

MACK CALI REALTY CORP

Form 10-Q

October 29, 2009

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2009

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 1-13274  
Number:

Mack-Cali Realty Corporation  
(Exact name of registrant as specified in its charter)

Maryland 22-3305147  
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification 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 X 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

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files). Yes \_\_\_ No \_\_\_ (the Registrant is not yet required to submit Interactive Data)

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

As of October 27, 2009, there were 78,648,164 shares of the registrant's Common Stock, par  
value \$0.01 per share, outstanding.

MACK-CALI REALTY CORPORATION

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MACK-CALI REALTY CORPORATION

Part I – Financial Information

Item 1. Financial Statements

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

The aforementioned financial statements should be read in conjunction with the notes to the aforementioned financial statements and Management’s Discussion and Analysis of Financial Condition and Results of Operations and the financial statements and notes thereto included in Mack-Cali Realty Corporation’s Annual Report on Form 10-K for the fiscal year ended December 31, 2008.

The results of operations for the three and nine month periods ended September 30, 2009 are not necessarily indicative of the results to be expected for the entire fiscal year or any other period.

## MACK-CALI REALTY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (in thousands, except per share amounts) (unaudited)

	September 30, 2009	December 31, 2008
<b>ASSETS</b>		
Rental property		
Land and leasehold interests	\$774,155	\$731,086
Buildings and improvements	3,954,619	3,792,186
Tenant improvements	446,279	431,616
Furniture, fixtures and equipment	9,358	8,892
	5,184,411	4,963,780
Less – accumulated depreciation and amortization	(1,113,034)	(1,040,778)
Net investment in rental property	4,071,377	3,923,002
Cash and cash equivalents	279,156	21,621
Investments in unconsolidated joint ventures	32,969	138,495
Unbilled rents receivable, net	117,069	112,524
Deferred charges and other assets, net	225,645	212,422
Restricted cash	20,720	12,719
Accounts receivable, net of allowance for doubtful accounts of \$2,905 and \$2,319	10,300	23,139
<b>Total assets</b>	<b>\$4,757,236</b>	<b>\$4,443,922</b>
<b>LIABILITIES AND EQUITY</b>		
Senior unsecured notes	\$1,582,173	\$1,533,349
Revolving credit facility	--	161,000
Mortgages, loans payable and other obligations	755,702	531,126
Dividends and distributions payable	42,070	52,249
Accounts payable, accrued expenses and other liabilities	119,395	119,451
Rents received in advance and security deposits	54,635	54,406
Accrued interest payable	22,416	32,978
<b>Total liabilities</b>	<b>2,576,391</b>	<b>2,484,559</b>
Commitments and contingencies		
<b>Equity:</b>		
Mack-Cali Realty Corporation 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, 78,554,827 and 66,419,055 shares outstanding	785	664
Additional paid-in capital	2,265,423	1,905,386
Dividends in excess of net earnings	(435,517 )	(386,587 )
<b>Total Mack-Cali Realty Corporation stockholders' equity</b>	<b>1,855,691</b>	<b>1,544,463</b>
<b>Noncontrolling interests in subsidiaries:</b>		
Operating Partnership	322,111	414,114
Consolidated joint ventures	3,043	786
<b>Total noncontrolling interests in subsidiaries</b>	<b>325,154</b>	<b>414,900</b>

Total equity	2,180,845	1,959,363
Total liabilities and equity	\$4,757,236	\$4,443,922

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



## MACK-CALI REALTY CORPORATION AND SUBSIDIARIES

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
<b>REVENUES</b>				
Base rents	\$155,532	\$147,809	\$458,943	\$444,499
Escalations and recoveries from tenants	24,995	29,755	77,888	82,065
Construction services	7,761	12,268	16,466	36,334
Real estate services	1,808	3,347	6,450	10,016
Other income	3,521	11,184	9,874	18,955
Total revenues	193,617	204,363	569,621	591,869
<b>EXPENSES</b>				
Real estate taxes	23,557	23,361	70,522	71,522
Utilities	18,122	24,706	55,090	65,794
Operating services	24,918	25,955	79,775	79,080
Direct construction costs	7,337	11,104	15,347	34,087
General and administrative	9,818	10,767	30,551	33,099
Depreciation and amortization	51,830	49,242	149,818	144,550
Total expenses	135,582	145,135	401,103	428,132
Operating income	58,035	59,228	168,518	163,737
<b>OTHER (EXPENSE) INCOME</b>				
Interest expense	(36,048 )	(31,163 )	(102,350 )	(94,963 )
Interest and other investment income	167	257	551	1,115
Equity in earnings (loss) of unconsolidated joint ventures	635	(269 )	(6,401 )	(533 )
Gain on reduction of other obligations	--	--	1,693	--
Gain on sale of investment in marketable securities	--	--	--	471
Total other (expense) income	(35,246 )	(31,175 )	(106,507 )	(93,910 )
Income from continuing operations	22,789	28,053	62,011	69,827
Net income	22,789	28,053	62,011	69,827
Noncontrolling interest in consolidated joint ventures	213	147	980	286
Noncontrolling interest in Operating Partnership	(3,415 )	(5,131 )	(9,929 )	(12,751 )
Preferred stock dividends	(500 )	(500 )	(1,500 )	(1,500 )
Net income available to common shareholders	\$19,087	\$22,569	\$51,562	\$55,862
<b>Basic earnings per common share:</b>				
Income from continuing operations available to common shareholders	\$0.24	\$0.34	\$0.71	\$0.85
Net income available to common shareholders	\$0.24	\$0.34	\$0.71	\$0.85
<b>Diluted earnings per common share:</b>				
Income from continuing operations available to common shareholders	\$0.24	\$0.34	\$0.71	\$0.85
Net income available to common shareholders	\$0.24	\$0.34	\$0.71	\$0.85
Dividends declared per common share	\$0.45	\$0.64	\$1.35	\$1.92

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Basic weighted average shares outstanding	78,151	65,519	72,889	65,438
Diluted weighted average shares outstanding	92,245	80,617	87,106	80,573

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

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

	Preferred Shares	Stock Amount	Common Shares	Stock Par Value	Additional Paid-In Capital	Dividends Excess of Net in Earnings	Noncontrolling Interests in Subsidiaries	Total Equity
Balance at January 1, 2009	10	\$25,000	66,419	\$664	\$1,905,386	\$(386,587)	\$414,900	\$1,959,363
Net income	--	--	--	--	--	53,062	8,949	62,011
Preferred stock dividends	--	--	--	--	--	(1,500)	--	(1,500)
Common stock dividends	--	--	--	--	--	(100,492)	--	(100,492)
Common unit distributions	--	--	--	--	--	--	-(19,027)	(19,027)
Common Stock offering	--	--	11,500	115	274,711	----	----	274,826
Increase in noncontrolling interests	--	--	--	--	--	--	-3,237	3,237
Redemption of common units for common stock	--	--	616	6	16,498	--	-(16,504)	--
Shares issued under Dividend Reinvestment and Stock Purchase Plan	--	--	7	--	152	----	----	152
Stock Options Exercised	--	--	16	--	421	----	----	421
Directors Deferred comp. plan	--	--	--	--	303	----	----	303
Stock Compensation	--	--	--	--	1,700	----	----	1,700
Cancellation of Restricted stock	--	--	(3)	--	(149)	----	----	(149)
Rebalancing of ownership percent between parent and subsidiary	--	--	--	--	66,401	--	-(66,401)	--
Balance at September 30, 2009	10	\$25,000	78,555	\$785	\$2,265,423	\$(435,517)	\$325,154	\$2,180,845

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



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

	Nine Months Ended September 30,	
	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$62,011	\$69,827
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization, including related intangibles	146,177	140,154
Amortization of stock compensation	1,700	2,165
Amortization of deferred financing costs and debt discount	2,024	2,124
Equity in (earnings) loss of unconsolidated joint ventures	6,401	533
Gain on reduction of other obligations	(1,693 )	--
Gain on sale of investment in marketable securities	--	(471 )
Distribution of cumulative earnings from unconsolidated joint ventures	2,637	