

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-KSB

(x) ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 (FEE REQUIRED)

For the fiscal year ended December 31, 1996

or

() TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

For the transition period from _____ to _____

Commission file number 0-20047

ROYALE INVESTMENTS, INC.
(Exact Name of Registrant as Specified in its Charter)

MINNESOTA 41-1691930
(State or Other Jurisdiction (IRS Employer
of Incorporation) Identification No.)

3430 LIST PLACE, MINNEAPOLIS, MINNESOTA 55416
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: 612/920-4078

Securities registered pursuant to Section 12(b) of the Act: NONE

Securities registered pursuant to Section 12(g) of the Act:
COMMON STOCK, .01 PAR VALUE

Check whether the issuer (1) filed all reports required to be filed by
Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 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 90
days. Yes X No
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Check if disclosure of delinquent filers in response to Item 405 of
Regulation S-B is not contained in this form, and no disclosure will be
contained, to the best of registrant's knowledge, in definitive proxy or
information statements incorporated by reference in Part III of this Form 10-KSB
or any amendment to this Form 10-KSB. [X]

State issuer's revenues for its most recent fiscal year: \$2,509,548

State the aggregate market value of the voting stock held by non-affiliates
computed by reference to the price at which the stock was sold, or the average
bid and ask prices of such stock, as of a specified date within 60 days. (SEE
definition of affiliate in Rule 12b-2 of the Exchange Act): \$7,100,000 AS OF
MARCH 14, 1997

(APPLICABLE ONLY TO CORPORATE REGISTRANTS)

State the number of shares outstanding of each of the registrant's classes
of common stock, as of the latest practicable date: 1,420,000 SHARES OF COMMON
STOCK AS OF MARCH 14, 1997

DOCUMENTS INCORPORATED BY REFERENCE

If the following documents are incorporated by reference, briefly describe
them and identify the part of the Form 10-KSB (e.g., Part I, Part II, etc.) into
which the document is incorporated: (1) any annual report to security holders;
(2) any proxy or information statement; and (3) any prospectus filed pursuant to
Rule 424(b) or (c) under the Securities Act of 1933. The listed documents should
be clearly described for identification purposes (e. g., annual report to
securities holders for fiscal year ended December 24, 1990).

1. PART III - DEFINITIVE PROXY STATEMENT TO BE FILED WITHIN
120 DAYS OF DECEMBER 31, 1996.

Transitional Small Business Disclosure Format (check one) Yes _____ No X

PART I

ITEM 1. DESCRIPTION OF BUSINESS

GENERAL

Royale Investments, Inc. (the "Company") was incorporated on February 19, 1988 to become an infinite-life real estate investment trust ("REIT") for the purpose of acquiring, leasing and managing income-producing commercial real estate properties. This format provides its shareholders an opportunity to participate in the benefits of real estate ownership under professional management, while enjoying the liquidity of publicly-traded securities. The Company currently owns seven properties located in Minnesota, Indiana, Wisconsin, Illinois and North Dakota. The leases are triple net, whereby the tenant is responsible for all costs and expenses of ownership, including roof and structure repairs and maintenance. Three of the stores are leased to and operated by a subsidiary of Fleming Companies, Inc. ("Fleming"), two are leased to and operated by Nash Finch Company ("Nash Finch"), and two are leased to and operated by franchisees of SUPERVALU INC. ("Supervalu")

The Company has operated and will continue to operate as a REIT under Sections 856 through 860 of the Internal Revenue Code. Under such provisions, the Company must distribute at least 95% of its taxable income to its shareholders and meet certain other asset and income tests. As a REIT, the Company generally is not subject to federal income tax.

The Company has no employees. Subject to the supervision of the Company's Board of Directors, the business of the Company is managed by Crown Advisors, Inc. (the "Advisor"), which provides investment advisory and administrative services to the Company and is owned by John Parsinen and Vernon R. Beck, officers and directors of the Company. In addition, the Advisor serves as the Company's consultant in connection with policy decisions and renders other services delegated to it by the Board of Directors. As of December 31, 1996, the Advisor employed three persons.

The Company does not maintain or pay for any office space. The Company's offices are located at the offices of the Advisor and are paid for by the Advisor. However, the advisory agreement between the Advisor and the Company provides that the Company pay a reasonable allocation of the Advisor's rent necessary for the officers, directors and agents of the Company to conduct business in the offices of the Advisor. There is no assurance that the Advisor will not allocate some portion of its rent to the Company in the future.

INVESTMENT STRATEGY

The Company's objectives are to acquire, own and manage a portfolio of commercial retail property which will provide steady cash flow and potential for long-term capital appreciation. The Company will hold its properties until it determines that the sale or other disposition of the properties is advantageous. The Company intends to continue its current strategy of acquiring free-standing retail properties under long-term leases to creditworthy national or regional tenants. Management believes that the Company's real estate portfolio will benefit from the stability offered by long-term net leased properties. The Company may consider real estate interests other than in the food or food-related distribution business, other than long-term net leased properties, and other opportunities as may be determined by the Board of Directors to be consistent with general investment objectives, including, but not limited to, enhancing shareholder value and cash flow.

FINANCING POLICIES

The Company may incur indebtedness on a secured or unsecured basis. The Board of Directors periodically reviews the Company's borrowings for reasonableness in relation to the net assets of the Company. The Company may, from

time to time, negotiate lines of credit or arrange for other short-term or long-term borrowings from commercial lenders or from public offerings or institutional investors. Where advisable, the Company may invest in properties subject to leases, existing loans, mortgages, deeds of trust or similar liens. The Company may also obtain other mortgage financing for unleveraged properties in which it has invested or may refinance properties acquired on a leveraged basis. The only limitations to incurring additional indebtedness is the requirement that additional financing be approved by a majority of the directors, including a majority of the independent directors, and a provision in the Bylaws of the Company limiting aggregate indebtedness to 300% of the book value of the gross tangible assets of the Company before deduction for

depreciation and non-cash reserves.

POTENTIAL ENVIRONMENTAL LIABILITIES

Under various federal, state and local laws and regulations, an owner of real estate is liable for the costs of removal or remediation of certain hazardous or toxic substances on such property. Such laws often impose such liability without regard to whether the owner knew of, or was responsible for, the presence of such hazardous or toxic substances. The costs of remediation or removal of such substances may be substantial, and the presence of such substances, or the failure to promptly remediate such substances, may adversely affect the owner's ability to sell such real estate or to borrow using such real estate as collateral. As an owner of its properties, the Company may be liable for remediation costs, even though the Company's tenants are responsible for such costs under the leases.

The Company has obtained Phase I environmental assessments on all of its properties, which are intended to discover information regarding, and to evaluate the environmental condition of, the surveyed properties and surrounding properties. The Phase I assessments include a historical review, a public records review, a preliminary investigation of the site and surrounding properties, screening for the presence of asbestos, polychlorinated biphenyls ("PCBs") and underground storage tanks and the preparation and issuance of a written report, but do not include soil sampling or subsurface investigations.

The Phase I assessments have not revealed any environmental liability that the Company believes would have a material adverse affect on the Company's business, assets or results of operations, nor is the Company aware of any such liability. Nevertheless, it is possible that these assessments do not reveal all environmental liabilities or that there are material environmental liabilities of which the Company is unaware. Moreover, no assurances can be given that (i) future laws, ordinances or regulations will not impose any material environmental liability or (ii) the current environmental condition of the Company's properties will not be affected by tenants and occupants, by the condition of properties in the vicinity (such as the presence of underground storage tanks) or by third parties unrelated to the Company.

The Company believes that its properties are in compliance in all material respects with all federal, state and local ordinances and regulations regarding hazardous or toxic substances. The Company has not been notified by any governmental authority, or is not otherwise aware, of any material noncompliance, liability or claim relating to hazardous or toxic substances in connection with its properties.

COMPETITION

The Company will compete within its geographic areas of operation for acquisition, development and financing of properties with a wide variety of investors, including syndicators, insurance companies, pension funds, corporate and individual real estate developers, and other real estate investors which have investment objectives similar to those of the Company.

Competitive factors in the real estate industry will be heightened for the Company because of a lack of investment diversification of its assets. Because the Company currently owns only seven properties, the risk of material loss to the Company on a tenant's default is greater than it would be if the Company had a more diverse portfolio of properties.

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Moreover, the Company will be relying upon the expertise of tenants to ensure that properties are operated profitably. There is no assurance that any property will be operated profitably.

ITEM 2. DESCRIPTION OF PROPERTY

The Company owns seven properties located in the central United States, and leases the properties to operators of supermarkets under long-term operating lease agreements. The leases have initial terms of 15 to 20 years. As of December 31, 1996, the average remaining lease term was approximately 15 years. All of the properties are leased under net leases where the tenant typically will bear responsibility for substantially all property costs and expenses associated with operations and maintenance, including real estate taxes. The leases provide for annual base rental payments (payable in monthly installments) ranging from \$168,300 to \$548,200. The leases also provide for contractual increases in annual rent, and have renewal options of 4 to 8 five-year periods, subject to substantially the same terms and conditions as the initial lease.

Substantially all of the Company's income is derived from rental payments received from its tenants. The table below sets forth certain information concerning the Company's properties as of December 31, 1996.

<TABLE>
<CAPTION>

Location	Gross Leasable Area (GLA)	Percent of Total GLA	Straight Line Annual Base Rent	Annual Real Estate Taxes	Lease Expiration
<S>	<C>	<C>	<C>	<C>	<C>
Plymouth, MN	67,650 sq ft	19%	\$522,813	\$213,036	2006
Indianapolis, IN	67,541	19%	548,196	102,300	2011
Peru, IL	44,300	13%	347,112	21,269	2014
Minot, ND	46,000	13%	316,272	53,291	2014
Glendale, WI	36,000	10%	177,984	64,244	2010
Oconomowac, WI	40,000	11%	264,798	49,985	2014
Delafield, WI	52,800	15%	330,564	68,791	2014

The Minnesota and Indiana locations are operated by franchisees of SUPERVALU INC. under the Cub Foods name. Supervalu is one of the nation's leading food distribution companies and is engaged primarily in the business of selling food and other products at wholesale to independently owned supermarkets. It is also the 14th largest food retailer in the United States, based on sales. Supervalu's common stock is traded on the New York Stock Exchange.

The Minnesota property is leased to Innsbruck Investments, Inc., and is personally guaranteed by certain principals of the tenant. The Indiana property was leased to Goldmark, Inc. until April 1996, when the Company approved a transfer of Goldmark's interest as tenant to Wigest Corporation, an Indiana corporation. Supervalu has guaranteed the obligations of each of the tenants for a period of ten years, commencing June 25, 1992, up to \$3.5 million in aggregate. The Supervalu guaranty may be used on either or both of the properties. In consideration of this guaranty, the Company has agreed to pay Supervalu an annual fee of 1% of the unused portion of the guaranty. As an inducement to allow the Indiana lease transfer, Wigest Corporation has agreed to pay one-half of this fee effective April 16, 1996.

The Company and Supervalu have executed a companion lease in order to enable Supervalu to control either of the properties upon a tenant default. The companion lease for each property is on substantially the same terms as each of the leases, and will allow (but not require) Supervalu to take over the operation of the property upon a default by one or both of the tenants.

The three Wisconsin properties are leased by Fleming Companies, Inc., the largest food distributor in the United States. As of year end 1996, Fleming served over 2,900 retail food stores in 36 states. In addition, Fleming provides

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support services to retail customers and operates retail food stores under the names Piggly Wiggly, Thriftway and Sentry. Fleming's common stock is traded on the New York Stock Exchange.

The properties located in Illinois and North Dakota are operated by Nash Finch Company. Nash Finch is a Minnesota-based company engaged principally in the wholesale and retail distribution of food and non-food products typically found in supermarkets. Nash Finch is the third largest public grocery wholesaler in the country. On a wholesale basis, Nash Finch supplies products to approximately 1,400 supermarkets, military bases and other customers in approximately 30 states. Nash Finch also operates conventional supermarkets, principally under the names Sun Mart, Econofoods, Family Thrift Center, Food Folks and Easter's. Nash Finch's common stock is traded on the NASDAQ National Market System.

The federal tax basis of all of the Company's properties is the same as the basis for financial statement purposes. All tax depreciation is computed by the straight line method. Buildings have depreciable lives of from 31.5 to 40 years. Building improvements, which include landscaping, parking lots, etc., have depreciable lives of 15 to 20 years.

In the opinion of Company's management, the real estate owned by the Company is adequately covered by insurance. The Company does not anticipate the need to renovate any of the properties in the foreseeable future.

MORTGAGE DEBT. See note 5 to the financial statements for a detailed description of the terms of the mortgages.

ITEM 3. LEGAL PROCEEDINGS

During 1996, the Company was not a party to any legal

proceedings.

ITEM 4. SUBMISSIONS OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of security holders during the Company's fourth quarter.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

PRICE RANGE OF COMMON STOCK

The Company's Common Stock is traded on The Nasdaq SmallCap Market tier of The Nasdaq Stock Market under the symbol RLIN. The following table sets forth the range of the high and low last reported sale prices as reported by Nasdaq. The quotations shown represent interdealer prices without adjustment for retail markups, markdowns or commission, and may not reflect actual transactions.

1995	LOW	HIGH
First Quarter	5-1/4	7-1/4
Second Quarter	4-3/4	5-5/8
Third Quarter	5	6-3/8
Fourth Quarter	4-3/4	6

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1996	LOW	HIGH
First Quarter	4-3/4	5-3/8
Second Quarter	4-7/8	5-3/4
Third Quarter	5-1/8	5-3/4
Fourth Quarter	4-3/4	5-1/2

On March 14, 1997, the last sale price for the Common Stock, as reported by Nasdaq, was \$5.00 per share. As of March 14, 1997, there were approximately 275 record holders of the Common Stock. The Company estimates that there are approximately 1,200 beneficial holders of the Common Stock.

CASH DIVIDENDS

In 1996 and 1995, the Company declared quarterly dividends of \$.125 per share for each of the four fiscal quarters. The Company's ability to pay dividends in the future will be dependent upon cash flow generated from lease payments received by the Company and cash generated from financing transactions, as well as limitations imposed by applicable state laws. The Company's dividend policy is determined by the Company's Board of Directors based upon the yield available for similar securities, cash available to the Company and cash required by the Company to meet anticipated requirements to purchase additional properties. In early 1995, the Company established a dividend policy of basing future distributions on funds from operations. It is expected that the Company will pay out aggregate dividends in 1997 of \$.50 per share, if no additional properties are purchased.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

OVERVIEW

The Company was founded in 1988, but did not conduct any operations until February 1990. On December 31, 1991, the Company closed its initial public offering of Common Stock. On June 25, 1992, the Company acquired two properties from Supervalu. On June 30, 1993, the Company sold additional shares of Common Stock in a public offering. During 1993 and 1994, the Company purchased three properties from Fleming and two from Nash Finch.

RESULTS OF OPERATIONS FOR FISCAL YEARS ENDED DECEMBER 1996 AND 1995

In 1996, rental revenue increased by \$41,230 to \$2,477,412 from \$2,436,182 in 1995, due to a contractual increase in two of the properties, as explained in the following paragraph. Since 1995 was the first year in which all of the Company's properties were leased for an entire year, rental revenue increased by \$397,672 to \$2,436,182 from \$2,038,510 in 1994. Projected rental revenue for 1997 is approximately \$2,500,000.

Rent on the Company's Minnesota and Indiana properties is fixed for the term of the leases, but is adjusted every five years by 50% of the increase in the "Food-at-Home" component of the Consumer Price Index up to a maximum of 10% for any five-year period. In March 1996, rent on the Minnesota property

increased approximately 6%, and in November 1996, rent on the Indiana property increased approximately 8%. Remaining leases are for initial terms of seventeen to twenty years, and the rents due under these leases adjust upward every five years based upon a negotiated minimum rate or a percentage of sales, whichever is greater. The principal expenses of the Company will be mortgage interest and depreciation, and the leases are structured to provide sufficient rents to allow the Company to service the debt and pay other operating costs of the leased premises, including advisory fees. If rent is not paid as provided in the leases, the Company may be unable to meet its mortgage or other payments.

Interest income decreased in 1996 by approximately \$16,000 due to a reduction in cash and marketable securities. Interest income for 1995 decreased to \$48,467 from \$216,726 in 1994. The decrease was the result of construction

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period interest received on the Oconomowac and Delafield purchases during 1994, which was no longer applicable in 1995.

All operating expenses relating to the Company's properties, such as utilities, property taxes, repairs and maintenance and insurance, are the responsibility of the Company's tenants. Accordingly, the Company did not incur any material costs for these expenses in 1996 or 1995. Operation and management expenses consist mainly of fees paid to Crown Advisors, Inc., the Company's advisor and affiliate. The contractual fee was \$250,274 in both 1996 and 1995, as compared to \$510,964 in 1994. The higher amount in 1994 was the result of acquisition fees paid on properties acquired in that year. General and administrative expenses consist primarily of professional fees, travel expense and state income taxes. These expenses increased to \$42,505 in 1996 from \$34,595 in 1995 and \$34,874 in 1994.

Mortgage interest expense decreased to \$1,246,386 in 1996 from \$1,266,506 in 1995, due to a reduction in mortgage principal of approximately \$257,000 during the year. Mortgage interest expense increased in 1995 from \$1,098,030 in 1994. This increase in expense resulted from additional mortgages obtained to purchase additional properties in 1994. Correspondingly, depreciation expense increased from \$467,298 in 1994 to \$554,428 in 1995 and 1996.

Net income for 1996 was \$293,046, an increase of \$20,873 from 1995. This increase was mostly due to additional revenues of \$25,000 and reduced interest expense of \$20,000, offset by a \$22,000 charge to operations for an unsuccessful attempt to raise capital and acquire additional properties. Net income for 1995 was \$272,173, a decrease of \$28,742 from 1994. Although total revenue increased by approximately \$230,000 in 1995, interest and depreciation expense increased by approximately \$260,000, resulting in a decrease in net income.

FUNDS FROM OPERATIONS

The Company believes that to facilitate a clear understanding of its operating results, funds from operations ("FFO") should be examined in conjunction with net income. FFO are generally considered by industry analysts to be the most appropriate measure of performance by a real estate investment trust. Although there are variations in the REIT industry as to how funds from operations are calculated, the Company has adopted the NAREIT (National Association of Real Estate Investment Trusts) definition, adding back real estate depreciation expense to net income. No other adjustments were required by the Company. FFO has increased to \$847,000 (60 cents per share) in 1996, compared to \$827,000 (58 cents per share) in 1995 and \$768,000 (54 cents per share) in 1994.

LIQUIDITY AND CAPITAL RESOURCES

Proceeds from equity offerings and long-term mortgage financing have been the principal sources of capital to fund the Company's property acquisitions. Cash flow from operations has been the principal source of capital to fund ongoing operations. Cash and cash equivalents and marketable securities at December 31, 1996 aggregated \$737,654 compared with \$838,091 at December 31, 1995, and \$1,130,864 at December 31, 1994. The Company anticipates that it will have sufficient cash to meet its various cash requirements, including the payment of debt service obligations and dividends in 1997.

The Company declared dividends of \$.50 per share to its shareholders in 1996 and 1995, and \$.85 per share in 1994. To the extent that dividends are paid in excess of net income plus amortization and depreciation, and cash is not generated through borrowings or sale of equity, the Company's liquidity will be adversely affected. In early 1995, the Company established a dividend policy of basing future distributions on projected funds from operations. The Company anticipates paying annual dividends of \$.50 per share during 1997 if no additional properties are purchased. Operating cash flows are expected to increase due to future growth in rental revenues and from any property acquired in the future.

The ability of the Company to acquire additional properties is dependent upon obtaining additional equity capital through the issuance and sale of Common Stock or other securities as well as obtaining acceptable mortgage financing on its properties and properties to be acquired. Whether the Company will be able to procure the necessary financing

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will depend upon the prevailing market for the Company's Common Stock, interest rates and the lending market for real estate generally. There is no assurance that the Company will be able to raise additional capital on terms satisfactory to the Company.

The leases require the tenants to pay all costs associated with the Company's properties, including most capital expenditures for repairs and improvements. Consequently, it is not expected that the Company will be required to incur any significant capital expenditures in connection with the maintenance of its properties or any properties acquired in the future.

ITEM 7. FINANCIAL STATEMENTS

Financial Statements required by this Item can be found beginning on page F-2 of this Form 10-KSB and are deemed incorporated herein by reference.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

Pursuant to instruction E(3) to Form 10-KSB, the information required by Part III (Items 9, 10, 11, and 12) is hereby incorporated by reference to the materials contained in "Election of Directors"; "Executive Officers and Compensation"; "Certain Transactions" and "Security Ownership of Certain Beneficial Owners and Management", contained in the Company's definitive proxy materials to be filed with the Commission within 120 days of December 31, 1996.

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K

(a) The following documents are filed as part of this Form 10-KSB:

1. FINANCIAL STATEMENTS. Audited balance sheets as of December 31, 1996 and 1995, and the related statements of income, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1996 are filed as part of this Form 10-KSB. See Index to Financial Statements on Page F-1.

2. EXHIBITS. Refer to the Exhibit Index that follows.

EXHIBIT INDEX

Exhibit Number	Title	Method of Filing
3.1	Restated Articles of Incorporation of the Company, as amended	(1)
3.2	Bylaws of the Company	(1)
3.3	Bylaws of the Company as amended June 15, 1993	(5)
10.1	Amendment of Advisory Agreement (Amended as of September 11, 1992)	(2)
10.2	Amended Advisory Agreement (Amended as of October 1, 1991)	(1)
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10.5	Amended Form of Directors' Warrant	(1)
10.6	Executed Indianapolis Purchase Agreement together with Exhibits	(1)
10.7	Executed Amendment to Indianapolis Purchase Agreement	(1)

10.8	Executed Plymouth Purchase Agreement together with Exhibits	(1)
10.9	Super Valu Guaranty	(1)
10.11	Plymouth Property Appraisal	(1)
10.12	Indianapolis Property Appraisal	(1)
10.13	Promissory Note dated June 25, 1992 issued by Royale Investments, Inc. to American United Life Insurance Company for \$4.8 million	(3)
10.14	Guaranty Agreement dated June 25, 1992 between Super Valu Stores, Inc. and Royale Investments, Inc.	(3)
10.15	Letter of Credit Agreement dated July 2, 1991 between Super Valu Stores, Inc. and Goldmark, Inc.	(3)
10.16	Indenture of Mortgage and Security Agreement with Assignment of Rents dated as of June 1, 1992 from Royale Investments, Inc. to American United Life Insurance Company re: Indianapolis	(3)
10.17	Indenture of Mortgage and Security Agreement with Assignment of Rents and Fixture Financing Statement dated as of June 1, 1992 from Royale Investments, Inc. to American United Life Insurance Company	(3)
10.18	First Amendment to Lease between Super Valu Stores, Inc. and Innsbruck Investments, Inc. dated June 25, 1992	(3)
10.19	Companion Lease dated June 25, 1992 by and between Royale Investments, Inc. and Super Valu Stores, Inc.	(3)
10.20	First Amendment to Guaranty Agreement dated June 25, 1992	(4)
10.21	First Amendment to Companion Lease dated June 25, 1992	(4)
10.22	First Amendment to Memorandum of Lease dated June 25, 1992	(4)
10.25	Executed Glendale Purchase Agreement dated August 31, 1993 with Exhibits	(6)
10.26	Executed Glendale Lease with Malone & Hyde, Inc. dated October 1, 1993	(6)
10.27	Fleming Companies Guaranty dated September 27, 1993	(6)
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10.28	Glendale Property Appraisal dated August 17, 1993	(6)
10.29	Executed Peru Purchase Agreement dated November 30, 1993 with Exhibits	(6)
10.30	Executed Peru Lease with Nash-Finch Company dated December 1, 1993	(6)
10.31	Peru Property Appraisal dated August 13, 1993	(6)
10.32	Peru Mortgage and Assignment of Leases and Rents and Security Agreement and Fixture Financing Statement dated December 17, 1993 from Royale Investments, Inc. to Northern Life Insurance Company	(6)
10.33	Peru Secured Lease Obligation Note due November 1, 2013 from Royale Investments,	

	Inc. to Northern Life Insurance Company dated December 17, 1993	(6)
10.34	Peru Subordination, Non-Disturbances and Attornment Agreement dated November 30, 1993	(6)
10.35	Stock Option Plan for Directors	(6)
10.36	Form of Directors Stock Option	(6)
10.37	Executed Minot Purchase Agreement dated January 31, 1994, with Exhibits	(7)
10.38	Executed Minot Lease with Nash Finch Company dated January 31, 1994	(7)
10.39	Minot Property Appraisal dated August 12, 1993	(7)
10.40	Minot Mortgage and Security Agreement and Fixture and Financing Statement dated January 31, 1994 from Royale Investments, Inc. to Northern Life Insurance Company	(7)
10.41	Minot Secured Lease Obligation Note due February 1, 2014, from Royale Investments, Inc. to Northern Life Insurance Company dated January 31, 1994	(7)
10.42	Minot Recognition Agreement dated January 31, 1994	(7)
10.43	Executed Oconomowoc Purchase Agreement dated November 30, 1993, with Exhibits	(7)
10.44	Executed Oconomowoc Lease with Malone & Hyde, Inc. dated January 10, 1994	(7)
10.45	Fleming Companies, Inc. Guaranty dated January 10, 1994	(7)
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10.46	Oconomowoc Property Appraisal dated October 26, 1993	(7)
10.47	Oconomowoc Mortgage and Security Agreement dated June 6, 1994 from Royale Investments, Inc. to Modern Woodmen of America	(7)
10.48	Oconomowoc Mortgage Note dated June 6, 1994 issued by Royale Investments, Inc. to Modern Woodmen of America for \$1.8 million	(7)
10.49	Amended and Restated Mortgage Note dated June 6, 1994 issued by Royale Investments, Inc. to Modern Woodmen of America for \$1.8 million	(7)
10.50	Executed Delafield Purchase Agreement dated March 11, 1994 with Exhibits	(7)
10.51	Executed Delafield Lease with Malone & Hyde, Inc. dated March 11, 1994	(7)
10.52	Fleming Companies, Inc. Guaranty dated March 11, 1994	(7)
10.53	Delafield Property Appraisal dated March 7, 1994	(7)
10.54	Delafield Mortgage and Security Agreement dated November 28, 1994 from Royale Investments, Inc. to Modern Woodmen of America	(7)
10.55	Delafield Mortgage Note dated November 28, 1994 issued by Royale Investments, Inc. to Modern Woodmen of America for	

	\$2 million	(7)
10.56	Glendale Mortgage Note dated March 28, 1994 issued by Royale Investments, Inc. to Firststar Bank Milwaukee, N.A.	(7)
10.57	Amended and Restated Royale Investments, Inc. REIT Advisory Agreement dated November 22, 1995	(8)
10.58	Assignment of Tenant's Interest in Lease and Assumption Agreement dated April 22, 1996, with Exhibits	Filed Herewith
10.59	Second Amendment of Lease between Royale Investments, Inc. and Wigest Corporation, dated April 22, 1996	Filed Herewith
10.60	Release of Mark Murphy Guaranty, dated April 22, 1996	Filed Herewith
10.61	Subordination Agreement, dated April 22, 1996	Filed Herewith

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- (1) Incorporated by reference to the same numbered Exhibit to the Company's Registration Statement on Form S-11, File No. 33-43202.
- (2) Incorporated by reference to the same Numbered Exhibit to the Company's Form 10-Q filed for the quarter ended September 30, 1992.
- (3) Incorporated by reference to Exhibit Nos. 10.1 - 10.7 to the Company's Form 8 dated June 25, 1992.
- (4) Incorporated by reference to Exhibit Nos. 10.20 - 10.22 to the Company's Form 10-K filed for the year ended December 31, 1992.
- (5) Incorporated by reference to Exhibit No. 11.1 of the Company's Form 10-Q filed for the quarter ended June 30, 1993.
- (6) Incorporated by reference to Exhibit Nos. 10.25 - 10.36 to the Company's Form 10-KSB filed for the year ended December 31, 1993.
- (7) Incorporated by reference to Exhibit Nos. 10.37 - 10.56 to the Company's Form 10-KSB filed for the year ended December 31, 1994.
- (8) Incorporated by reference to Exhibit No. 10.57 to the Company's Form 10-KSB filed for the year ended December 31, 1995.
- (b) No reports on Form 8-K were filed during the last quarter of the period covered by this report.

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SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 28, 1997

ROYALE INVESTMENTS, INC.

By: /s/ Vernon R. Beck

Vernon R. Beck
President and
Chief Executive Officer

By: /s/ Kenneth R. Neubauer

Kenneth R. Neubauer
Chief Financial Officer

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Dated:
/s/ Vernon R. Beck ----- Vernon R. Beck	President and Chief Executive Officer and Director	-----
/s/ John Parsinen ----- John Parsinen	Vice President, Secretary and Director	-----
/s/ Orvin J. Hall ----- Orvin J. Hall	Director	-----
/s/ Kurt Schoenrock ----- Kurt Schoenrock	Director	-----
/s/ Kenneth D. Wethe ----- Kenneth D. Wethe	Director	-----
/s/ Allen C. Gehrke ----- Allen C. Gehrke	Director	-----

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ROYALE INVESTMENTS, INC.

FINANCIAL STATEMENTS

Years Ended December 31, 1996, 1995, and 1994

C O N T E N T S

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Statements of changes in stockholders' equity	4
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Board of Directors and Stockholders
 Royale Investments, Inc.
 Minneapolis, Minnesota

We have audited the accompanying balance sheets of ROYALE INVESTMENTS, INC. as of December 31, 1996 and 1995, and the related statements of income, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ROYALE INVESTMENTS, INC. as of December 31, 1996 and 1995, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1996, in conformity with generally accepted accounting principles.

LURIE, BESIKOF, LAPIDUS & CO., LLP

Minneapolis, Minnesota
 January 23, 1997

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ROYALE INVESTMENTS, INC.

BALANCE SHEETS
 December 31, 1996 and 1995

<TABLE>
 <CAPTION>

ASSETS	1996	1995
	-----	-----
<S>	<C>	<C>
REAL ESTATE INVESTMENTS SUBJECT TO OPERATING LEASES		
Land	\$ 5,428,130	\$ 5,428,130
Land improvements	2,577,901	2,577,901
Buildings	17,021,327	17,021,327
	-----	-----
	25,027,358	25,027,358
Less accumulated depreciation	1,957,448	1,403,020
	-----	-----
	23,069,910	23,624,338
CASH AND CASH EQUIVALENTS	258,275	257,970
MARKETABLE SECURITIES	479,379	580,121
OTHER ASSETS	389,517	316,944
	-----	-----
	\$24,197,081	\$24,779,373
	-----	-----
	-----	-----

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES		
Mortgage notes payable	\$14,658,250	\$14,915,643
Dividends payable	177,500	177,500
Accounts payable and other liabilities	189,977	97,922
	-----	-----
	15,025,727	15,191,065
	-----	-----

STOCKHOLDERS' EQUITY

Common stock	14,200	14,200
Additional paid-in capital	12,353,398	12,353,398
Distributions in excess of accumulated earnings	(3,196,244)	(2,779,290)
	-----	-----
	9,171,354	9,588,308
	-----	-----
	\$24,197,081	\$24,779,373
	-----	-----
	-----	-----

</TABLE>

See notes to financial statements.

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ROYALE INVESTMENTS, INC.

STATEMENTS OF INCOME
Years Ended December 31, 1996, 1995, and 1994

<TABLE>
<CAPTION>

	1996	1995	1994
	-----	-----	-----
<S>	<C>	<C>	<C>
INCOME			
Rental	\$2,477,412	\$2,436,182	\$2,038,510
Investment	32,136	48,467	216,726
	-----	-----	-----
	2,509,548	2,484,649	2,255,236
	-----	-----	-----
EXPENSES			
Operations and management	360,528	344,054	345,624
Mortgage and other interest	1,246,386	1,266,506	1,098,030
Depreciation and amortization	567,083	567,321	475,793
Administrative and general	42,505	34,595	34,874
	-----	-----	-----
	2,216,502	2,212,476	1,954,321
	-----	-----	-----
NET INCOME	\$ 293,046	\$ 272,173	\$ 300,915
	-----	-----	-----
	-----	-----	-----
NET INCOME PER COMMON SHARE	\$.21	\$.19	\$.21
	-----	-----	-----
	-----	-----	-----
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	1,420,000	1,420,000	1,420,000
	-----	-----	-----
	-----	-----	-----

</TABLE>

See notes to financial statements.

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ROYALE INVESTMENTS, INC.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Years Ended December 31, 1996, 1995, and 1994

<TABLE>
<CAPTION>

Stockholders'	Common Stock (1)		Additional Paid-in Capital	Distributions in Excess of Accumulated Earnings	Total Equity
	Number of Shares	Amount			

<S>	<C>	<C>	<C>	<C>	<C>
BALANCE, DECEMBER 31, 1993	1,420,000	\$14,200	\$12,353,398	(\$1,435,378)	\$10,932,220
Net income	-	-	-	300,915	300,915
Dividends	-	-	-	(1,207,000)	(1,207,000)
BALANCE, DECEMBER 31, 1994	1,420,000	14,200	12,353,398	(2,341,463)	10,026,135
Net income	-	-	-	272,173	272,173
Dividends	-	-	-	(710,000)	(710,000)
BALANCE, DECEMBER 31, 1995	1,420,000	14,200	12,353,398	(2,779,290)	9,588,308
Net income	-	-	-	293,046	293,046
Dividends	-	-	-	(710,000)	(710,000)
BALANCE, DECEMBER 31, 1996	1,420,000	\$14,200	\$12,353,398	(\$3,196,244)	\$9,171,354

</TABLE>

(1) 50 million shares are authorized, of which 30 million shares are classified as common stock, \$.01 par value, and 20 million shares are unclassified.

See notes to financial statements.

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ROYALE INVESTMENTS, INC.

STATEMENTS OF CASH FLOWS
Years Ended December 31, 1996, 1995, and 1994

<TABLE>
<CAPTION>

	1996	1995	1994
<S>	<C>	<C>	<C>
OPERATING ACTIVITIES			
Net income	\$ 293,046	\$ 272,173	\$ 300,915
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	554,428	554,428	467,061
Amortization	12,655	12,893	8,732
Accrued rental income	(66,554)	(66,554)	(50,706)
Amortization of marketable securities	(26,360)	(29,595)	-
Changes in operating assets and liabilities:			
Other assets	(18,674)	2,421	(3,024)
Accounts payable and other liabilities	92,055	(67,516)	24,240
Due to related parties	-	-	(56,931)
Net cash provided by operating activities	840,596	678,250	690,287
INVESTING ACTIVITIES			
Proceeds from maturity of marketable securities	1,126,000	130,000	-
Purchase of marketable securities	(998,898)	(680,526)	-
Purchase of land and buildings	-	-	(9,510,976)
Net cash provided (used) by investing activities	127,102	(550,526)	(9,510,976)
FINANCING ACTIVITIES			
Dividends paid	(710,000)	(834,250)	(1,207,000)
Principal payments on mortgage loans	(257,393)	(237,556)	(146,801)
Proceeds from mortgage loans	-	-	7,850,000
Refund (payment) of mortgage acquisition costs	-	11,188	(136,254)

Refund (payment) of mortgage commitment fee	-	60,000	(2,500)
	-----	-----	-----
Net cash provided (used) by financing activities	(967,393)	(1,000,618)	6,357,445
	-----	-----	-----
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	305	(872,894)	(2,463,244)
CASH AND CASH EQUIVALENTS			
Beginning of year	257,970	1,130,864	3,594,108
	-----	-----	-----
End of year	\$ 258,275	\$ 257,970	\$1,130,864
	-----	-----	-----
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid for:			
Interest	\$1,210,441	\$1,266,436	\$1,077,059
Income taxes	6,200	6,092	6,409

</TABLE>

See notes to financial statements.

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ROYALE INVESTMENTS, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 1996, 1995, and 1994

1. Description of Business and Summary of Significant Accounting Policies -

DESCRIPTION OF BUSINESS

Royale Investments, Inc. (the Company), a Minnesota corporation, was formed in 1988 to acquire a portfolio of income-producing commercial real estate properties. The Company has qualified as a real estate investment trust (REIT) under provisions of the Internal Revenue Code.

USE OF ESTIMATES

The preparation of these financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that may affect certain reported amounts and disclosures in the financial statements and accompanying notes. Actual results could differ from these estimates.

REAL ESTATE INVESTMENTS

Real estate investments, consisting entirely of properties leased to operators of retail food stores, are recorded at cost and include land, land improvements, and buildings. For financial reporting purposes, depreciation is computed by the straight-line method using a 40-year life for buildings and a 20-year life for land improvements. For income tax purposes, depreciation is computed by the straight-line method using lives of 31.5 - 40 years for buildings and 15 - 20 years for land improvements.

CASH AND CASH EQUIVALENTS

The Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

INCOME TAXES

The Company has qualified, and intends to continue to qualify, as a real estate investment trust under Sections 856 through 860 of the Internal Revenue Code and, to the extent available, the applicable state statutes. Under such provisions, the Company is not subject to federal income tax on amounts distributed to stockholders, provided at least 95% of its real estate investment trust taxable income is distributed. As the Company intends to distribute all income currently, no Federal income tax provision was made.

State income taxes are incurred in some states in which the Company owns

property. This expense is included with general and administrative expense and totals \$6,200, \$6,200, and \$6,959 for the years ended December 31, 1996, 1995, and 1994, respectively.

(continued)

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ROYALE INVESTMENTS, INC.

NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 1996, 1995, and 1994

1. Description of Business and Summary of Significant Accounting Policies -
(continued)

NET INCOME PER COMMON SHARE

Net income per common share is based upon the weighted average number of common and common equivalent shares outstanding during each year. Common stock equivalents represent stock options assumed to be exercised. Common stock equivalents were not considered if they had an antidilutive effect on net income per common share.

DIRECTORS' STOCK OPTION PLAN

The Company accounts for stock options issued to directors in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and provides the disclosures required by Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation."

FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Cash and cash equivalents - The carrying amount approximates fair value because of their liquidity.

Marketable securities - The fair value is based on quoted market prices.

Mortgage notes payable - The carrying value approximates fair value.

2. Marketable Securities -

The Company owns U.S. Treasury bills which are accounted for as held-to-maturity securities. The held-to-maturity securities are due in one year or less and amortized cost approximates market value.

3. Other Assets -

Other assets consist of the following as of December 31:

	1996	1995
	-----	-----
Accrued rental income	\$ 183,814	\$ 117,260
Loan costs (net of accumulated amortization: 1996 - \$34,042; 1995 - \$21,387)	185,426	198,081
Other	20,277	1,603
	-----	-----
	\$ 389,517	\$ 316,944
	-----	-----
	-----	-----

Loan costs include application fees, lender fees, and legal costs paid to acquire mortgage loans and are amortized over the terms of the loans.

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ROYALE INVESTMENTS, INC.

NOTES TO FINANCIAL STATEMENTS

4. Leases -

The Company leases its properties to operators of seven major retail food stores under long-term operating lease agreements. The leases are accounted for under the provisions of Statement of Financial Accounting Standards No. 13, "Accounting for Leases." The leases have initial terms of 17 to 20 years (expiring between 2006 and 2014) and provide for minimum and contingent rentals. In addition, the tenant is generally required to pay all property taxes, insurance and maintenance costs. The leases have renewal options for 4 to 8 successive five-year periods, subject to substantially the same terms and conditions as the initial lease. Five of the leases are guaranteed by the lessee's parent company or franchisor.

The guaranteed leases provide for escalating minimum rent to begin in subsequent years. Income from these scheduled rent increases is recognized on a straight-line basis over the term of each lease. The amount earned in excess of the amount received is included in accrued rental income.

Approximate future minimum rentals on these leases are as follows:

Year ----	Amount -----
1997	\$ 2,441,000
1998	2,441,000
1999	2,462,000
2000	2,480,000
2001	2,488,000
Thereafter	25,127,000

	\$37,439,000

5. Mortgage Notes Payable -

Mortgage notes payable as of December 31 are as follows:

	1996 -----	1995 -----
Mortgage note collateralized by land, buildings and assignments of rents in Indianapolis, Indiana and Plymouth, Minnesota, interest rate of 9.5%, monthly payments of principal and interest of \$40,890 through May 2002, and a final payment of \$4,433,758 due June 2002.	\$4,706,193	\$4,744,321

(continued)

ROYALE INVESTMENTS, INC.

NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 1996, 1995, and 1994

5. Mortgage Notes Payable - (continued)

	1996 -----	1995 -----
Mortgage note collateralized by land, a building and an assignment of rents in Peru, Illinois, interest rate at 8%, monthly payments of principal and interest of \$21,489 through December 1998, \$22,212 from January 1999 through December 2003, \$22,886 from January 2004 through December 2008, \$23,537 from January 2009 through October 2013, and a final payment of \$5,585 due November 2013.	\$2,490,201	\$2,546,389

Mortgage note collateralized by land, a building and an assignment of rents in Minot, North Dakota, interest rate of 8%, monthly payments of principal and interest of \$23,111 through February 1999, \$23,888

from March 1999 through February 2004, \$24,614 from March 2004 through February 2009, \$25,313 from March 2009 through December 2013, and a final payment of \$26,126 due January 2014.

2,692,600 2,751,921

Mortgage note collateralized by land, a building and an assignment of rents in Glendale, Wisconsin, interest rate of 7.75%, monthly payments of principal and interest of \$10,602 through April 2011, and a final payment of approximately \$11,125 due April 2011.

1,099,286 1,139,602

Mortgage note collateralized by land, a building and an assignment of rents in Oconomowoc, Wisconsin, interest rate of 7.625%, monthly payments of principal and interest of \$12,750 through June 1999, \$13,500 from July 1999 through June 2004, \$17,700 from July 2004 through June 2009, and \$18,750 from July 2009 through June 2014.

1,756,772 1,775,055

Mortgage note collateralized by land, a building and an assignment of rents in Delafield, Wisconsin, interest rate of 8.125%, monthly payments of principal and interest of \$16,885 through November 2004, and a final payment of \$1,401,001 due December 2004. In December 1999, the holder has the option to adjust the interest rate to 1.80% over the then current five year U.S. Treasury yield. Monthly payments will be adjusted accordingly.

1,913,198 1,958,355

\$14,658,250 \$14,915,643

(continued)

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ROYALE INVESTMENTS, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 1996, 1995, and 1994

5. Mortgage Notes Payable - (continued)

Approximate future maturities of mortgage notes are as follows:

Year	Amount
----	-----
1997	\$ 283,000
1998	307,000
1999	355,000
2000	391,000
2001	425,000
Thereafter	12,897,250

	\$14,658,250

6. Major Tenants -

All of the Company's rental revenue is derived from four major tenants, each of which contributed at least 20% of the total revenues for each of the three years presented in the statements of income.

7. Dividends -

There was no undistributed net income for federal income tax purposes at

December 31, 1996. Cash dividends per share, paid to stockholders in 1996, are treated for federal income tax purposes as follows:

Ordinary income	\$.20
Return of capital	.30

Total dividend	\$.50

On December 16, 1996, the board of directors declared a cash dividend of \$.125 per common share payable on January 15, 1997, to stockholders of record on December 31, 1996.

8. Common Stock Warrants -

Warrants for an aggregate of 30,000 and 34,500 shares of common stock were issued to officers and directors of the Company and to the underwriter in December 1991 at exercise prices of \$10 and \$13 per share, respectively. All of the warrants expired on December 22, 1996, and none were exercised.

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ROYALE INVESTMENTS, INC.

NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 1996, 1995, and 1994

9. Directors' Stock Option Plan -

In April 1993, the Company adopted a stock option plan for directors which provides for the grant of an option to purchase 2,500 shares of common stock to a director upon appointment or election, and upon each re-election. The purchase price of the stock will be the fair market value at the time the option is granted. The options cannot be exercised for the first year after the option is granted and expire ten years from the date of grant. The Company reserved 75,000 shares of common stock for issuance pursuant to the Plan.

The following summarizes transactions in the Plan:

	Options	Exercise Price	Weighted Average Exercise Price
	-----	-----	-----
Outstanding at December 31, 1994	27,500	\$9.50 - \$10.38	\$9.75
Granted	15,000	\$5.38	5.38

Outstanding at December 31, 1995	42,500	\$5.38 - \$10.38	8.21
Granted	15,000	\$5.62	5.62

Outstanding at December 31, 1996	57,500	\$5.38 - \$10.38	7.53

Exercisable at December 31, 1996	42,500	\$5.38 - \$10.38	8.21

Available for future grant at December 31, 1996	17,500		

The weighted average grant-date fair value of options granted in 1996 and 1995 was \$0.63 and \$0.76, respectively. The weighted average remaining contractual life of the options at December 31, 1996 was 7.9 years.

The weighted average assumptions used to price the grant-date fair value of options were as follows:

	1996	1995
	-----	-----
Risk-free interest rate	6.25%	6.75%

Expected life - years	8	8
Expected volatility	31%	35%
Expected dividend rate	9.7%	9.2%

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ROYALE INVESTMENTS, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 1996, 1995, and 1994

10. Related Party Transactions -

Pursuant to an advisory agreement, Crown Advisors, Inc., an affiliate of the Company, acts as investment advisor to the Company and assists in the management of the day-to-day operations. Under this agreement, the Company pays the advisor an annual fee of up to 1% of "invested real estate assets", as defined in the agreement. The advisor is also entitled to a performance fee, also as defined in the agreement. No performance fee has been incurred under this agreement.

In addition, the Company must pay a 3% commission for each real estate acquisition and disposition. Upon termination of the agreement, the Company must pay a fee equal to 3% of the invested real estate assets plus 25% of the increase in the value of invested real estate assets from the date of acquisition to the date of termination.

Fees and commissions incurred were as follows for the years ended December 31:

	1996	1995	1994
	-----	-----	-----
Advisory fee	\$ 250,274	\$ 250,274	\$ 240,459
Commissions	-	-	270,505
	-----	-----	-----
	\$ 250,274	\$ 250,274	\$ 510,964
	-----	-----	-----
	-----	-----	-----

An officer and director of the Company is a partner in a law firm which received fees from the Company relating to legal services totaling \$9,000 in 1996 and property acquisitions and mortgage placements fees totaling \$81,797 in 1994.

Fees paid to directors of the Company as commissions for securing loans and brokerage fees totalled \$20,806 for 1994.

11. Guaranty Fees -

The Company obtained a lease guaranty from the seller of the Plymouth and Indianapolis properties, for up to the lesser of \$3.5 million or the aggregate amount of the remaining lease obligations. The guaranty will expire in 2002. In consideration of the guaranty, the Company agreed to pay the seller an annual fee of 1% of the value of the guaranty.

In 1996, the Indianapolis tenant sold their operation to a new tenant, with the approval of the Company. As an inducement to allow this lease transfer, the new tenant agreed to reimburse the Company one-half of this fee. The amount receivable is included in other assets.

ASSIGNMENT OF LESSEE'S INTEREST IN LEASE
AND ASSUMPTION AGREEMENT

THIS AGREEMENT, effective the ___ day of _____, 1996, by and between Goldmark, Inc., an Indiana corporation whose address is 5835 West 10th Street, Indianapolis, IN 46224, hereinafter called "Assignor", Wigest Corporation, an Indiana corporation, whose address is 6535 East 82nd Street, Suite 106, Indianapolis, IN 46250, hereinafter called "Assignee", and Royale Investments, Inc., a Minnesota corporation, whose address is 3430 List Place, Minneapolis, MN 55416-4547, hereinafter called "Lessor",

WITNESSETH for value received the parties agree as follows:

Assignor hereby conveys, transfers and assigns to Assignee all of its right, title and interest in and to that certain Building Lease dated July 2, 1991 by and between Assignor, as lessee, and Super Valu Stores, Inc., a Delaware corporation, now known as SUPERVALU INC., as the original lessor, to Assignee. Lessor herein has succeeded to the lessor's interest in the Building Lease pursuant to an acquisition thereof in 1992. Said Building Lease was amended by a First Amendment to Lease dated as of June 25, 1992, and the Building Lease, as amended, is hereinafter referred to as the "Lease". The Lease demises all of the real estate ("Premises") described on Exhibit "A" attached hereto, subject to the terms and conditions hereof. A Short Form Lease dated November 2, 1992, evidencing said Lease was recorded in the office of the Marion County Recorder, Indiana, on November 27, 1992, as Instrument No. 91-123140 all as further subject to the terms and conditions of the Subordination, Non-Disturbance and Attornment dated June 25, 1992, and recorded as Instrument No. 92-83882.

Assignor does hereby covenant with Assignee that it has good right to sell, assign and transfer Assignor's interest in the Lease and that said interest is free from all encumbrances except as specified on Exhibit "B" attached hereto and made a part hereof. Additionally, Assignor will warrant and defend this assignment and Assignor's interest assigned hereby to Assignee, its successors and assigns, against each and every person or persons lawfully claiming or to claim against same, subject only to the encumbrances hereinbefore mentioned.

Further, Assignor does hereby represent and warrant to Assignee that Assignor has taken all necessary corporate action required to fully authorize execution and delivery of this Assignment and future performance hereunder, and that said execution, delivery or performance does not and will not contravene, violate or cause a default under any agreement, corporation by-law, article of incorporation, certificate of incorporation or other organizational document to which Assignor or

its shareholders, officers or directors are bound in connection with the formation and/or operation of Assignor as a legal entity.

This Assignment and Assumption shall constitute a perfected, absolute and present assignment and assumption. From and after the date hereof, Assignee is and shall be entitled to enforce the Lease the same as Assignor might or could have done were this Agreement not executed, but at the sole cost and expense of Assignee. Assignee is and shall be obligated to perform and discharge, and does hereby assume and undertake to perform and discharge, all obligations, duties or liabilities required of the Assignor under said Lease as far as the Lessor is concerned whether such obligations, duties, or liabilities arose prior to or subsequent to the date hereof.

Lessor does hereby consent to the above assignment and assumption and does hereby attorn to and recognize Assignee as its lessee pursuant to the Lease from and after the date hereof.

Assignor shall and does hereby agree to indemnify and hold harmless Assignee from any and all liability, loss or damage which Assignee may or might incur under said Lease by reason of events occurring on or prior to the date hereof and from any and all claims and demands whatsoever which may be asserted against Assignee by reason of any obligations or undertaking on Assignor's part to perform or discharge on or prior to the date hereof pursuant to any of the terms, covenants or agreements contained in said Lease. In the event the Assignee shall incur any such liability, or in the defense of any such claims or demands, then the amount thereof (including costs, expenses and reasonable attorneys' fees) shall be payable by Assignor and Assignor shall reimburse the Assignee therefore immediately upon demand.

Assignee shall and does hereby agree to indemnify and hold harmless Assignor from any and all liability, loss or damage which Assignor may or might incur under said Lease by reason of events occurring after the date hereof and from any and all claims and demands whatsoever which may be asserted against Assignor by reason of any obligations or undertaking on Assignee's part to perform or discharge after the date hereof pursuant to any of the terms, covenants or agreements contained in said Lease. In the event the Assignor shall incur any such liability, or in the defense of any such claims or demands,

then the amount thereof (including costs, expenses and reasonable attorneys' fees) shall be payable by Assignee and Assignee shall reimburse the Assignor therefore immediately upon demand. Assignee does hereby attorn to and recognize Lessor as its lessor pursuant to the Lease from and after the date hereof.

This Agreement may be executed in counterparts, and when so executed shall constitute one agreement, binding on all parties, hereto, notwithstanding that they are not signatory to the original or same counterpart.

IN WITNESS WHEREOF, the parties have executed this Agreement this ___ day of _____, 1996.

ASSIGNOR:

Goldmark Inc., an Indiana corporation

By: _____
Mark M. Murphy
Its President

STATE OF INDIANA)
)ss.
COUNTY OF MARION)

The foregoing instrument was acknowledged before me this ___ day of _____, 1996, by Mark M. Murphy, the President of Goldmark Inc., an Indiana corporation on behalf of said corporation.

Notary Public

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ASSIGNEE:

Wigest Corporation, an Indiana corporation

By: _____
Its: _____

STATE OF INDIANA)
)ss.
COUNTY OF MARION)

The foregoing instrument was acknowledged before me this ___ day of _____, 1996, by _____, the _____ of Wigest Corporation, a Indiana corporation, on behalf of said corporation.

Notary Public

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LESSOR:

Royale Investments, Inc., a Minnesota corporation

By: _____
Its: _____

STATE OF MINNESOTA)
)ss.
COUNTY OF HENNEPIN)

The foregoing instrument was acknowledged before me this ___ day of _____, 1996, by _____, the _____ of Royale Investments, Inc., a Minnesota corporation, on behalf of said corporation.

Notary Public

THIS INSTRUMENT WAS DRAFTED BY:
PARSINEN BOWMAN KAPLAN & LEVY P.A.
100 SOUTH FIFTH STREET, SUITE 1100
MINNEAPOLIS, MINNESOTA 55402
(612) 333-2111

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EXHIBIT "A"

LEGAL DESCRIPTION

PARCEL I:

Part of the Northwest Quarter of Section One, Township 15 North, Range 2 East of the Second Principal Meridian, in Marion County, Indiana, more particularly described as follows:

Commencing at the Northwest corner of said Northwest Quarter Section; thence South 00 degrees 05 minutes 20 seconds East (assumed bearing) along the West line thereof a distance of 719.07 feet; thence North 88 degrees 56 minutes 12 seconds East a distance of 1367.02 feet; thence North 00 degrees 13 minutes 23 seconds West a distance of 25.51 feet; thence North 88 degrees 49 minutes 52 seconds East a distance of 115.65 feet to the point of beginning; thence North 01 degrees 03 minutes 48 seconds West a distance of 390.56 feet to a curve having a radius of 97.50 feet, the radius point of which bears North 88 degrees 56 minutes 12 seconds East; thence Northeasterly along the arc of said curve 118.32 feet to a point which bears North 21 degrees 31 minutes 51 seconds West from said radius point; to a point which bears North 21 degrees 31 minutes 51 seconds West from said radius point; thence North 68 degrees 28 minutes 09 seconds East a distance of 103.84 feet; thence North 00 degrees 57 minutes 20 seconds West a distance of 94.92 feet to the South right of way South 46 degrees 06 minutes 21 seconds East a distance of 32.09 feet to a line which is parallel with the West line of the East Half of the Northwest Quarter and 732.6 feet (11.1 Chains Deed, 732.43 measured East as measured along the North line thereof; thence along said parallel line South 00 degrees 13 minutes 23 seconds East a distance of 588.64 feet; thence South 88 degrees 49 minutes 52 seconds West a distance of 616.78 feet to the point of beginning.

PARCEL II:

Non-exclusive easements for ingress and egress by pedestrian or vehicular, for parking and for utilities for the benefit of Parcel I as created by that certain Reciprocal Easement Agreement dated January 24, 1991 and recorded January 25, 1991 as Instrument #91-7845 by and between Super Valu Stores, Inc. and Tenth and 465 Associates, L.P., over and across the following described real estate:

Part of the Northwest Quarter of Section One, Township 15 North, Range 2 East of the Second Principal Meridian, in Marion County, Indiana, more particularly described as follows:

Commencing at the Northwest corner of said Northwest Quarter Section; thence South 00 degrees 05 minutes 20 seconds East (assumed bearing) along the West line thereof a distance of 719.07 feet; thence North 88 degrees 56 minutes 12 seconds East a distance of 331.29 feet to the point of beginning (said point being on the Easterly right of way line of Beachway Drive, an access roadway established by the State Highway Department of Indiana, per plans for Interstate Project #465-4(16), dated 1959, (the next six described courses being along the said Easterly right of way line); 1) thence North 61 degrees 47 minutes 39 seconds East a distance of 32.34 feet to a curve having a radius of

449.26 feet, the radius point of which bears North 25 degrees 45 minutes 00 seconds West; 2) thence Northeasterly along the arc of said curve a distance of 274.44 feet to a point which bears South 60 degrees 45 minutes 00 seconds East from radius point; 3) thence North 29 degrees 15 minutes 00 seconds East a distance of 100.00 feet to a curve having a radius of 269.26 feet, the radius point of which bears South 60 degrees 45 minutes 00 seconds East; 4) thence Northeasterly along the arc of said curve a distance of 386.69 feet to a point which bears North 00 degrees 45 minutes 00 seconds West from said radius point; 5) thence North 89 degrees 15 minutes 00 seconds East a distance of 145.00 feet to a curve having a radius of 152.00 feet, the radius point of which bears North 00 degrees 45 minutes 00 seconds West; 6) thence Northwesterly along the arc of said curve a distance of 238.76 feet to a point which bears North 89 degrees 15 minutes 00 seconds East from said radius point, said point also being on the South right of way line of West 10th Street (the next four described courses being along said South right of way line); 1) thence North 86 degrees 16 minutes 25 seconds East a distance of 146.95 feet; 2) thence North 75 degrees 49 minutes 56 seconds East a distance of 51.45 feet; 3) thence North 84 degrees 05 minutes 39 seconds East a distance of 57.53 feet; 4) thence North 89 degrees 05 minutes 39 seconds East a distance of 160.32 feet; thence South 00 degrees 57 minutes 20 seconds East a distance of 94.92 feet; thence South 68 degrees 28 minutes 09 seconds West a distance of 103.84 feet to a curve having a radius of 97.50 feet, the radius point of which bears South 21 degrees 31 minutes 51 seconds East; thence Southwesterly along the arc of said curve a distance of 118.32 feet to a point which bears South 88 degrees 56 minutes 12 seconds West from said radius point; thence South 01 degrees 03 minutes 48 seconds East a distance of 390.56 feet; thence South 88 degrees 49 minutes 52 seconds West a distance of 115.65 feet; thence South 00 degrees 13 minutes 23 seconds East a distance of 25.51 feet; thence south 88 degrees 56 minutes 12 seconds West a distance of 1035.73 feet to the point of beginning.

EXHIBIT "B"

LIST OF ENCUMBRANCES

(NONE)

CONSENT OF AMERICAN UNITED LIFE INSURANCE COMPANY

ASGNM

WHEREAS, American United Life Insurance Company ("AUL") is the mortgagee of record with respect to an Indenture of Mortgage and Security Agreement with Assignment of Rents dated June 1, 1992, and recorded June 26, 1992, as Instrument No. 92-83880 in the office of the Marion County Recorder, Indiana, (the "Mortgage"), which mortgage was executed by Royale Investments, Inc., a Minnesota corporation, as mortgagor; and

WHEREAS, AUL has further entered into a Subordination, Non-Disturbance and Attornment Agreement dated June 25, 1992, (the "Subordination Agreement"), recorded June 26, 1992, as Instrument No. 92-83882, with Goldmark, Inc., as the tenant, of the property which is the subject of the Mortgage and Subordination Agreement; and

WHEREAS, AUL is also the assignee pursuant to an Assignment of Rents, Leases and Agreements dated June 1, 1992, and recorded June 26, 1992, as Instrument No. 92-83881 in the office of the Marion County Recorder, wherein Royale Investments, Inc., was the assignor, (hereinafter referred to as the "Assignment").

NOW, THEREFORE, for \$10.00 and other good and valuable consideration, receipt of which is hereby acknowledged, AUL does hereby consent to and approve the assignment of the Lessee's Interest in Lease referenced in the attached Assignment of Lessee's Interest in Lease and Assumption Agreement (the "Assignment of Lease"), pursuant to which Assignment of Lease Goldmark, Inc. assigned all of its right, title and interest to Wigest Corporation, an Indiana corporation, such consent and approval being subject to the terms and conditions of the Assignment of Lease, provided further that Wigest Corporation's interest shall be and remains subject to the terms and conditions of the Mortgage, the Subordination Agreement, and the Assignment of Rents and other related collateral mortgage documents.

IN WITNESS WHEREOF this consent has been executed this ___ of _____, 1996.

AMERICAN UNITED LIFE INSURANCE
COMPANY, an Indiana corporation

By: _____

Its: _____

STATE OF INDIANA)
)ss.
COUNTY OF)

The foregoing instrument was acknowledged before me this ___ day of _____, 1996, by _____ the _____ of American United Life Insurance Company, an Indiana corporation, on behalf of the corporation.

Notary Public

CONSENT OF SUPERVALU INC. ASGNM

WHEREAS, SUPERVALU INC., a Delaware corporation, ("SUPERVALU") was formerly known as Super Valu Stores, Inc.; and

WHEREAS, SUPERVALU entered into a certain Companion Lease with Royale Investments, Inc. as lessor and SUPERVALU as lessee, a Memorandum of said Lease being dated June 25, 1992 was recorded June 26, 1992, as Instrument No. 92-83879 in the office of the Marion County Recorder, Indiana, the leased premises referred to in said SUPERVALU lease being the same premises which are the subject of the Lease described in the attached Assignment of Lessee's Interest in Lease and Assumption Agreement and the Indenture of Mortgage and Security Agreement with Assignment of Rents recorded as Instrument No. 92-83880 in favor of American United Life Insurance Company, as mortgagee, recorded in the office of the Marion County Recorder; and

WHEREAS, SUPERVALU entered into a certain Guaranty Agreement dated June 25, 1992, by and between SUPERVALU and Royale Investments, Inc., wherein SUPERVALU guaranteed certain terms and conditions of the Lease identified in the attached Assignment of Lessee's Interest in Lease and Assumption Agreement.

NOW, THEREFORE, for \$10.00 and other good and valuable consideration, receipt of which is hereby acknowledged, the undersigned SUPERVALU does hereby consent to and approve the Assignment of the Lessee's interest in the Lease referenced in the attached Assignment of Lessee's Interest in Lease and Assumption Agreement (the "Assignment of Lease"), pursuant to which Assignment of Lease Goldmark, Inc. assigned all of its right, title and interest in and to Wigest Corporation, an Indiana corporation, such consent and approval are subject to the terms and conditions of the Assignment of Lease. All terms and conditions of said SUPERVALU Guaranty Agreement dated June 25, 1992, remain in full force and effect undisturbed by said Assignment of Lease, including the June 25, 2002 expiration date of said Guaranty Agreement.

IN WITNESS WHEREOF this consent has been executed this ___ of _____, 1996.

SUPERVALU INC., a Delaware corporation
By: _____
Its: _____

STATE OF MINNESOTA)
)ss.
COUNTY OF HENNEPIN)

The foregoing instrument was acknowledged before me this ___ day of _____, 1996, by _____ the _____ of SUPERVALU INC., a Delaware corporation, on behalf of the corporation.

Notary Public

SECOND AMENDMENT OF LEASE

This Agreement is entered into by and between Royale Investments, Inc., a Minnesota corporation and Wigest Corporation, an Indiana corporation.

WHEREAS, Super Valu Stores, Inc., a Delaware corporation, now known as SUPERVALU INC. ("SuperValu") entered into a Building Lease dated July 2, 1991, as lessor, with Goldmark, Inc., a Indiana corporation, as lessee, ("Goldmark"), as amended by First Amendment of Lease dated as of June 25, 1992, which building lease together with the First Amendment are hereinafter referred to as the "Lease"; and

WHEREAS, SuperValu assigned all of its lessor's interest in said Lease to Royale Investments, Inc., a Minnesota corporation (the "Lessor"); and

WHEREAS, Goldmark has assigned all of its right, title and interest in and to the Lease to Wigest Corporation, an Indiana corporation, (hereinafter referred to "Lessee"); and

WHEREAS, the parties are desirous of amending the terms and conditions of said Lease.

NOW, THEREFORE, for \$10.00 and other good and valuable consideration, receipt of which is hereby acknowledged, Wigest (as the "Current Lessee"), and Royale Investments, Inc., (as the "Current Lessor"), do hereby amend the Lease to provide as follows:

1. The term of the Lease specified at Article 4 of the Lease is hereby extended from fifteen years to twenty years. The term commenced on November 2, 1991. The expiration date is extended to November 1, 2011.
2. The Minimum Rent specified shall also be increased but not decreased on November 1, 2006 by the amount equal to one-half of the percentage increase, if any, in the Food-at-Home Component of the Consumer Price Index for the period from November 1, 2001 to November 1, 2006, all as further similarly specified in Article 5 of the original Building Lease dated July 2, 1991.
3. Pursuant to Article 27 of the Lease, notices hereafter intended for the Tenant shall be addressed to Tenant's Registered Agent or to:

	With a copy to:
W.T. (Rusty) McKay	David Scott
Wigest Corporation	Baker & Daniels
6535 East 82nd Street	111 East Wayne Street
Suite 106	Suite 800
Indianapolis, IN 56250	Fort Wayne, IN 46802

and if intended for Lessor such notices shall be addressed to:

	With a copy to:
Vernon R. Beck	John Parsinen
Royale Investments, Inc.	Parsinen Bowman Kaplan
3430 List Place	& Levy, P.A.
Minneapolis, MN 55416-4547	100 South Fifth Street
	Suite 1100
	Minneapolis, MN 55402

4. Current Lessee does hereby assume the lessee's obligations under that certain Letter of Credit Agreement referenced in paragraph 6 on page 36 of the Lease to provide such Letter of Credit to Current Lessor pursuant to the terms and conditions of the Lease until November 2, 1996.
5. Upon the execution of this Third Amendment of Lease, Current Lessee agrees the debts owed by Current Lessee to existing stockholders George W. McKay (\$883,000), Nancy K. McKay (\$35,000), William T. McKay, II (\$80,000), George W. McKay, Jr. (\$80,000), Stafford McKay (\$80,000), Jean K. Chandler (\$21,000), and Susan K. Meyer (\$21,000), shall remain at all times and hereby are subordinated (pursuant to the terms of a Subordination Agreement of even date herewith), to any and all obligations of the Current Lessee under the Lease, including but not limited to the obligations to pay rent, it being understood and agreed that Current Lessee's equity and subordinated debt is being relied upon by Current Lessor and its lender to support obligations under the Lease and that any transfer or redemption of or payment of such debt contrary to the terms and conditions of the Subordinated Agreement of even date herewith would severely injure and damage Current Lessor and its lender.

6. SuperValu executed a certain Guaranty Agreement dated June 25, 1992 in favor of Lessor guarantying certain obligations of the Lessee (Goldmark and/or Lessee) under the Lease (the "Guaranty"). Said Guaranty provides that Lessor shall pay SuperValu a Guaranty Availability Fee, in arrears on June 25th of each year of 1% per Guaranty Year of the maximum amount of the Guaranty available to any person or entity during such Guaranty Year. Lessee agrees to pay Lessor, as additional rent, \$17,500 on or before June 1 of each year to reimburse Lessor for a portion of the Guaranty Availability Fee for as long as said Guaranty shall remain in effect with respect to the Lease.

Except as herein modified, the Lease remains in full force and effect.

IN WITNESS WHEREOF the parties hereto have executed this agreement this ___ day of _____, 1996.

ROYALE INVESTMENTS, INC.,
a Minnesota corporation

By: _____
Its: _____

STATE OF MINNESOTA)
)ss.
COUNTY OF HENNEPIN)

The foregoing instrument was acknowledged before me this ___ day of _____, 1996, by _____ the _____ of Royale Investments, Inc., a Minnesota corporation, on behalf of the corporation.

Notary Public

WIGEST CORPORATION, an Indiana corporation

By: _____
Its: _____

STATE OF INDIANA)
)ss.
COUNTY OF)

The foregoing instrument was acknowledged before me this ___ day of _____, 1996, by _____ the _____ of Wigest Corporation, an Indiana corporation, on behalf of the corporation.

CONSENT OF AMERICAN UNITED LIFE INSURANCE COMPANY 2ND

WHEREAS, American United Life Insurance Company ("AUL") is the mortgagee of record with respect to an Indenture of Mortgage and Security Agreement with Assignment of Rents dated June 1, 1992, and recorded June 26, 1992, as Instrument No. 92-83880 in the office of the Marion County Recorder, Indiana, (the "Mortgage"), which mortgage was executed by Royale Investments, Inc., a Minnesota corporation, as mortgagor; and

WHEREAS, AUL has further entered into a Subordination, Non-Disturbance and Attornment Agreement dated June 25, 1992, (the "Subordination Agreement"), recorded June 26, 1992, as Instrument No. 92-83882, with Goldmark, Inc., as the tenant, of the property which is the subject of the Mortgage and Subordination Agreement; and

WHEREAS, AUL is also the assignee pursuant to an Assignment of Rents, Leases and Agreements dated June 1, 1992, and recorded June 26, 1992, as Instrument No. 92-83881 in the office of the Marion County Recorder, wherein

Royale Investments, Inc., was the assignor, (hereinafter referred to as the "Assignment").

NOW, THEREFORE, for \$10.00 and other good and valuable consideration, receipt of which is hereby acknowledged, AUL does hereby consent to and approve the modifications and amendments of the Lease referenced in the attached Second Amendment of Lease, such consent and approval being subject to the terms and conditions of the Second Amendment of Lease, provided further that Wigest Corporation's interest shall be and remains subject to the terms and conditions of the Mortgage, the Subordination Agreement, and the Assignment of Rents and other related collateral mortgage documents.

IN WITNESS WHEREOF this consent has been executed this ___ of _____, 1996.

AMERICAN UNITED LIFE INSURANCE COMPANY, an Indiana corporation

By: _____
Its: _____

STATE OF INDIANA)
)ss.
COUNTY OF)

The foregoing instrument was acknowledged before me this ___ day of _____, 1996 by _____ the _____ of American United Life Insurance Company, an Indiana corporation, on behalf of the corporation.

Notary Public

CONSENT OF SUPERVALU INC. 2ND

WHEREAS, SUPERVALU INC., a Delaware corporation, ("SUPERVALU") was formerly known as Super Valu Stores, Inc.; and

WHEREAS, SUPERVALU entered into a certain Companion Lease with Royale Investments, Inc. as lessor and SUPERVALU as lessee, a Memorandum of said Lease being dated June 25, 1992 was recorded June 26, 1992, as Instrument No. 92-83879 in the office of the Marion County Recorder, Indiana, the leased premises referred to in said SUPERVALU lease being the same premises which are the subject of the Lease described in the attached Second Amendment of Lease and the Indenture of Mortgage and Security Agreement with Assignment of Rents recorded as Instrument No. 92-83880 in favor of American United Life Insurance Company, as mortgagee, recorded in the office of the Marion County Recorder; and

WHEREAS, SUPERVALU entered into a certain Guaranty Agreement dated June 25, 1992, by and between SUPERVALU and Royale Investments, Inc., wherein SUPERVALU guaranteed certain terms and conditions of the Lease identified in the attached Second Amendment of Lease.

NOW, THEREFORE, for \$10.00 and other good and valuable consideration, receipt of which is hereby acknowledged, the undersigned SUPERVALU does hereby consent to and approve the modifications and amendments of the Lease referenced in the attached Second Amendment of Lease. All terms and conditions of said Guaranty Agreement dated June 25, 1992, remain in full force and effect undisturbed by said Second Amendment of Lease, including the June 25, 2002 expiration date of said Guaranty.

IN WITNESS WHEREOF this consent has been executed this ___ of _____, 1996.

SUPERVALU INC., a Delaware corporation

By: _____
Its: _____

STATE OF MINNESOTA)
)ss.
COUNTY OF HENNEPIN)

The foregoing instrument was acknowledged before me this ___ day of _____, 1996 by _____ the _____ of SUPERVALU INC., a Delaware corporation, on behalf of the corporation.

Notary Public

RELEASE OF GUARANTY

WHEREAS, the undersigned Mark Murphy, also known as Mark M. Murphy, (herein, the "Guarantor"), is the guarantor under that certain Guaranty dated July 2, 1991 (the "Guaranty") guarantying certain obligations of Goldmark, Inc., as lessee, (the "Lessee") arising under that certain Building Lease dated July 2, 1991, amended pursuant to First Amendment of Lease dated June 25, 1992, said Building Lease as amended being hereinafter referred to as the "Lease" between Lessee and SuperValu Stores, Inc., a Delaware corporation, now known as SuperValu Inc., ("SuperValu") whereby SuperValu leased to Lessee certain premises located at 5835 West 10th Street, Marion County, Indianapolis, Indiana, (the "Premises"), and

WHEREAS, SuperValu has sold and conveyed the Premises to Royale Investments, Inc., a Minnesota corporation, (hereinafter referred to as "Royale"), and assigned all of its right, title and interest in and to the Lease and Guaranty to Royale, and

WHEREAS, American United Life Insurance Company ("AUL") made a loan to Royale as evidenced by a Promissory Note from Royale to AUL which note is secured by a mortgage on the Premises described in the Lease, and

WHEREAS, Royale, Guarantor, and Lessee have agreed that Guarantor shall be released from the Guaranty.

NOW, THEREFORE, in consideration of \$10.00 and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto do agree that the Guaranty is hereby terminated from and after the date hereof and the Guarantor is released from any and all liabilities or obligations contained in said Guaranty from and after the date hereof and the Guaranty shall be deemed null and void and of no further force or effect from and after the date hereof.

GUARANTOR:

Mark M. Murphy aka Mark Murphy

STATE OF MINNESOTA)
)ss.
COUNTY OF HENNEPIN)

The foregoing instrument was acknowledged before me this ___ day of _____, 1996 by Mark M. Murphy a/k/a Mark Murphy.

Notary Public

ROYALE INVESTMENTS, INC.,
a Minnesota corporation

By: _____

Its: _____

STATE OF MINNESOTA)
)ss.
COUNTY OF HENNEPIN)

The foregoing instrument was acknowledged before me this ___ day of _____, 1996 by _____ the _____ of Royale Investments, Inc., a Minnesota corporation, on behalf of the corporation.

Notary Public

GOLDMARK, INC.,
an Indiana corporation

By: _____
Its: _____

STATE OF INDIANA)
)ss.
COUNTY OF MARION)

The foregoing instrument was acknowledged before me this ___ day of _____, 1996 by _____ the _____ of Goldmark, Inc., an Indiana corporation, on behalf of the corporation.

Notary Public

Release

CONSENT OF AMERICAN UNITED LIFE INSURANCE COMPANY

WHEREAS, American United Life Insurance Company ("AUL") is the mortgagee of record with respect to an Indenture of Mortgage and Security Agreement with Assignment of Rents dated June 1, 1992, and recorded June 26, 1992, as Instrument No. 92-83880 in the office of the Marion County Recorder, Indiana, (the "Mortgage"), which mortgage was executed by Royale Investments, Inc., a Minnesota corporation, as mortgagor; and

WHEREAS, AUL has further entered into a Subordination, Non-Disturbance and Attornment Agreement dated June 25, 1992, (the "Subordination Agreement"), recorded June 26, 1992, as Instrument No. 92-83882, with Goldmark, Inc., as the tenant, of the property which is the subject of the Mortgage and Subordination Agreement; and

WHEREAS, AUL is also the assignee pursuant to an Assignment of Rents, Leases and Agreements dated June 1, 1992, and recorded June 26, 1992, as Instrument No. 92-83881 in the office of the Marion County Recorder, wherein Royale Investments, Inc., was the assignor, (hereinafter referred to as the "Assignment").

NOW, THEREFORE, for \$10.00 and other good and valuable consideration, receipt of which is hereby acknowledged, AUL does hereby consent to and approve the release of Mark M. Murphy from the terms and conditions of the guaranty pursuant to the attached Release of Guaranty provided further that Wigest Corporation's interest shall be and remains subject to the terms and conditions of the Mortgage, the Subordination Agreement, and the Assignment of Rents and other related collateral mortgage documents.

IN WITNESS WHEREOF this consent has been executed this ___ of _____, 1996.

AMERICAN UNITED LIFE INSURANCE
COMPANY, an Indiana corporation

By: _____
Its: _____

STATE OF INDIANA)
)ss.
COUNTY OF)

The foregoing instrument was acknowledged before me this ___ day of _____, 1996, by _____ the _____ of American United Life Insurance Company, an Indiana corporation, on behalf of the corporation.

Notary Public

Release

CONSENT OF SUPERVALU INC.

WHEREAS, SUPERVALU INC., a Delaware corporation, ("SUPERVALU") was formerly known as Super Valu Stores, Inc.; and

WHEREAS, SUPERVALU entered into a certain Companion Lease with Royale Investments, Inc. as lessor and SUPERVALU as lessee, a Memorandum of said Lease being dated June 25, 1992 was recorded June 26, 1992, as Instrument No. 92-83879

in the office of the Marion County Recorder, Indiana, the leased premises referred to in said SUPERVALU lease being the same premises which are the subject of the Lease described in the attached Release of Guaranty and the Indenture of Mortgage and Security Agreement with Assignment of Rents recorded as Instrument No. 92-83880 in favor of American United Life Insurance Company, as mortgagee, recorded in the office of the Marion County Recorder; and

WHEREAS, SUPERVALU entered into a certain Guaranty Agreement dated June 25, 1992, by and between SUPERVALU and Royale Investments, Inc., wherein SUPERVALU guaranteed certain terms and conditions of the Lease identified in the attached Release of Guaranty.

NOW, THEREFORE, for \$10.00 and other good and valuable consideration, receipt of which is hereby acknowledged, the undersigned SUPERVALU does hereby consent to and approve the release of Mark M. Murphy from the terms and conditions of the guaranty pursuant to the attached Release of Guaranty. All terms and conditions of the SUPERVALU Guaranty dated June 25, 1992, remain in full force and effect undisturbed by said Release of Guaranty releasing Mark M. Murphy, including the June 25, 2002, expiration date of said SUPERVALU Guaranty.

IN WITNESS WHEREOF this consent has been executed this ___ of _____, 1996.

SUPERVALU INC., a Delaware corporation

By: _____
Its: _____

STATE OF MINNESOTA)
)ss.
COUNTY OF HENNEPIN)

The foregoing instrument was acknowledged before me this ___ day of _____, 1996 by _____ the _____ of SUPERVALU INC., a Delaware corporation, on behalf of the corporation.

Notary Public

SUBORDINATION AGREEMENT

THIS SUBORDINATION AGREEMENT, made and effective as of _____, 1996, by and among ROYALE INVESTMENTS, INC., a Minnesota corporation ("Current Lessor") whose address is 3430 List Place, Minneapolis, Minnesota 55416-4547, WIGEST CORPORATION, an Indiana corporation ("Current Lessee") whose address is 6535 East 82nd Street, Suite 106, Indianapolis, Indiana 46250 and George W. McKay, Nancy K. McKay, William T. McKay II, George W. McKay, Jr., Stafford McKay, Jean K. Chandler and Susan K. Meyer ("Shareholders").

PRELIMINARY RECITALS

WHEREAS, Super Valu Stores, Inc., a Delaware corporation, now known as SUPERVALU INC., as the initial lessor entered into a Building Lease with Goldmark, Inc., an Indiana corporation, as Lessee, which Lease was dated as of July 2, 1991 and which Lease was amended by First Amendment to Lease dated June 25, 1992, and Second Amendment of Lease dated _____, 1996, which Lease together with the Amendments are hereinafter referred to as the "Lease". The Lease demises property commonly known as the Cub Store at the Intersection of Tenth Street and I-465, 5835 West 10th Street, Indianapolis, Indiana 46224, and

WHEREAS, SUPERVALU INC. assigned its lessor's interest in the Lease to Current Lessor in 1992, and

WHEREAS, Goldmark, Inc. assigned its lessee's interest in the Lease to Current Lessee in 1996, contemporaneously with the date hereof.

NOW THEREFORE, in consideration of Current Lessor's consenting to the Assignment of Lessee's Interest in the Lease to Wigest Corporation as a successor to the Lessee's Interest therein Current Lessor agree as follows:

1. SUBORDINATION OF LOANS TO LEASE PAYMENTS. Shareholders subordinate to the extent and in the manner provided in this Agreement any and all rights to receive payments on their Loans, whether principal, interest, fees, charges or otherwise ("Loan Payments") to the right of Current Lessor to receive required payments of rent and other obligations (as specified in the Lease) and shall not make demand upon or accept from Current Lessee nor deduct from, pay out of nor offset against any revenues or receipts arising from the operation of the business of Current Lessee. Provided that Lessee is not then in default with respect to any of the terms or conditions of the Lease, then:

- a) scheduled payments of interest may be made by the Current Lessee to the Shareholders with respect to their Loans and
- b) in the event insurance proceeds are received by the Current Lessee with respect to life insurance or term insurance owned by the Current Lessee relating to the life of any individual Shareholder, such insurance proceeds may be used by Current Lessee to reduce or retire any Loans to such Shareholder independent of and notwithstanding the terms of paragraph 1(c) hereof, and
- c) Current Lessee may reduce or retire all or any portion of the principal portion of such Loans to any Shareholder provided that, after such payment, the Current Lessee shall have a balance sheet equity of not less than \$3,250,000 inclusive of the principal portion of such Shareholder Loans which is not being paid or reduced (all as determined otherwise according to generally accepted accounting principals) which shall include but not be limited to paid in capital, retained earnings, and the principal portion of the subordinated Shareholder Loans which remain outstanding and subject to continued subordination pursuant to this Agreement. By way of example, if Shareholder's current subordinated Loan principal is \$1,200,000 and Current Lessee's equity exclusive of Shareholder Loans is \$3,000,000, then \$950,000 of principal of the Shareholder Loans may be paid.

Current Lessee further agrees not to make any other Loan Payments to the Shareholders without the express written consent of Current Lessor.

2. ENFORCEMENT ACTIONS. For so long as the Lease remains in effect, the Shareholders shall not initiate any action to seek or enforce collection of any loan payments or fees, including (i) initiating a filing of a Petition for Relief under any bankruptcy or insolvency laws, and (ii) enforcing any security interest during any period in which the Lease is in default and/or rent is delinquent without the prior written consent of Current Lessor.

3. NO WAIVERS. No renewal, modification or extension of the Lease or payment of the rent and no releases or surrender of any security therefore, nor the obligations of any endorsers, sureties or guarantees thereof, nor any delay or omission in exercising any right or power contained therein shall in any event impair or affect the subordinations contained herein and/or the rights and obligations of the parties hereunder. Current Lessor in its uncontrolled

discretion, may waive or release any right or option under the Lease and may exercise or refrain from exercising any right thereunder. The Shareholders waive notice of the creation, existence, renewal, modification or extension of time and payment of the Lease, and any modifications or amendments thereof. The parties agree that Current Lessor at any time or from time to time, may enter such agreement or agreements with Current Lessee, as Current Lessor may deem appropriate, extending the time of payment of renewing or otherwise altering the terms of any or all of the obligations of Current Lessee to Current Lessor, without notice to the Shareholders and without in any way impairing or affecting Current Lessor's rights under this Subordination Agreement.

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4. SUCCESSORS AND ASSIGNS. This Subordination Agreement and each and every covenant, agreement and other provision hereof shall be binding upon each of the parties hereto and their successors and assigns and all holders of any note evidencing the Loans and shall inure to the benefit of each of the parties hereto and their successors and assigns. Notice of acceptance of this Subordination Agreement is hereby waived on behalf of all parties and their successors and assigns.

5. GOVERNING LAW. This Agreement is made in and shall be construed in accordance with the laws of the State of Indiana. In the event it becomes necessary for either party to commence any action or cause of action based on this agreement or the breach thereof the party substantiating a breach by the other party shall be entitled to recover its attorney's fees and costs and any court shall so direct.

6. MODIFICATIONS. This Agreement may be changed only by an instrument in writing executed by the parties hereto. No waiver, amendment or modification by custom, usage or by implication shall be effective unless in writing signed by the parties.

7. NOTICES. Any notices and other communications permitted or required by the provisions of this Agreement (except for telephonic notices expressly permitted) shall be in writing and shall be deemed to have been properly given or served by depositing the same with the United States Postal Service, or any official successor thereto, designated as Registered or Certified Mail, Return Receipt Requested, bearing adequate postage, or delivery by reputable private carrier such as Federal Express, Airborne, DHL, or similar overnight delivery service, and addressed as hereinafter provided. Each such notice shall be effective upon being deposited as aforesaid. The time period within which a response to any such notice must be given, however, shall commence to run from the date of receipt of the notice by the addressee thereof. Rejection or other refusal to accept or the inability to deliver because of changed address of which no notice was given shall be deemed to be receipt of the notice sent. By giving to the other party hereto at least ten (10) days' notice thereof, either party hereto shall have the right from time to time and at any time during the term of this Subordination Agreement to change its address and shall have the right to specify as its address any other address within the United States of America. Each notice shall be addressed to the address of the recipient as set forth in the preamble to this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Subordination Agreement to be executed as of the date first above-written. This agreement may be executed in counterparts and where so executed shall constitute one agreement binding on all parties notwithstanding that they are not signatory to the same original or same counterpart.

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ROYALE INVESTMENTS, INC.,
A MINNESOTA CORPORATION

By: _____

Its: _____

Royale Investments, Inc.
3430 List Place
Minneapolis, MN 55416-4547
Telephone: (612) 928-0883

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WIGEST CORPORATION,
AN INDIANA CORPORATION

By: _____

Its: -----

Wigest Corporation
6535 East 82nd Street
Suite 106
Indianapolis, IN 46250
Telephone: (317) 577-3086

-5-

SHAREHOLDERS:

George W. McKay

George W. McKay

Telephone:

Nancy K. McKay

Nancy K. McKay

Telephone:

William T. McKay II

William T. McKay II

Telephone:

George W. McKay, Jr.

George W. McKay, Jr.

Telephone:

-6-

-7-

Stafford McKay

Stafford McKay

Telephone:

Jean K. Chandler

Jean K. Chandler

Telephone:

Susan K. Meyer

Susan K. Meyer

Telephone:

-8-

EXHIBIT A

WIGEST SHAREHOLDERS	WIGEST OWNERSHIP % AFTER STOCK EXCHANGE	SUBORDINATED SHAREHOLDER NOTES
McKay, Nancy K.	4.59%	\$ 35,000
McKay, George W.	5.10%	\$ 883,000
McKay ("Rusty") William T., II	17.86%	\$ 80,000
McKay, George W. Jr.	17.43%	\$ 80,000
McKay ("Tad") Stafford	17.43%	\$ 80,000
Chandler, Jean K.	4.94%	\$ 21,000
Meyer, Susan K.	4.94%	\$ 21,000
		\$1,200,000

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