stockholders' equity: | | | | |
| Preferred stock, \$0.01 par value, 5,000,000 shares authorized, 10,000 and 10,000 shares outstanding, at liquidation preference | | 25,000 | | 25,000 |
| Common stock, \$0.01 par value, 190,000,000 shares authorized, 61,038,875 and 61,038,875 shares outstanding | | 610 | | 610 |
| Additional paid-in capital | | 1,650,834 | | 1,650,834 |
| Dividends in excess of net earnings | | (127,365) | | (127,365) |
| Unamortized stock compensation | | (3,968) | | (3,968) |
| Total stockholders' equity | | 1,545,111 | | 1,545,111 |
| Total liabilities and stockholders' equity | \$ | 3,850,165 | \$ | 345,411 |
| | | | \$ | 4,195,576 |

See accompanying footnotes on page 13.

MACK-CALI REALTY CORPORATION

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Pro Forma Condensed Consolidated Statement of Operations (unaudited)

For the Year Ended December 31, 2004

(in thousands, except per share amounts)

The following unaudited pro forma condensed consolidated statement of operations for the year ended December 31, 2004 is presented as if the Company's acquisition of 101 Hudson had occurred on January 1, 2004.

The pro forma information is based upon the historical consolidated results of operations of the Company for the year ended December 31, 2004, after giving effect to the Company's acquisition of 101 Hudson. The pro forma condensed consolidated statement of operations should be read in conjunction with the pro forma condensed consolidated balance sheet of the Company and the historical financial statements and notes thereto of the Company included in its Form 10-K for the year ended December 31, 2004.

The unaudited pro forma condensed consolidated statement of operations is not necessarily indicative of what the actual results of operations of the Company would have been assuming the Company's acquisition of 101 Hudson had occurred on January 1, 2004, nor does it purport to represent the Company's results of operations for future periods.

| | Company Historical (AA) | Pro Forma Adjustments for 101 Hudson | Company Pro Forma |
|--|----------------------------|--|----------------------|
| REVENUES | | | |
| Base rents | \$ 508,781 | \$ 33,624(BB) | \$ 542,405 |
| Escalations and recoveries from tenants | 67,079 | 12,635(BB) | 79,714 |
| Parking and other | 13,131 | | 13,131 |
| Total revenues | 588,991 | 46,259 | 635,250 |
| EXPENSES | | | |
| Real estate taxes | 69,877 | 4,194(BB) | 74,071 |
| Utilities | 42,157 | 793(BB) | 42,950 |
| Operating services | 76,635 | 7,788(BB) | 84,423 |
| General and administrative | 31,793 | 212(BB) | 32,005 |
| Depreciation and amortization | 130,254 | 15,090(CC) | 145,344 |
| Interest expense | 109,649 | 7,298(DD) | 116,947 |
| Interest income | (1,366) | | (1,366) |
| Total expenses | 458,999 | 35,375 | 494,374 |
| Income from continuing operations before minority interest and equity in earnings of unconsolidated joint ventures | 129,992 | 10,884 | 140,876 |
| Minority interest in Operating Partnership | (28,438) | (1,241)(EE) | (29,679) |
| Equity in earnings of unconsolidated joint ventures (net of minority interest), net | (3,452) | | (3,452) |
| Gain on sale of investment in unconsolidated joint ventures (net of minority interest) | 637 | | 637 |
| Income from continuing operations | \$ 98,739 | \$ 9,643 | \$ 108,382 |
| Basic Income from continuing operations per share | \$ 1.60 | | \$ 1.76 |
| Diluted Income from continuing operations per share | \$ 1.59 | | \$ 1.75 |
| Basic weighted average shares outstanding | 60,351 | | 60,351 |
| Diluted weighted average shares outstanding | 68,743 | | 68,743 |

See accompanying footnotes on page 14.

MACK-CALI REALTY CORPORATION

Notes to Pro Forma Condensed Consolidated Financial Statements (unaudited)

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(Dollar amounts in thousands, except per share amounts)

Adjustments to the Pro Forma Consolidated Balance Sheet:

The adjustments to the pro forma consolidated balance sheet as of December 31, 2004 are as follows:

(A) Reflects the Company's historical consolidated balance sheet as of December 31, 2004.

(B) Reflects the acquisition of 101 Hudson on March 2, 2005, as follows:

| | | |
|--|----|----------|
| Assets purchased: | | |
| Land | \$ | 45,530 |
| Buildings and improvements | | 255,565 |
| Tenant improvements | | 16,354 |
| Deferred charges and other assets, net (Above-market lease value & other purchase accounting intangibles) | | 27,962 |
| Less liabilities: | | |
| Accounts payable, accrued expenses and other liabilities (below-market lease value intangibles) | | (15,178) |
| Net assets acquired (total acquisition cost) | \$ | 330,233 |

(C) Represents the Company's approximate aggregate pro forma borrowings on the Company's revolving credit facility of \$330,233 as the means in funding the acquisition of 101 Hudson.

Adjustments to the Pro Forma Condensed Consolidated Statement of Operations:

The adjustments to the pro forma condensed consolidated statement of operations for the year ended December 31, 2004 are as follows:

(AA) Reflects the Company's historical condensed consolidated statement of operations for the year ended December 31, 2004.

(BB) Reflects the pro forma adjustment for the acquisition of 101 Hudson, as follows:

| | Historical Revenues and Certain Expenses | Adjustments Resulting from Purchasing the Property | Pro Forma Adjustment |
|---|---|---|-------------------------|
| REVENUES | | | |
| Base rents | \$ 23,586 | \$ 10,038(1) | \$ 33,624 |
| Escalations and recoveries from tenants | 12,635 | | 12,635 |
| Total revenues | 36,221 | 10,038 | 46,259 |
| EXPENSES | | | |
| Real estate taxes | 4,194 | | 4,194 |
| Utilities | 793 | | 793 |
| Operating services | 7,788 | | 7,788 |
| Management fees | 1,048 | (1,048)(2) | |
| General and administrative | 212 | | 212 |
| Total expenses | 14,035 | (1,048) | 12,987 |
| Net income | \$ 22,186 | \$ 11,086 | \$ 33,272 |

(1) Increase in base rents to reflect pro forma base rents presented on a straight-line basis calculated from January 1, 2004 forward. Base rents is also adjusted for the amortization of above and below-market lease values, net, on a straight-line basis over the remaining term of in-place leases as a result of purchase accounting.

(2) Management fees incurred by 101 Hudson are eliminated on a pro forma basis as such fees will be paid to a consolidated subsidiary of the Company following 101 Hudson's acquisition, which will be eliminated in consolidation.

(CC) Depreciation and amortization has been adjusted to reflect the building and tenant improvement-related portions of the 101 Hudson total acquisition cost depreciated using the straight-line method over a 40-year life for building and the remaining lease terms for tenant improvements. Depreciation and amortization also includes the pro forma effect of amortization of allocated in-place lease values for 101 Hudson (resulting from purchase accounting) on a

straight-line basis over the remaining term of in-place leases.

(DD) The pro forma adjustment to interest expense reflects additional interest cost as a result of pro forma borrowings on the Company's revolving credit facility of \$330,233 (at a weighted average rate of 2.21%) to fund the acquisition cost of 101 Hudson.

(EE) Reflects the pro forma adjustment to minority interest for the acquisition of 101 Hudson based upon the weighted average percentage of common units in the Operating Partnership to common shares and units outstanding of 11.4 percent.

MACK-CALI REALTY CORPORATION

Estimated Twelve Month Pro Forma Statement of

Taxable Operating Results and Operating Funds Available (unaudited)

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The following unaudited statement is a pro forma estimate for a twelve month period of taxable operating results and funds available from operations of the Company. The pro forma statement is based on the Company's historical operating results for the year ended December 31, 2004, adjusted for historical operations of 101 Hudson (as reported in this Current Report on Form 8-K) and certain items related to operations which can be factually supported. This statement does not purport to forecast actual taxable operating results for any period in the future.

This statement should be read in conjunction with (i) the historical financial statements of the Company and (ii) the pro forma financial statements of the Company.

Estimate of Taxable Operating Results (in thousands):

| | | December 31, 2004 |
|---|----|--------------------------|
| Mack-Cali Realty Corporation Pro Forma income before minority interest for the year, exclusive of depreciation and amortization | \$ | 283,054 |
| Estimated net adjustment for tax basis income recognition (Note 1) | | (6,586) |
| Estimated tax deduction from the exercise and sale of stock options under the Company's stock option plans and other compensation related items | | (5,884) |
| Estimated taxable income from discontinued operations | | 7,211 |
| Estimated taxable income from joint ventures in excess of equity in earnings of unconsolidated joint ventures | | 12,247 |
| Estimated tax depreciation and amortization (Note 2) | | (107,763) |
| Pro Forma estimate of taxable operating results before allocation to minority interest in operating partnership and dividends deduction | | 182,279 |
| Estimated allocation to minority interest in Operating Partnership (Note 3) | | (35,530) |
| Estimated dividends deduction | | (152,581) |
| | \$ | (5,832) |
| Pro Forma estimate of taxable operating results | | |
| Estimate of Operating Funds Available (in thousands): | | |
| Pro Forma estimate of taxable operating results before allocation to minority interests in operating partnership and dividends deduction | \$ | 182,279 |
| Add: pro forma depreciation and amortization | | 107,763 |
| Estimated pro forma operating funds available (Note 4) | \$ | 290,042 |

Note 1: Represents the net adjustment to reverse the effect of (i) rental revenue recognized on a straight line basis and the amortization of above and below market lease values and (ii) tax gains in excess of book income.

Note 2: Tax depreciation for the Company is based upon the original cost or purchase price allocated to the buildings, depreciated on a straight-line method over their respective tax lives.

Note 3: Estimated allocation of taxable income to minority interest in operating partnership is based on a 18.857 percent minority interest in the operating partnership after certain gross income and depreciation adjustments, with a special allocation of depreciation on properties included in the Initial Public Offering and subsequent acquisitions where Operating Units were issued as part of the consideration in the transaction.

Note 4: Operating funds available does not represent cash generated from operating activities in accordance with generally accepted accounting principles and is not necessarily indicative of cash available to fund cash needs.

(c) **Exhibits.**

| Exhibit No. | Description |
|--------------------|----------------------|
| 23.1 | Consent of KPMG LLP. |

SIGNATURES

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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 hereunto duly authorized.

MACK-CALI REALTY CORPORATION

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Dated: April 29, 2005

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

Dated: April 29, 2005

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

EXHIBIT INDEX

| Exhibit No. | Description |
|-------------|----------------------|
| 23.1 | Consent of KPMG LLP. |