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

FORM 10-Q

(Mark one)

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

For the quarterly period ended SEPTEMBER 30, 1999

or

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

For the transition period from _____ to _____

Commission file number 0-20047

CORPORATE OFFICE PROPERTIES TRUST
(Exact name of registrant as specified in its charter)

MARYLAND
(State or other jurisdiction of
incorporation or organization)

23-2947217
(IRS Employer
Identification No.)

401 CITY AVENUE, SUITE 615, BALA CYNWYD, PA
(Address of principal executive offices)

19004
(Zip Code)

Registrant's telephone number, including area code: (610) 538-1800

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes / / No

On November 8, 1999, 17,174,171 shares of the Company's Common Shares of Beneficial Interest, \$0.01 par value, were outstanding.

=====

1

TABLE OF CONTENTS

FORM 10-Q

<TABLE>
<CAPTION>

<S>

PART I: FINANCIAL INFORMATION

	PAGE

	<C>
Item 1: Financial Statements:	
Consolidated Balance Sheets as of September 30, 1999 (unaudited) and December 31, 1998	3
Consolidated Statements of Operations for the three and nine months ended September 30, 1999 and 1998 (unaudited)	4
Consolidated Statements of Cash Flows for the nine months ended September 30, 1999 and 1998 (unaudited)	5
Notes to Consolidated Financial Statements	6
Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations	20

PART II: OTHER INFORMATION

Item 1:	Legal Proceedings	30
Item 2:	Changes in Securities	30
Item 3:	Defaults Upon Senior Securities	30
Item 4:	Submission of Matters to a Vote of Security Holders	31
Item 5:	Other Information	31
Item 6:	Exhibits and Reports on Form 8-K	31

SIGNATURES	38
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</TABLE>

2

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CORPORATE OFFICE PROPERTIES TRUST
CONSOLIDATED BALANCE SHEETS
(DOLLARS IN THOUSANDS)

	September 30, 1999	December 1998
	-----	-----
31,		

<S>	(unaudited)	
ASSETS	<C>	<C>
Commercial real estate properties:		
Operating properties, net	\$ 550,995	\$ 536,228
Projects under construction	26,353	10,659

--		
Total commercial real estate properties, net	577,348	546,887
Investment in and advance to unconsolidated real estate joint venture	37,199	--

--		
Investment in real estate	614,547	546,887
Cash and cash equivalents	957	2,349
Restricted cash	1,064	293
Accounts receivable, net	1,887	2,986
Investment in and advances to Service Companies	1,697	2,351
Deferred rent receivable	4,000	2,263
Deferred charges, net	5,592	3,542
Prepaid and other assets	3,377	3,006

--		
TOTAL ASSETS	\$ 633,121	\$ 563,677

--		

--		
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Mortgage and other loans payable	\$ 336,643	\$ 306,824
Accounts payable and accrued expenses	5,303	3,395
Rents received in advance and security deposits	2,996	2,789
Dividends/distributions payable	5,732	4,692
Other liabilities	1,393	--

--		
Total liabilities	352,067	317,700

--		
Minority interests:		
Preferred Units in the Operating Partnership	52,500	52,500
Common Units in the Operating Partnership	26,643	24,696

Other consolidated partnerships	90	--
Total minority interests	79,233	77,196
Commitments and contingencies (Note 15)		
Shareholders' equity:		
Preferred Shares (\$0.01 par value; 5,000,000 authorized);		
1,025,000 designated as Series A Cumulative Convertible Preferred Shares of beneficial interest (984,308 shares issued and outstanding)	10	10
1,725,000 designated as Series B Cumulative Redeemable Preferred Shares of beneficial interest (1,250,000 issued and outstanding at September 30, 1999)	12	--
Common Shares of beneficial interest (\$0.01 par value; 45,000,000 authorized, shares issued and outstanding of 17,174,171 at September 30, 1999 and 16,801,876 at December 31, 1998)	172	168
Additional paid-in capital	208,725	175,802
Accumulated deficit	(7,098)	(7,199)
Total shareholders' equity	201,821	168,781
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 633,121	\$ 563,677

</TABLE>

See accompanying notes to financial statements.

3

CORPORATE OFFICE PROPERTIES TRUST
CONSOLIDATED STATEMENTS OF OPERATIONS

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

<TABLE>
<CAPTION>

ended	For the three months ended		For the nine months	
	September 30,		September 30,	
	1999	1998	1999	1998
REVENUES	<C>	<C>	<C>	<C>
Rental income	\$ 17,471	\$ 8,562	\$ 50,879	\$
20,539				
Tenant recoveries and other income	2,989	1,250	7,646	
2,640				
Total revenues	20,460	9,812	58,525	
23,179				
EXPENSES				
Property operating	6,051	2,457	16,439	
5,001				
General and administrative	631	397	2,316	
1,055				
Interest	4,990	2,849	15,409	
7,424				
Amortization of deferred financing costs	168	119	715	
266				
Depreciation and other amortization	3,087	1,514	8,766	
3,772				
Reformation costs	--	--	--	
637				

Total expenses	14,927	7,336	43,645	
18,155				
Income before equity in (loss) income of unconsolidated entities, gain on sales of rental properties, minority interests and extraordinary item	5,533	2,476	14,880	
5,024				
Equity in (loss) income of unconsolidated entities	(43)	17	283	
17				
Income before gain on sales of rental properties, minority interests and extraordinary item	5,490	2,493	15,163	
5,041				
Gain on sales of rental properties	--	--	1,140	
--				
Income before minority interests and extraordinary item	5,490	2,493	16,303	
5,041				
Minority interests				
Preferred Units	(853)	(853)	(2,559)	
(2,559)				
Common Units	(591)	(301)	(1,757)	
(713)				
Income before extraordinary item	4,046	1,339	11,987	
1,769				
Extraordinary item - loss on early retirement of debt	--	--	(838)	-
-				
NET INCOME	4,046	1,339	11,149	
1,769				
Preferred Share dividends	(1,060)	(10)	(1,736)	
(10)				
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS	\$ 2,986	\$ 1,329	\$ 9,413	\$
1,759				
BASIC EARNINGS PER COMMON SHARE				
Income before extraordinary item	\$ 0.18	\$ 0.13	\$ 0.61	\$
0.26				
Extraordinary item	--	--	(0.05)	-
-				
Net income	\$ 0.18	\$ 0.13	\$ 0.56	\$
0.26				
DILUTED EARNINGS PER COMMON SHARE				
Income before extraordinary item	\$ 0.16	\$ 0.12	\$ 0.53	\$
0.26				
Extraordinary item	--	--	(0.04)	-
-				
Net income	\$ 0.16	\$ 0.12	\$ 0.49	\$
0.26				

</TABLE>

See accompanying notes to financial statements.

<TABLE>
<CAPTION>

	For the nine months ended September 30,	
	1999	1998
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 11,149	\$ 1,769
Adjustments to reconcile net income to net cash provided by operating activities:		
Minority interests	4,316	3,272
Depreciation and other amortization	8,766	3,772
Amortization of deferred financing costs	715	266
Equity in income of unconsolidated entities	(283)	(17)
Gain on sales of rental properties	(1,140)	--
Increase in deferred rent receivable	(2,135)	(1,083)
Increase in accounts receivable, restricted cash and prepaid and other assets	(1,331)	(2,678)
Increase in accounts payable, accrued expenses, rents received in advance and security deposits	1,204	2,173
Net cash provided by operating activities	21,261	7,474
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of and additions to commercial real estate properties	(70,618)	(96,897)
Proceeds from sales of rental properties	29,970	--
Investment in and advance to unconsolidated real estate joint venture	(37,199)	--
Investment in and advances to Service Companies	937	204
Leasing commissions paid	(1,859)	(151)
Increase in prepaid and other assets	(201)	(1,465)
Net cash used in investing activities	(78,970)	(98,309)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from mortgage and other loans payable	170,991	26,700
Repayments of mortgage and other loans payable	(130,145)	(1,762)
Increase in other liabilities	1,393	--
Deferred financing costs paid	(1,145)	(565)
Net proceeds from issuance of Preferred Shares	29,450	--
Net proceeds from issuance of Common Shares	--	72,237
Dividends paid	(10,078)	(2,089)
Distributions paid	(4,149)	(3,475)
Increase in prepaid and other assets	--	(1,700)
Net cash provided by financing activities	56,317	89,346
Net decrease in cash and cash equivalents	(1,392)	(1,489)
CASH AND CASH EQUIVALENTS		
Beginning of period	2,349	3,395
End of period	\$ 957	\$ 1,906

</TABLE>

See accompanying notes to financial statements.

CORPORATE OFFICE PROPERTIES TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

NOTE 1 ORGANIZATION

Corporate Office Properties Trust ("COPT") and subsidiaries is a fully integrated and self-managed real estate investment trust ("REIT"). We focus on the ownership, management, leasing, acquisition and development of suburban office properties in select Mid-Atlantic submarkets. COPT is qualified as a REIT as defined in the Internal Revenue Code and is the successor to a corporation organized in 1988. As of September 30, 1999, our portfolio included 74

commercial real estate properties leased principally for office purposes, including nine properties owned through an unconsolidated joint venture (see Note 5).

We conduct our operations principally through our operating partnership, Corporate Office Properties, L.P. (the "Operating Partnership"), for which we are the managing general partner. The Operating Partnership owns real estate both directly and through subsidiary partnerships and limited liability companies ("LLCs"). The Operating Partnership also owns the principal economic interest and, collectively with our Chief Executive Officer and Chief Operating Officer, 49.5% of the voting stock of Corporate Office Management, Inc. ("COMI") (together with its subsidiaries defined as the "Service Companies"). A summary of our Operating Partnership's forms of ownership and the percentage of those ownership forms owned by COPT as of September 30, 1999 follows:

<TABLE>
<CAPTION>

	% Owned by COPT -----
<S>	<C>
Common Units (see Notes 3 and 17)	84%
Series A Preferred Units	100%
Series B Preferred Units	100%
Initial Preferred Units (see Notes 3 and 17)	0%

</TABLE>

The Series A Preferred Units and Initial Preferred Units are convertible into Common Units in the Operating Partnership.

NOTE 2 BASIS OF PRESENTATION

These notes to our interim financial statements highlight significant changes to the notes to the financial statements included in our 1998 Form 10-K. As a result, these notes to our interim financial statements should be read together with the financial statements and notes thereto included in our 1998 Form 10-K. The interim financial statements on the previous pages reflect all adjustments which we believe are necessary for the fair presentation of our financial position and results of operations for the interim periods presented. These adjustments are of a normal recurring nature. The results of operations for such interim periods are not necessarily indicative of the results for a full year.

We use two different accounting methods to report our investments in entities: the consolidation method and the equity method.

CONSOLIDATION METHOD

We use the consolidation method when we own most of the outstanding voting interests in an entity and can control its operations. This means the accounts of the entity are combined with our accounts. We eliminate balances and transactions between companies when we consolidate these accounts. Our consolidated financial statements include the accounts of:

- - COPT,

6

- - the Operating Partnership and its subsidiary partnerships and LLCs, and
- - Corporate Office Properties Holdings, Inc. (we own 100%).

EQUITY METHOD

We use the equity method of accounting to report our investments in an unconsolidated real estate joint venture (see Note 5) and the Service Companies. Under the equity method, we report:

- - our ownership interest in the capital of these entities as an investment on our Consolidated Balance Sheets and
- - our percentage share of the earnings or losses from these entities in our Consolidated Statements of Operations.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

We make estimates and assumptions when preparing financial statements under generally accepted accounting principles. These estimates and assumptions affect various matters, including:

- - our reported amounts of assets and liabilities in our Consolidated Balance Sheets at the dates of the financial statements,
- - our disclosure of contingent assets and liabilities at the dates of the financial statements, and
- - our reported amounts of revenues and expenses in our Consolidated Statements of Operations during the reporting periods.

These estimates involve judgements with respect to, among other things, future economic factors that are difficult to predict and are often beyond management's control. As a result, actual amounts could differ from these estimates.

MINORITY INTERESTS

As discussed previously, we consolidate the accounts of our Operating Partnership into our financial statements. However, we do not own 100% of the Operating Partnership. We also consolidate the accounts of a real estate joint venture of which we own 89%. The amounts reported for minority interests on our Consolidated Balance Sheets represent the portion of these entities' equity that we do not own. The amounts reported for minority interests on our Consolidated Statements of Operations represent the portion of these entities' net income not allocated to us.

Common Units of the Operating Partnership are substantially similar economically to our Common Shares of beneficial interest ("Common Shares"). The Common Units are also exchangeable into our Common Shares, subject to certain conditions. We have accrued distributions related to Common Units owned by minority interests of \$557 at September 30, 1999 and \$488 at December 31, 1998.

The owners of our Operating Partnership's Initial Preferred Units are entitled to a 6.5% priority annual return. Income of our Operating Partnership is also allocated to holders of Initial Preferred Units using the 6.5% priority annual return. These units are convertible by unitholders at their option on or after October 1, 1999, into Common Units on the basis of 3.5714 Common Units for each Initial Preferred Unit, plus any accrued return (see Note 17). We have accrued distributions related to Initial Preferred Units owned by minority interests of \$853 at September 30, 1999 and December 31, 1998.

INTEREST RATE SWAP ARRANGEMENTS

We recognize the interest rate differential to be paid or received on interest rate swap agreements as an adjustment to interest expense (see Note 17).

EARNINGS PER SHARE ("EPS")

We present both basic and diluted EPS. We compute basic EPS by dividing income available to common shareholders by the weighted-average number of Common Shares outstanding during the period. Our computation of diluted EPS is similar except that:

- - the denominator is increased to include the weighted average number of potential additional Common Shares that would have been outstanding if securities that are convertible now or in the future into our Common Shares were converted and
- - the numerator is adjusted to add back any convertible preferred dividends and any other changes in income or loss that would result from the assumed conversion into Common Shares.

Our computation of diluted EPS does not assume conversion of securities into our Common Shares if conversion of those securities would increase our diluted EPS in a given period. A summary of the numerator and denominator for purposes of our basic and diluted EPS calculations for income before extraordinary item is as follows (dollars and shares in thousands):

<TABLE>
<CAPTION>

	Three Months Ended September 30,		Nine Months Ended September 30,	
	-----		-----	
	1999	1998	1999	1998
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Numerator:				

Net income available to Common Shareholders	\$ 2,986	\$ 1,329	\$ 9,413	\$ 1,759
Extraordinary loss	--	--	838	--
	-----	-----	-----	-----
Numerator for basic earnings per share before extraordinary item	2,986	1,329	10,251	1,759
Minority interests - Initial Preferred Units	853	853	2,559	--
Dividends on Series A Preferred Shares	--	--	--	--
Minority interests - Common Units	--	301	--	--
	-----	-----	-----	-----
Numerator for diluted earnings per share before extraordinary item	\$ 3,839	\$ 2,483	\$12,810	\$ 1,759
	-----	-----	-----	-----
Denominator:				
Weighted average Common Shares - basic	17,037	9,973	16,881	6,652
Assumed conversion of share options	18	10	9	86
Conversion of Initial Preferred Units	7,500	7,500	7,500	--
Conversion of weighted average Series A Preferred Shares	--	--	--	--
Conversion of weighted average Common Units	--	2,582	--	--
	-----	-----	-----	-----
Weighted average Common Shares - diluted	24,555	20,065	24,390	6,738
	-----	-----	-----	-----

</TABLE>

Our diluted EPS computation for the three months ended September 30, 1999 only assumes conversion of Initial Preferred Units because conversions of Preferred Shares and Common Units would increase diluted EPS in that period. Our diluted EPS computation for the three months ended September 30, 1998 only assumes conversion of Initial Preferred Units and Common Units because conversions of Preferred Shares would increase diluted EPS in that period.

Our diluted EPS computation for the nine months ended September 30, 1999 only assumes conversion of Initial Preferred Units because conversions of Preferred Shares and Common Units would increase diluted EPS in that period. Our diluted EPS computation for the nine months ended September 30, 1998 does not assume conversion of Initial Preferred Units, Preferred Shares or Common Units since these conversions would increase diluted EPS in that period.

8

NOTE 4 COMMERCIAL REAL ESTATE PROPERTIES

Operating properties consisted of the following:

<TABLE>
<CAPTION>

	September 30, 1999	December 31, 1998
	-----	-----
<S>	<C>	<C>
Land	\$ 112,810	\$ 108,433
Buildings and improvements	452,810	436,932
Furniture, fixtures and equipment	335	332
	-----	-----
	565,955	545,697
Less: accumulated depreciation	(14,960)	(9,469)
	-----	-----
	\$ 550,995	\$ 536,228
	-----	-----

</TABLE>

Projects we had under development consisted of the following:

<TABLE>
<CAPTION>

	September 30, 1999	December 31, 1998
	-----	-----
<S>	<C>	<C>
Land	\$ 10,150	\$ 8,941
Construction in progress	16,203	1,718
	-----	-----

\$ 26,353 \$ 10,659

</TABLE>

1999 ACQUISITIONS

We acquired the following office properties during the nine months ended September 30, 1999:

<TABLE>
 <CAPTION>

Initial Cost	Project Name	Location	Date of Acquisition	Number of Buildings	Total Rentable Square Feet	
-----	-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>
6,751	Airport Square XXI	Linthicum, MD	2/23/99	1	67,913	\$
9,524	Parkway Crossing Properties	Hanover, MD	4/16/99	2	99,026	
25,442	Commons Corporate Portfolio (1)	Hanover, MD	4/28/99	8	250,413	
6,020	Princeton Executive Center	Monmouth Junction, NJ	6/24/99	1	61,300	
5,960	Gateway Central (2)	Harrisburg, PA	8/12/99	3	55,726	

</TABLE>

(1) Does not include \$400 allocated to projects under development and \$50 relating to land under a ground lease.

(2) Acquired 89% ownership interest.

We also acquired the following:

- - a parcel of land located in Annapolis Junction, Maryland that is contiguous to certain of our existing operating properties acquired for \$2,908 on May 28, 1999,
- - a 57,000 square foot warehouse facility for redevelopment into office space located on 8.5 acres of land contiguous to properties we own in South Brunswick, New Jersey acquired for \$2,172 on July 9, 1999, and
- - a parcel of land located in Linthicum, Maryland that is contiguous to certain of our existing operating properties acquired for \$1,970 on August 1, 1999.

1999 DISPOSITIONS

We sold the following properties during the nine months ended September 30, 1999:

<TABLE>
 <CAPTION>

Project Name	Location	Property Type (1)	Date of Sale	Total Rentable Square Feet	Sales Price
-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
	Cranberry Square	R	1/22/99	139,988	\$ 18,900
	Delafield Retail	R	2/26/99	52,800	3,303
	Indianapolis Retail	R	3/09/99	67,541	5,735
	Plymouth Retail	R	3/09/99	67,510	5,465
	Glendale Retail	R	5/04/99	36,248	1,900
	Peru Retail	R	6/16/99	60,232	3,750
	Browns Wharf	O	6/24/99	103,670	10,575
	Oconomowoc Retail	R	6/25/99	39,272	2,575

</TABLE>

(1) "R" indicates retail property; "O" indicates office property.

1999 CONSTRUCTION IN PROGRESS

We completed the construction of a 93,482 square foot office building located in Annapolis Junction, Maryland in August 1999. Costs incurred on this property through September 30, 1999 totaled \$9,163. We also completed an expansion project that increased the rentable square footage of one of our properties by 6,350 square feet. At September 30, 1999, we had development underway on three new buildings and redevelopment underway on an existing building.

NOTE 5 INVESTMENT IN AND ADVANCE TO REAL ESTATE JOINT VENTURE

On September 15, 1999, we acquired a 49% interest in Corporate Gateway General Partnership, a newly organized joint venture, for \$2,952. On the same day, the joint venture acquired nine office buildings located in Greater Harrisburg, Pennsylvania for \$39,925 using cash and proceeds from a \$34,247 loan payable to our Operating Partnership. This loan payable is evidenced by notes that carry an interest rate of 10% through their maturity date of September 14, 2000.

We account for our investment in Corporate Gateway General Partnership using the equity method of accounting. Our investment in and advance to this joint venture at September 30, 1999 included the following:

<TABLE>

<S>		<C>
	Notes receivable	\$ 34,247
	Investment in joint venture	2,952

	Total	\$ 37,199

</TABLE>

NOTE 6 ACCOUNTS RECEIVABLE

Our accounts receivable are reported net of an allowance for bad debts of \$0 at September 30, 1999 and \$50 at December 31, 1998.

NOTE 7 INVESTMENT IN AND ADVANCES TO SERVICE COMPANIES

On August 31, 1999, COMI acquired an 80% interest in Martin G. Knott and Associates, LLC ("MGK"), a limited liability company that provides heating and air conditioning maintenance and repair services. COMI acquired its interest in MGK for \$160,000.

We account for our investment in COMI and its subsidiaries, Corporate Realty Management, LLC ("CRM"), Corporate Development Services, LLC ("CDS") and MGK using the equity method of accounting. Our investment in and advances to these Service Companies included the following:

<TABLE>

<CAPTION>

	September 30,	December 31,
	1999	1998
	-----	-----
<S>	<C>	<C>
	Notes receivable	\$ 3,205
	Equity investment in Service Companies	609
	Advances payable	(1,463)

	Total	\$ 2,351

</TABLE>

NOTE 8 DEFERRED CHARGES

Deferred charges consisted of the following:

<TABLE>
<CAPTION>

	September 30 1999	December 31, 1998
<S>	<C>	<C>
Deferred financing costs	\$ 3,693	\$ 2,611
Deferred leasing costs	3,242	1,468
Deferred other	24	24
	6,959	4,103
Accumulated amortization	(1,367)	(561)
Deferred charges, net	\$ 5,592	\$ 3,542

</TABLE>

NOTE 9 MORTGAGE AND OTHER LOANS PAYABLE

This section highlights new borrowing arrangements entered into during the nine months ended September 30, 1999.

On January 5, 1999, we entered into an interest rate swap agreement with Deutsche Banc Alex. Brown. This swap agreement fixes our one-month LIBOR base at 5.085% per annum on a notional amount of \$30,000 through May 2001 (see Note 17).

On January 13, 1999, we entered into a \$9,825 construction loan with Allfirst Bank to finance the construction of a building at our 134 National Business Parkway property. This loan has an interest rate of LIBOR plus 1.6%. This loan matures on February 1, 2001 and may be extended for a one-year period, subject to certain conditions. Borrowings under this loan totaled \$6,179 at September 30, 1999.

On February 8, 1999, we entered into a \$10,875 construction loan with Provident Bank of Maryland to finance the construction of a building at our Woodlands II property. This loan has an interest rate of LIBOR plus 1.75%. This loan matures on February 8, 2001 and may be extended for a one-year period, subject to certain conditions. Borrowings under this loan totaled \$7,233 at September 30, 1999.

On April 8, 1999, we obtained a \$12,500 mortgage loan payable from Allfirst Bank, \$9,000 of which is nonrecourse. The loan provides for monthly payments of interest, at a rate of LIBOR plus 1.75%, and principal of \$23 in the loan's first year, \$25 in the second year and \$27 in the third year. The loan matures on May 1, 2002. We pledged three of our operating properties and one parcel of land as collateral to the lender. We use the term collateralize to describe all such arrangements.

On April 16, 1999, we assumed three nonrecourse loans in connection with the acquisition of the Parkway Crossing Properties. We assumed a \$3,200 mortgage loan payable from IDS Life Insurance Company. The loan provides for monthly payments of principal and interest at a fixed rate of 8.375%. The loan matures on June 1, 2007. We also assumed two loans with the seller totaling \$1,897 that carry identical terms. These

11

loans provide for monthly payments of interest at a rate equal to the lesser of prime plus 0.5% or 9.38% plus fixed principal payments of \$4. These loans mature on May 25, 2007.

On May 5, 1999, we obtained a \$10,000 loan from Deutsche Banc Alex. Brown. The loan bears interest at a rate of LIBOR plus 1.75% and provides for monthly payments of interest only. The loan matures on November 5, 1999 and is collateralized by the Commons Corporate Portfolio.

On August 12, 1999, we assumed a \$4,549 construction loan with Mellon Bank in connection with the Gateway Central acquisition. The loan bears interest at a rate equal to the yield on 5-year Treasury Securities plus 2.0%. The loan provides for monthly payments of interest only through August 2000 and equal monthly payments of principal and interest based on a 30-year amortization period commencing September 2000. The loan matures on August 1, 2005. Borrowings under this loan totaled \$4,304 as of September 30, 1999.

On September 9, 1999, we entered into a \$7,400 construction loan with Bank of Maryland to finance the construction of a building at our Airport Square XV property. This loan has an interest rate of LIBOR plus 1.75%. This loan matures on October 1, 2001 and may be extended for a one-year period, subject to certain conditions. Borrowings under this loan totaled \$27 at September 30, 1999.

On September 30, 1999, we obtained a \$60,000 mortgage loan payable from Teachers Insurance and Annuity Association of America. This loan carries a fixed interest rate of 7.72% and provides for monthly payments of principal and interest of \$452. The loan matures on October 1, 2006 and may not be prepaid prior to April 1, 2003. The loan is collateralized by 13 of our properties.

NOTE 10 SHAREHOLDERS' EQUITY

In July 1999, we completed the sale of 1,250,000 Series B Cumulative Redeemable Preferred Shares of beneficial interest ("Series B Preferred Shares") to the public at a price of \$25.00 per share. These shares are nonvoting and are redeemable for cash at \$25.00 per share at our option on or after July 15, 2004. Holders of these shares are entitled to cumulative dividends, payable quarterly (as and if declared by the Board of Trustees). Dividends accrue from the date of issue at the annual rate of \$2.50 per share, which is equal to 10% of the \$25.00 per share redemption price. We contributed the net proceeds to our Operating Partnership in exchange for 1,250,000 Series B Preferred Units. The Series B Preferred Units carry terms that are substantially the same as the Series B Preferred Shares.

On August 4, 1999, 372,295 of our Common Units were converted to Common Shares.

NOTE 11 DIVIDENDS AND DISTRIBUTIONS

The following summarizes our dividends/distributions for the nine months ended September 30, 1999:

<TABLE>
<CAPTION>

	Record Date -----	Payable Date -----	Dividend/ Distribution Per Share	Total Dividend/ Distribution
<S>	<C>	<C>	<C>	<C>
Series A Preferred Shares:				
Fourth Quarter 1998	December 31, 1998	January 15, 1999	\$0.34375	\$327
First Quarter 1999	March 31, 1999	April 15, 1999	\$0.34375	\$338
Second Quarter 1999	June 30, 1999	July 15, 1999	\$0.34375	\$338
Third Quarter 1999	September 30, 1999	October 15, 1999	\$0.34375	\$338
Series B Preferred Shares:				
Third Quarter 1999 (1)	September 30, 1999	October 15, 1999	\$0.68	\$850
Common Shares:				
Fourth Quarter 1998	December 31, 1998	January 15, 1999	\$0.18	\$3,025
First Quarter 1999	March 31, 1999	April 15, 1999	\$0.18	\$3,025
Second Quarter 1999	June 30, 1999	July 15, 1999	\$0.18	\$3,025
Third Quarter 1999	September 30, 1999	October 15, 1999	\$0.19	\$3,263
Initial Preferred Units:				
Fourth Quarter 1998	December 31, 1998	January 15, 1999	\$0.40625	\$853
First Quarter 1999	March 31, 1999	April 15, 1999	\$0.40625	\$853
Second Quarter 1999	June 30, 1999	July 15, 1999	\$0.40625	\$853
Third Quarter 1999	September 30, 1999	October 15, 1999	\$0.40625	\$853
Common Units:				
Fourth Quarter 1998	December 31, 1998	January 15, 1999	\$0.18	\$487
First Quarter 1999	March 31, 1999	April 15, 1999	\$0.18	\$527
Second Quarter 1999	June 30, 1999	July 15, 1999	\$0.18	\$576
Third Quarter 1999	September 30, 1999	October 15, 1999	\$0.19	\$557

</TABLE>

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(1) Represents dividend for period commencing on date of issuance through October 15, 1999.

NOTE 12 RELATED PARTY TRANSACTIONS

MANAGEMENT

We have a contract with COMI under which COMI provides asset management, managerial, financial and legal support. Under the terms of this contract, we reimburse COMI for personnel and other overhead-related expenses. During the nine months ended September 30, 1999, we incurred management fees and related costs of \$2,248 under this contract.

We have a management agreement with CRM under which CRM provides property management services to most of our properties. Under the terms of this arrangement, CRM is entitled to a fee equal to 3% of revenue from tenant billings. CRM is also entitled to reimbursement for direct labor and out-of-pocket costs. We incurred property management fees and related costs of \$2,745 under this agreement during the nine months ended September 30, 1999.

We had a management agreement with Glacier Realty LLC ("Glacier"), a company that was partially owned by one of our former Trustees. Under the management agreement, Glacier was responsible for the management of our retail properties for a base annual fee of \$250 plus a percentage of Average Invested Assets (as defined in the management agreement). Glacier was also entitled to fees upon our acquisition or sale of any net-leased retail real estate property, a fee that increased in the event that all or substantially all of the net-leased retail real estate properties were sold. The management agreement, entered into on October 14, 1997, had a term of five years. A fee was also due in the event that the management agreement was terminated, including for non-renewal. We incurred fees under this agreement of \$63 for the nine months ended September 30, 1999 and \$188 for the nine months ended September 30, 1998. On March 19, 1999, our Operating Partnership issued 200,000

13

Common Units in exchange for all of the ownership interests in Glacier. For accounting purposes, we recorded the value of this transaction against the gain on the sale of our retail properties in the Midwest region of the United States.

We also had a management agreement with a company for which one of our Trustees serves on the Board of Directors. We incurred management fees and related costs under this contract of \$62 for the nine months ended September 30, 1999 and \$60 for the nine months ended September 30, 1998.

CONSTRUCTION COSTS

We have entered into a contract with CDS under which CDS provides construction and development services. Under the terms of this contract, we reimburse CDS for these services based on actual time incurred at market rates. During the nine months ended September 30, 1999, we incurred \$922 under this contract, a substantial portion of which was capitalized into the cost of the related activities.

RENTAL INCOME

During the nine months ended September 30, 1999, we recognized revenue of \$313 on office space leased to COMI and CRM. During the nine months ended September 30, 1999, we recognized revenue of \$700 on office space leased to Constellation Real Estate, Inc. ("Constellation"), which owns 41% of our Common Shares and 100% of our Series A Preferred Shares, and its affiliate, Baltimore Gas and Electric Company ("BGE").

INTEREST INCOME

During the nine months ended September 30, 1999, we earned interest income of \$202 on notes receivable from the Service Companies. During the nine months ended September 30, 1999, we also earned interest income of \$152 on notes receivable from Corporate Gateway General Partnership.

CONSTRUCTION FEES

During the nine months ended September 30, 1999, the Service Companies earned construction management fees of \$60 from an entity owned by an officer and Trustee of ours.

LEASING COMMISSION

During the nine months ended September 30, 1999, the Service Companies earned a leasing commission of \$117 from an entity owned by an officer and Trustee of ours.

FEES EARNED FROM CONSTELLATION AND BGE

During the nine months ended September 30, 1999, the Service Companies earned \$950 from a project consulting and management agreement with Constellation. The Service Companies also earned \$340 in fees and expense reimbursements during the nine months ended September 30, 1999 under a property management agreement with BGE.

FEES EARNED FROM REAL ESTATE JOINT VENTURE

During the nine months ended September 30, 1999, we earned an acquisition services fee of \$213 from Corporate Gateway General Partnership.

UTILITIES EXPENSE

During the nine months ended September 30, 1999, BGE provided utility services to most of our properties in the Baltimore/Washington Corridor.

14

ACQUISITIONS

On May 28, 1999, we acquired a parcel of land located in Annapolis Junction, Maryland from Constellation for \$2,908.

On August 1, 1999, we acquired a parcel of land located in Linthicum, Maryland from CDS for \$1,970.

On August 12, 1999, we acquired an 89% interest in an entity owning three office buildings located in Harrisburg, Pennsylvania from an officer and Trustee of ours for \$5,960.

On September 15, 1999, we acquired a 49% interest in Corporate Gateway General Partnership for \$2,952. On the same day, the joint venture acquired nine office buildings for \$39,925 from First Industrial Realty Trust, Inc., a publicly held real estate investment company where Jay Shidler, the Chairman of our Board of Trustees, serves as Chairman of the Board of Directors.

15

NOTE 13 SUPPLEMENTAL INFORMATION TO STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	For the Nine Months Ended September 30,	
	1999	1998
	<C>	<C>
Supplemental schedule of non-cash investing and financing activities:		
Debt repaid in connection with sales of rental properties	\$ 20,928	\$ --
Debt assumed in connection with acquisitions	\$ 9,901	\$ 66,025
Increase in minority interests resulting from issuance of Common Units in connection with property acquisitions	\$ 3,942	\$ 11,351
Increase in minority interests resulting from issuance of Common Units in connection with Glacier acquisition	\$ 1,487	\$ --
Increase in shareholders' equity resulting from issuance of Common Shares and Preferred Shares in connection with acquisitions	\$ --	\$ 75,207
Note receivable balance applied to cost of property acquisition	\$ 1,575	\$ --
Increase in accrued capital improvements	\$ 911	\$ 3,042
Adjustments to minority interests resulting from changes in ownership of Operating Partnership by COPT	\$ (348)	\$ 11,351
Dividends/distributions payable	\$ 5,732	\$ 4,692
Decrease in minority interests and increase in shareholders' equity in connection with conversion of Common Units into Common Shares	\$ 3,141	\$ --

</TABLE>

NOTE 14 INFORMATION BY BUSINESS SEGMENT

We have five segments: Baltimore/Washington office, Greater Philadelphia office, Northern/Central New Jersey office, Greater Harrisburg office and retail. Our office properties represent our core-business. We manage our retail properties as a single segment since they are considered outside of our core-business.

The table below reports segment financial information. Our Greater Harrisburg and retail segments are not separately reported since they do not meet the reporting thresholds. We measure the performance of our segments based on total revenues less property operating expenses. Accordingly, we do not report other expenses by segment in the table below.

<TABLE>
<CAPTION>

	Baltimore/ Washington Office	Greater Philadelphia Office	Northern/ Central New Jersey Office	Other	Total
<S>	<C>	<C>	<C>	<C>	<C>
Three Months Ended September 30, 1999:					
Revenues	\$ 11,573	\$ 2,506	\$ 4,735	\$ 1,646	\$ 20,460
Property operating expenses	3,814	20	1,916	301	6,051
Income from operations	\$ 7,759	\$ 2,486	\$ 2,819	\$ 1,345	\$ 14,409
Commercial real estate property expenditures	\$ 5,469	\$ 17	\$ 2,425	\$ 12,373	\$ 20,284
Three Months Ended September 30, 1998:					
Revenues	\$ 2,970	\$ 2,506	\$ 2,710	\$ 1,626	\$ 9,812
Property operating expenses	1,092	3	1,030	332	2,457
Income from operations	\$ 1,878	\$ 2,503	\$ 1,680	\$ 1,294	\$ 7,355
Commercial real estate property expenditures	\$122,952	\$ --	\$ 915	\$ 23,799	\$147,666
Nine Months Ended September 30, 1999:					
Revenues	\$ 33,307	\$ 7,519	\$12,898	\$ 4,801	\$ 58,525
Property operating expenses	10,341	62	4,966	1,070	16,439
Income from operations	\$22,966	\$ 7,457	\$ 7,932	\$ 3,731	\$ 42,086
Commercial real estate property expenditures	\$49,373	\$ 17	\$10,336	\$ 27,221	\$ 86,947
Segment assets at September 30, 1999	\$312,906	\$107,887	\$107,844	\$104,484	\$633,121
Nine Months Ended September 30, 1998:					
Revenues	\$ 4,883	\$ 7,519	\$ 6,318	\$ 4,459	\$ 23,179
Property operating expenses	1,723	9	2,310	959	5,001
Income from operations	\$ 3,160	\$ 7,510	\$ 4,008	\$ 3,500	\$ 18,178
Commercial real estate property expenditures	\$195,662	\$ --	\$30,382	\$ 23,923	\$249,967
Segment assets at September 30, 1998	\$220,324	\$109,221	\$62,145	\$ 56,294	\$447,984

</TABLE>

The following table reconciles our income from operations for reportable segments to income before extraordinary item as reported in our Consolidated Statements of Operations.

<TABLE>
<CAPTION>

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1999	1998	1999	1998
<S>	<C>	<C>	<C>	<C>
Income from operations for reportable segments	\$ 14,409	\$ 7,355	\$ 42,086	\$ 18,178
Add:				
Equity in (loss) income of unconsolidated entities	(43)	17	283	17
Gain on sales of rental properties	--	--	1,140	--
Less:				
General and administrative	(631)	(397)	(2,316)	(1,055)
Interest	(4,990)	(2,849)	(15,409)	(7,424)
Amortization of deferred financing costs	(168)	(119)	(715)	(266)
Depreciation and amortization	(3,087)	(1,514)	(8,766)	(3,772)
Reformation costs	--	--	--	(637)
Minority interests	(1,444)	(1,154)	(4,316)	(3,272)
Income before extraordinary item	\$ 4,046	\$ 1,339	\$11,987	\$ 1,769

</TABLE>

We did not allocate gain on sales of rental properties, interest expense, amortization of deferred financing costs and depreciation and other amortization to segments since they are not included in the measure of segment profit reviewed by management. We also did not allocate equity in (loss) income of unconsolidated entities, general and administrative and reformation costs and minority interests since these items represent general corporate items not attributable to segments.

NOTE 15 COMMITMENTS AND CONTINGENCIES

In the normal course of business, we are involved in legal actions arising from our ownership and administration of properties. In management's opinion, any liabilities that may result are not expected to have a materially adverse effect on our financial position, operations or liquidity. We are subject to various federal, state and local environmental regulations related to our property ownership and operation. We have performed environment assessments of our properties the results of which have not revealed any environmental liability that we believe would have a materially adverse effect on our financial position, operations or liquidity.

In June 1999, we sold an office building and assigned our rights to purchase two office buildings to an unrelated third party. Simultaneously with these transactions, we entered into a contract with the third party under which the third party has the right to transfer these three office buildings to us on or before March 31, 2000 for total consideration of approximately \$40.5 million. Under the terms of the contract, we would pay up to \$25.0 million (but in no event less than \$23.9 million) of the acquisition price in convertible Preferred Units (the "Convertible Preferred Units") in the Operating Partnership and the balance in cash or debt assumption. We would also issue ten-year detachable warrants exercisable for an additional number of Common Units in the Operating Partnership to be determined based upon the share price of the Common Shares over the first five years following the acquisition. However, if the price of our Common Shares used to determine the additional number of Common Units equals or exceeds \$14.21, no warrants will be issuable.

The Convertible Preferred Units issuable under the terms of the contract will be entitled to a 9% priority annual return for the first ten years following issuance, 10.5% for the five following years and 12% thereafter. The Convertible Preferred Units are convertible, subject to certain restrictions, commencing one year after their issuance into Common Units in the Operating Partnership on the basis of 2.381 Common Units for each Convertible Preferred Unit, plus any accrued return. The Common Units are exchangeable for Common Shares, subject to certain conditions. The Convertible Preferred Units also carry a liquidation preference of \$25.00 per unit, plus any accrued return, and may be redeemed for cash by the Operating Partnership at any time after the tenth anniversary of their issuance.

We are under contract to purchase two office buildings totaling 198,391 square feet and a parcel of undeveloped land located in Linthicum, Maryland for \$25,825.

NOTE 16 PRO FORMA FINANCIAL INFORMATION (UNAUDITED)

We accounted for most of our 1999 and 1998 acquisitions using the purchase method of accounting. We included the results of operations for the acquisitions in our Consolidated Statements of Operations from their respective purchase dates through September 30, 1999.

We prepared the pro forma condensed consolidated financial information presented below as if all of our 1999 and 1998 acquisitions accounted for using the purchase method and dispositions had occurred on January 1, 1998. Accordingly, we were required to make pro forma adjustments where deemed necessary. The pro forma financial information is unaudited and is not necessarily indicative of the results which actually would have occurred if these acquisitions and dispositions had occurred on January 1, 1998, nor does it intend to represent our results of operations for future periods.

<TABLE>
<CAPTION>

	Nine Months Ended September 30,	
	1999	1998
<S>	<C>	<C>
Pro forma total revenues	\$ 59,791	\$ 49,741
Pro forma net income available to Common Shareholders	\$ 9,682	\$ 5,027
Pro forma earnings per Common Share		
Basic	\$ 0.56	\$ 0.29
Diluted	\$ 0.50	\$ 0.29

</TABLE>

NOTE 17 SUBSEQUENT EVENTS

On October 1, 1999, the holders of all of the Initial Preferred Units in our Operating Partnership converted their units into Common Units. Upon completion of these conversions, COPT owned 60% of the Operating Partnership's Common Units.

On October 20, 1999, we received \$492 from Deutsche Banc Alex. Brown in exchange for the termination of our interest rate swap agreement.

On October 22, 1999, we acquired a parcel of land located in Annapolis Junction, Maryland. We acquired this land for \$2,945.

On October 26, 1999, we entered into a \$12,375 construction loan with Allfirst Bank to finance the construction of a building at our 132 National Business Parkway property. This loan has an interest rate of LIBOR plus 1.75%. This loan matures on October 1, 2001 and may be extended for a one-year period, subject to certain conditions.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

Over the last six quarters, we completed a significant number of acquisitions. Our portfolio consisted of seven retail properties and ten office properties at March 31, 1998. During the last three quarters of 1998, we acquired 38 office and two retail properties. During the first three quarters of

1999, we acquired 15 office properties, completed construction of a new office property and sold seven retail properties and one office property. During 1999, we also acquired nine office properties through an unconsolidated joint venture. We financed the acquisitions and construction using debt and issuing Common Shares, Preferred Shares and ownership interests in our Operating Partnership. To accommodate our growth and changing needs as an organization, we added significant management capabilities. As of September 30, 1999, our portfolio included 74 commercial real estate properties leased principally for office purposes, including the nine properties owned through the unconsolidated joint venture. Due to these significant changes, our results of operations changed dramatically.

In this section, we discuss our financial condition and results of operations for the three and nine months ended September 30, 1999. This section includes discussions on:

- - why various components of our Consolidated Statements of Operations changed for the three and nine months ended September 30, 1999 compared to the same periods in 1998,
- - what our primary sources and uses of cash were for the nine months ended September 30, 1999,
- - how we raised cash for investing and financing activities during the nine months ended September 30, 1999,
- - how we intend to generate cash for future capital expenditures, and
- - the computation of our funds from operations.

It may be helpful as you read this section to refer to our consolidated financial statements and accompanying notes and operating data variance analysis set forth below.

This section contains "forward-looking" statements, as defined in the Private Securities Litigation Reform Act of 1995 that are based on our current expectations, estimates and projections about future events and financial trends affecting the financial condition of our business. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. These statements are not guarantees of future performance, events or results and involve potential risks and uncertainties. Accordingly, actual results may differ materially. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Important facts that may affect these expectations, estimates or projections include, but are not limited to: our ability to borrow on favorable terms; general economic and business conditions, which will, among other things, affect office property demand and rents, tenant creditworthiness and financing availability; adverse changes in the real estate markets including, among other things, competition with other companies; risks of real estate acquisition and development; governmental actions and initiatives and environmental requirements.

CORPORATE OFFICE PROPERTIES TRUST
OPERATING DATA VARIANCE ANALYSIS

(DOLLARS FOR THIS TABLE ARE IN THOUSANDS, EXCEPT PER SHARE DATA)

<TABLE>
<CAPTION>

	Three Months Ended September 30,			
	1999	1998	Variance	% Change
<S>	<C>	<C>	<C>	<C>
Revenues				
Rental income	\$17,471	\$8,562	\$ 8,909	104%
Tenant recoveries and other income	2,989	1,250	1,739	139%
Total revenues	20,460	9,812	10,648	109%
Expenses				
Property operating	6,051	2,457	3,594	146%
General and administrative	631	397	234	59%
Interest and amortization of financing costs	5,158	2,968	2,190	74%
Depreciation and other amortization	3,087	1,514	1,573	104%
Reformation costs	--	--	--	--
Total expenses	14,927	7,336	7,591	103%

Income before equity in (loss) income of unconsolidated entities, gain on sales of rental properties, minority interests and extraordinary item	5,533	2,476	3,057	123%
Equity in (loss) income of unconsolidated entities	(43)	17	(60)	(353%)
Gain on sales of rental properties	--	--	--	--
	-----	-----	-----	
Income before minority interests and extraordinary item	5,490	2,493	2,997	120%
Minority interests	(1,444)	(1,154)	(290)	25%
Extraordinary item	--	--	--	--
	-----	-----	-----	
Net income	4,046	1,339	2,707	202%
Preferred Share dividends	(1,060)	(10)	(1,050)	10,500%
	-----	-----	-----	
Net income available to Common Shareholders	\$ 2,986	\$ 1,329	\$1,657	125%
	-----	-----	-----	
Earnings per Common Share on net income				
Basic	\$ 0.18	\$ 0.13	\$ 0.05	38%
Diluted	\$ 0.16	\$ 0.12	\$ 0.04	33%

</TABLE>

<TABLE>
<CAPTION>

	Nine Months Ended September 30,			
	1999	1998	Variance	% Change
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Revenues				
Rental income	\$ 50,879	\$20,539	\$ 30,340	148%
Tenant recoveries and other income	7,646	2,640	5,006	190%
	-----	-----	-----	
Total revenues	58,525	23,179	35,346	152%
	-----	-----	-----	
Expenses				
Property operating	16,439	5,001	11,438	229%
General and administrative	2,316	1,055	1,261	120%
Interest and amortization of financing costs	16,124	7,690	8,434	110%
Depreciation and other amortization	8,766	3,772	4,994	132%
Reformation costs	--	637	(637)	(100%)
	-----	-----	-----	
Total expenses	43,645	18,155	25,490	140%
	-----	-----	-----	
Income before equity in (loss) income of unconsolidated entities, gain on sales of rental properties, minority interests and extraordinary item	14,880	5,024	9,856	196%
Equity in (loss) income of unconsolidated entities	283	17	266	1,565%
Gain on sales of rental properties	1,140	--	1,140	N/A
	-----	-----	-----	
Income before minority interests and extraordinary item	16,303	5,041	11,262	223%
Minority interests	(4,316)	(3,272)	(1,044)	32%
Extraordinary item	(838)	--	(838)	N/A
	-----	-----	-----	
Net income	11,149	1,769	9,380	530%
Preferred Share dividends	(1,736)	(10)	(1,726)	17,260%
	-----	-----	-----	
Net income available to Common Shareholders	\$ 9,413	\$ 1,759	\$ 7,654	435%
	-----	-----	-----	
Earnings per Common Share on net income				
Basic	\$ 0.56	\$ 0.26	\$ 0.30	115%
Diluted	\$ 0.49	\$ 0.26	\$ 0.23	88%

</TABLE>

COMPARISON OF THE NINE MONTHS ENDED SEPTEMBER 30, 1999 AND 1998

Our total revenues increased \$35.3 million or 152%, of which \$30.3 million was generated by rental income and \$5.0 million by tenant recoveries and other income. Tenant recovery income includes payments from tenants as reimbursement for property taxes, insurance and other property operating expenses. Our growth in revenues was due primarily to our property acquisitions in 1998 and 1999, although revenues increased \$607,000 or 4% on the operations of office properties owned since the beginning of 1998 and \$727,000 due to interest and real estate service income, offset by a \$1.0 million decrease due to our Midwest region retail property sales.

Our total expenses increased \$25.5 million or 140% due mostly to the effects of the increases in property operating, interest expense and amortization of deferred financing costs, depreciation and other amortization and general and administrative expenses described below. However, our expenses for the nine months ended September 30, 1998 also included \$637,000 in nonrecurring costs associated with our reformation into a Maryland REIT in March 1998.

Our property operating expenses increased \$11.4 million or 229% due mostly to our property acquisitions, although property operating expenses increased \$339,000 or 13% at office properties owned since the beginning of 1998. Our property operating expenses increased as a percentage of total revenue from 22% to 28% due to more of our leases being written on a gross basis (meaning we incur operating expenses) versus a net basis (meaning the tenant incurs operating expenses directly). Our interest expense and amortization of deferred financing costs increased \$8.4 million or 110% due mostly to our borrowings and assumptions of debt needed to finance property acquisitions, although a decrease of \$474,000 is attributable to our Midwest region retail property sales. Our depreciation and other amortization expense increased \$5.0 million or 132% due mostly to our property acquisitions, although a decrease of \$241,000 is attributable to our Midwest region retail property sales.

Our general and administrative expenses increased \$1.3 million or 120%. Much of this increase is due to the addition of management and other staffing functions necessitated by our growing portfolio of properties and the desire to enhance our organizational infrastructure to more efficiently meet tenant needs and further the growth of the Company. Approximately \$200,000 of this increase is due to additional professional fees for audit, legal and tax preparation required to support the increased complexity of our organization resulting from our growth and the creation of our Operating Partnership and the Service Companies. In addition, approximately \$70,000 of this increase resulted from external costs we incurred for public relations and marketing. Our general and administrative expenses decreased as a percentage of total revenue from 4.6% to 4.0%.

Our income before minority interests and extraordinary item for the nine months ended September 30, 1999 also includes the gain we realized on the sale of six of our retail properties, a line item that was not present for the nine months ended September 30, 1998.

As a result of the above factors, income before minority interests and extraordinary item increased by \$11.3 million or 223%. Our income allocation to minority interests increased \$1.0 million or 32%. The amounts reported for minority interests on our Consolidated Statements of Operations represent the portion of the Operating Partnership's net income not allocated to us. Ownership of the Operating Partnership by minority interests averaged 17% during the nine months ended September 30, 1999 versus 48% during the nine months ended September 30, 1998. Accordingly, the increase in income allocated to minority interests is due to the increase in the Operating Partnership's net income, offset by the decreased percentage of income allocated to minority interests.

Our net income available to Common Shareholders increased \$7.7 million due to the factors discussed above partially offset by an \$838,000 loss on the retirement of debt and a \$1.7 million increase in Preferred Share dividends. Our diluted earnings per Common Share increased \$0.23 per share due to the effect of the increase in net income being proportionately greater than the dilutive effects of our share offering in April 1998 and the issuance of our Common and Series A Preferred Shares and Common Units in our Operating Partnership in connection with acquisitions occurring during the later portion of 1998 and during 1999.

COMPARISON OF THE THREE MONTHS ENDED SEPTEMBER 30, 1999 AND 1998

Our total revenues increased \$10.6 million or 109%, of which \$8.9 million

was generated by rental income and \$1.7 million by tenant recoveries and other income. Our growth in revenues was due primarily to our property acquisitions occurring during the later portion of 1998 and in 1999, although revenues increased \$763,000 or 9% on the operations of office properties owned since the beginning of July 1998 and \$430,000 due to interest and real estate service income, offset by a \$548,000 decrease due to our Midwest region retail property sales.

Our total expenses increased \$7.6 million or 103% due mostly to the effects of the increases in property operating, interest expense and amortization of deferred financing costs, depreciation and other amortization and general and administrative expenses described below.

Our property operating expenses increased \$3.6 million or 146% due mostly to our property acquisitions, although property operating expenses increased \$393,000 or 17% at office properties owned since the beginning of July 1998. Our property operating expenses increased as a percentage of total revenue from 25% to 30% due to more of our leases being written on a gross basis versus a net basis. Our interest expense and amortization of deferred financing costs increased \$2.2 million or 74% due mostly to our borrowings and assumptions of debt needed to finance property acquisitions, although a decrease of \$244,000 is attributable to our Midwest region retail property sales. Our depreciation and other amortization expense increased \$1.6 million or 104% due mostly to our property acquisitions, although a decrease of \$122,000 is attributable to our Midwest region retail property sales.

Our general and administrative expenses increased \$234,000 or 59%. Most of this increase is due to the addition of management and other staffing functions necessitated by our growing portfolio of properties and the desire to enhance our organizational infrastructure to more efficiently meet tenant needs and further the growth of the Company. Our general and administrative expenses decreased as a percentage of total revenue from 4.0% to 3.1%.

As a result of the above factors, income before minority interests and extraordinary item increased by \$3.0 million, or 120%. Our income allocation to minority interests increased \$290,000 or 25%. Ownership of the Operating Partnership by minority interests averaged 17% during the three months ended September 30, 1999 versus 24% during the three months ended September 30, 1998. Accordingly, the increase in income allocated to minority interests is due to the increase in the Operating Partnership's net income, offset by the decreased percentage of income allocated to minority interests.

Our net income available to Common Shareholders increased \$1.7 million due to the factors discussed above partially offset by a \$1.1 million increase in Preferred Share dividends. Our diluted earnings per Common Share increased \$0.04 per share due to the effect of the increase in net income being proportionately greater than the dilutive effects of the issuance of our Common and Series A Preferred Shares and Common Units in our Operating Partnership in connection with acquisitions occurring during the later portion of 1998 and during 1999.

LIQUIDITY AND CAPITAL RESOURCES

CAPITALIZATION AND LIQUIDITY

Cash provided from operations represents our primary source of liquidity to fund shareholder and unitholder distributions, pay debt service and fund working capital requirements. We expect to continue to use our property cash flow to meet our short-term cash requirements, including all property expenses, general and administrative expenses, debt service, distribution requirements and recurring capital improvements and leasing commissions. We do not anticipate borrowing to meet these requirements.

23

We have financed our property acquisitions using a combination of borrowings secured by our properties and the equity issuances of Common and Preferred Units in our Operating Partnership and Common and Preferred Shares. We use our secured revolving credit facility with Deutsche Banc Alex. Brown (the "Revolving Credit Facility") to finance much of our investing and financing activities. We pay down our Revolving Credit Facility using proceeds from long-term borrowings collateralized by our properties as attractive financing conditions arise and equity issuances as attractive equity market conditions arise. As of November 5, 1999, the maximum amount available under our Revolving Credit Facility was \$78.1 million, of which \$23.4 million was unused.

Our debt strategy favors long-term, fixed-rate, secured debt over variable-rate debt to minimize the risk of short-term increases in interest rates. As of September 30, 1999, 85% of our mortgage loans payable balance carried fixed interest rates.

Mortgage and other loans payable at September 30, 1999 consisted of the following (dollars in thousands):

<TABLE>

<S>	<C>
Term Credit Facility, 7.50%, maturing October 2000 (1)	\$ 100,000
TIAA Mortgage, 6.89%, maturing November 2008	83,813
TIAA Mortgage, 7.72%, maturing October 2006	60,000
Revolving Credit Facility, LIBOR + 1.75%, maturing May 2000 (2)	36,200
Allfirst Bank, LIBOR + 1.75%, maturing May 2002	12,360
Deutsche Banc Alex. Brown, LIBOR + 1.75%, maturing November 1999 (3)	10,000
Provident Bank of Maryland, LIBOR + 1.75%, maturing February 2001 (4)	7,233
Aegon USA Realty Advisors, Inc., 8.29%, maturing May 2007	6,255
Allfirst Bank, LIBOR + 1.6%, maturing February 2001 (5)	6,179
Mellon Bank, yield on 5-year Treasury Securities plus 2%, maturing August 2005 (6)	4,304
IDS Life Insurance Company, 8.375%, maturing June 2007 (3)	3,055
Provident Bank of Maryland, LIBOR + 1.75%, maturing September 2000	2,845
Northern Life Insurance Company, 8%, maturing February 2014	2,497
Seller mortgage, lesser of Prime + 0.5% or 9.38%, maturing May 2007	1,875
Bank of Maryland, LIBOR + 1.75%, maturing October 2001 (7)	27

	\$ 336,643

</TABLE>

-
- (1) May be extended for two one-year periods, subject to certain conditions.
 - (2) May be extended for a one-year period, subject to certain conditions.
 - (3) Balance repaid on November 4, 1999 using proceeds from the Revolving Credit Facility.
 - (4) Construction loan with a total commitment of \$10,875. Loan may be extended for a one-year period, subject to certain conditions.
 - (5) Construction loan with a total commitment of \$9,825. Loan may be extended for a one-year period, subject to certain conditions.
 - (6) Construction loan with a total commitment of \$4,549.
 - (7) Construction loan with a total commitment of \$7,400. Loan may be extended for a one-year period, subject to certain conditions.

In June 1999, we sold an office building and assigned our rights to purchase two office buildings to an unrelated third party. Simultaneously with these transactions, we entered into a contract with the third party under which the third party has the right to transfer these three office buildings to us on or before March 31, 2000 for total consideration of approximately \$40.5 million. Under the terms of the contract, we would pay up to \$25.0 million (but in no event less than \$23.9 million) of the acquisition price in Convertible Preferred Units in the Operating Partnership and the balance in cash or debt assumption. We would also issue ten-year detachable warrants exercisable for an additional number of Common Units in the Operating Partnership to be determined based upon the share price of the Common Shares over the first five years following the acquisition. However, if the price of our Common Shares used to determine the additional number of Common Units equals or exceeds \$14.21, no warrants will be issuable.

24

The Convertible Preferred Units issuable under the terms of the contract will be entitled to a 9% priority annual return for the first ten years following issuance, 10.5% for the five following years and 12% thereafter. The Convertible Preferred Units are convertible, subject to certain restrictions, commencing one year after their issuance into Common Units in the Operating Partnership on the basis of 2.381 Common Units for each Convertible Preferred Unit, plus any accrued return. The Common Units are exchangeable for Common Shares, subject to certain conditions. The Convertible Preferred Units also carry a liquidation preference of \$25.00 per unit, plus any accrued return, and may be redeemed for cash by the Operating Partnership at any time after the tenth anniversary of their issuance.

We are also under contract to purchase two office buildings totaling 198,391 square feet and a parcel of land located in Linthicum, Maryland for \$25.8 million.

We have no other contractual obligations for property acquisitions or material capital costs other than the October property acquisitions discussed below, the completion of the four development projects discussed below and tenant improvements and leasing costs in the ordinary course of business. We expect to meet our long-term capital needs through a combination of cash from operations, additional borrowings and additional equity issuances of Common Shares, Preferred Shares, Common Units and/or Preferred Units. We have an effective Form S-3 shelf registration statement on file with the Securities and Exchange Commission under which we may sell up to \$218.8 million in debt or equity securities depending upon our needs and market conditions.

INVESTING AND FINANCING ACTIVITIES FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1999:

During the nine months ended September 30, 1999, we acquired 15 operating properties, four parcels of land and a warehouse facility to undergo redevelopment for an aggregate acquisition cost of \$61.2 million. Of the 15 operating properties acquired, 11 are located in the Baltimore/Washington Corridor, one in New Jersey and three in Pennsylvania. The four land parcels acquired are located in the Baltimore/Washington Corridor and the warehouse facility is located in New Jersey. The operating property acquisitions increased our rentable square footage by 534,000. These acquisitions were financed by:

- using \$41.3 million in borrowings under our Revolving Credit Facility,
- assuming \$9.9 million in mortgage and other loans,
- issuing 377,251 Common Units in our Operating Partnership,
- applying \$1.6 million outstanding receivable balance towards a purchase, and
- using cash reserves for the balance.

During the nine months ended September 30, 1999, we completed construction of a 93,482 square foot office building located in Annapolis Junction, Maryland. Costs incurred on this property through September 30, 1999 totaled \$9.2 million. We entered into a \$9.8 million construction loan for this project \$6.2 million of which was borrowed through September 30, 1999. We also completed an expansion project that increased the rentable square footage of one of our properties by 6,350 square feet.

As of September 30, 1999, we also had construction underway on an aggregate of 347,745 square feet of new office space that was 87% pre-leased at our Woodlands II, 132 National Business Parkway, Airport Square 15 and 68 Culver Road properties. We entered into \$18.3 million in construction loans during this period to finance the construction of two of these projects. Borrowings under these loans totaled \$7.3 million at September 30, 1999.

During the nine months ended September 30, 1999, we sold eight properties for \$52.2 million, of which \$20.9 million was used to pay off the mortgage loans payable on the properties. We realized a gain of \$1.1 million on the sales of these properties, including the value of the transaction involving Glacier (see Note 12 to the Consolidated Financial Statements). Net proceeds from these sales totaled \$30.0 million, \$24.3 million of which was used to repay a portion of our Revolving Credit Facility and the remainder was applied to working capital.

25

On March 19, 1999, our Operating Partnership issued 200,000 Common Units in exchange for all of the ownership interests in Glacier. For accounting purposes, we recorded the value of this transaction against the gain on the sale of our retail properties in the Midwest region of the United States (see Note 12 to the Consolidated Financial Statements).

On April 8, 1999, we obtained a \$12.5 million mortgage loan payable from Allfirst Bank, \$9.0 million of which is nonrecourse. The loan provides for monthly payments of interest, at a rate of LIBOR plus 1.75%, and principal of \$23,000 in the loan's first year, \$25,000 in the second year and \$27,000 in the third year. The loan matures on May 1, 2002. This loan is collateralized by three of our operating properties and one parcel of land. The proceeds from this loan were used to pay down our Revolving Credit Facility.

On April 16, we assumed three nonrecourse mortgage loans payable in connection with the acquisition of the Parkway Crossing Properties. One of these loans is with IDS Life Insurance Company. This loan has a balance of \$3.2 million, bears interest at a fixed rate of 8.375% and provides for monthly principal and interest payments of \$44,000. This loan was repaid on November 4, 1999 using proceeds from the Revolving Credit Facility. We also assumed two loans with the seller totaling \$1.9 million that carry identical terms. These loans provide for monthly payments of interest at a rate equal to the lesser of prime plus 0.5% (currently 8.75%) or 9.38% plus fixed principal payments of \$4,000. These loans mature on May 25, 2007.

On May 5, 1999, we obtained a \$10.0 million loan from Deutsche Banc Alex. Brown. The loan bears interest at a rate of LIBOR plus 1.75% and provides for monthly payments of interest only. The proceeds from this loan were used to pay down our Revolving Credit Facility. This loan was repaid on November 4, 1999 using proceeds from our Revolving Credit Facility.

In July 1999, we completed the sale of 1,250,000 Series B Preferred Shares to the public at a price of \$25.00 per share. These shares are nonvoting (except in limited circumstances) and are redeemable for cash at \$25.00 per share plus accrued and unpaid dividends at our option on or after July 15, 2004. Holders of these shares are entitled to cumulative dividends, payable quarterly (as and if declared by the Board of Trustees). Dividends accrue from the date of issue at the annual rate of \$2.50 per share, which is equal to 10% of the \$25.00 per share redemption price. We contributed the net proceeds to our Operating

Partnership in exchange for 1,250,000 Series B Preferred Units. Our Operating Partnership used most of the proceeds to pay down our Revolving Credit Facility. The Series B Preferred Units carry terms that are substantially the same as the Series B Preferred Shares.

On August 4, 1999, 372,295 of our Common Units were converted to Common Shares.

On August 12, 1999, we assumed a \$4.5 million construction loan with Mellon Bank in connection with the Gateway Central acquisition. The loan bears interest at a rate equal to the yield on 5-year Treasury Securities plus 2.0% (currently 7.97%). The loan provides for monthly payments of interest only through August 2000 and equal monthly payments of principal and interest based on a 30-year amortization period commencing September 2000. The loan matures on August 1, 2005. Borrowings under this loan totaled \$4.3 million as of September 30, 1999.

On September 9, 1999, we entered into a \$7.4 million construction loan with Bank of Maryland to finance the construction of a building at our Airport Square XV property. This loan has an interest rate of LIBOR plus 1.75%. This loan matures on October 1, 2001 and may be extended for a one-year period, subject to certain conditions. Borrowings under this loan totaled \$27,000 at September 30, 1999.

On September 15, 1999, we acquired a 49% interest in Corporate Gateway General Partnership, a newly organized joint venture, for \$3.0 million. On the same day, the joint venture acquired nine office buildings located in Greater Harrisburg, Pennsylvania for \$39.9 million using cash and proceeds from a \$34.2 million loan payable to our Operating Partnership. This loan payable is evidenced by notes that carry an interest rate of 10% through their maturity date of September 14, 2000. We financed the investment and the loan using \$36.2 million in borrowings under our Revolving Credit Facility and cash reserves for the balance.

26

On September 30, 1999, we obtained a \$60.0 million mortgage loan payable from Teachers Insurance and Annuity Association of America. This loan carries a fixed interest rate of 7.72% and provides for monthly payments of principal and interest of \$452,000. The loan matures on October 1, 2006 and may not be prepaid prior to April 1, 2003. The loan is collateralized by 13 of our properties.

INVESTING AND FINANCING ACTIVITIES SUBSEQUENT TO THE NINE MONTHS ENDED SEPTEMBER 30, 1999:

On October 20, 1999, we received \$492,000 from Deutsche Banc Alex. Brown in exchange for the termination of our interest rate swap agreement.

On October 22, 1999, we acquired a parcel of land located in Annapolis Junction, Maryland. We acquired this land for \$2.9 million using borrowings under our Revolving Credit Facility.

On October 26, 1999, we entered into a \$12.4 million construction loan with Allfirst Bank to finance the construction of a building at our 132 National Business Parkway property. This loan has an interest rate of LIBOR plus 1.75%. This loan matures on October 1, 2001 and may be extended for a one-year period, subject to certain conditions.

STATEMENT OF CASH FLOWS

We generated net cash flow from operating activities of \$21.3 million for the nine months ended September 30, 1999, an increase of \$13.8 million from the nine months ended September 30, 1998. Our increase in cash flows from operating activities is due mostly to income generated from our newly acquired properties. Our net cash flow used in investing activities for the nine months ended September 30, 1999 decreased \$19.3 million from the nine months ended September 30, 1998 due mostly to the \$26.3 million decrease in cash outlays associated with purchases of and improvements to real estate properties during the period and \$30.0 million in proceeds generated from sales of our rental properties, offset by \$37.2 million invested in an unconsolidated real estate joint venture. Our net cash flow provided by financing activities for the nine months ended September 30, 1999 decreased \$33.0 million from the nine months ended September 30, 1998 due primarily to \$72.2 million from the issuance of Common Shares in the prior period, \$128.4 million in additional repayments of mortgage and other loans payable and \$8.7 million in additional dividend and distribution payments, offset by \$144.3 million in additional proceeds from mortgage and other loans payable and \$29.5 million from the issuance of our Series B Preferred Shares.

FUNDS FROM OPERATIONS

We consider Funds from Operations ("FFO") to be meaningful to investors as a measure of the financial performance of an equity REIT when considered with the financial data presented under generally accepted accounting principles

("GAAP"). Under the National Association of Real Estate Investment Trusts' ("NAREIT") definition, FFO means net income (loss) computed using generally accepted accounting principles, excluding gains (or losses) from debt restructuring and sales of property, plus real estate-related depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures. Further, if the conversion of securities into common shares is dilutive, we exclude any GAAP income allocated to these securities in computing FFO. The FFO we present may not be comparable to the FFO of other REITs since they may interpret the current NAREIT definition of FFO differently or they may not use the current NAREIT definition of FFO. FFO is not the same as cash generated from operating activities or net income determined in accordance with GAAP. FFO is not necessarily an indication of our cash flow available to fund cash needs. Additionally, it should not be used as an alternative to net income when evaluating our financial performance or to cash flow from operating, investing and financing when evaluating our liquidity or ability to make cash distributions or pay debt service. Our FFO for the nine months ended September 30, 1999 and 1998 are summarized in the following table:

27

<TABLE>
<CAPTION>

thousands)	(Dollars and shares for this table are in			
	For the three months		For the nine months	
	ended September 30,		September 30,	
	1999	1998	1999	
ended				
1998				
<S>	<C>	<C>	<C>	<C>
Income before minority interests and extraordinary item.....	\$5,490	\$ 2,493	\$ 16,303	\$
5,041				
Add: Real estate related depreciation and amortization.....	3,073	1,502	8,719	
3,743				
Add: Nonrecurring charges - Reformation costs.....	--	--	--	
637				
Less: Preferred Unit distributions.....	(853)	(853)	(2,559)	
(2,559)				
Less: Preferred Share dividends.....	(1,060)	(10)	(1,736)	
(10)				
Less: Gain on sales of rental properties.....	--	--	(1,140)	
--				
Funds from operations.....	6,650	3,132	19,587	
6,852				
Add: Preferred Unit distributions.....	853	853	2,559	
2,559				
Add: Preferred Share dividends.....	339	10	1,015	
10				
Funds from operations assuming conversion of Preferred Units and Preferred Shares.....	7,842	3,995	23,161	
9,421				
Less: Straight line rent adjustments.....	(634)	(341)	(2,134)	
(1,083)				
Less: Recurring capital improvements.....	(643)	(34)	(1,790)	
(34)				
Adjusted funds from operations assuming conversion of Preferred Units and Preferred Shares.....	\$6,565	\$ 3,620	\$ 19,237	\$
8,304				
Weighted average Common Shares.....	17,037	9,973	16,881	
6,651				
Conversion of weighted average Common Units.....	3,068	2,582	3,012	
2,582				

Weighted average Common Shares/Units.....	20,105	12,555	19,893	
9,233				
Assumed conversion of share options.....	18	11	9	
86				
Conversion of weighted average Preferred Shares.....	1,845	52	1,845	
18				
Conversion of weighted average Preferred Units.....	7,500	7,500	7,500	
7,500				
-----	-----	-----	-----	--

Weighted average Common Shares/Units assuming				
conversion of Preferred Units and Preferred Shares	29,468	20,118	29,247	
16,837	-----	-----	-----	--

-----	-----	-----	-----	--

</TABLE>

INFLATION

We have not been significantly impacted by inflation during the periods presented in this report. This is mostly because of the relatively low inflation rates in our markets. Most of our tenants are contractually obligated to pay their share of operating expenses, thereby reducing exposure to increases in such costs resulting from inflation.

IMPACT OF THE YEAR 2000 ISSUE

Many older computer software programs refer to years in terms of their final two digits only. Such programs may interpret the year 2000 to mean the year 1900 instead. If not corrected, this could result in a system failure or miscalculations causing disruption of operations, including a temporary inability to process transactions, prepare financial statements, send invoices or engage in similar normal business activity.

Our accounting software system was certified as Year 2000 compliant by its manufacturer. Our information technology and accounting groups also completed an internal test of our accounting software to ensure compliance. No problems were noted during this testing process. Accordingly, we do not anticipate problems in processing the billing and collection of revenue, paying of expenditures, recording of financial transactions, preparing financial statements and maintaining and generating system driven managerial information. Our

28

accounting department has developed a plan that will enable a certain amount of manual processing to take place in the unlikely event that problems arise with our accounting software.

Our property management team has been continually evaluating the impact of the Year 2000 Issue on the various facets of property operating systems since the beginning of 1998, including the telecommunication, security, energy management, sprinkler and elevator systems. This evaluation process was completed in the second quarter of 1999. Based on the results of this evaluation process, we do not anticipate any material adverse consequences on property operations. Our property management team has alternative plans in place to address unexpected problems that may arise with the property operating systems. Additional property management staff will also be on-call to respond to any such problems beginning January 1, 2000.

We rely on third party suppliers for a number of key services. Interruption of supplier operations due to the Year 2000 Issue could affect our operations. After contacting our significant suppliers regarding their Year 2000 readiness, our property management team does not anticipate any material adverse consequences relating to these suppliers' abilities to support our properties. Our property management team plans to continue its efforts to obtain additional written assurance from material suppliers to support representations provided regarding their Year 2000 readiness. The team also completed the documentation of our contingency plans in the unlikely event that certain suppliers are adversely impacted by the Year 2000 Issue.

We are dependent upon our tenants for revenue and cash flow. Interruptions in tenant operations due to the Year 2000 Issue could result in reduced revenue, increased receivable levels and cash flow reductions. To address this concern, our property management team solicited responses from certain of our significant tenants regarding their Year 2000 readiness. We also reviewed Year 2000 disclosures provided by certain of our significant tenants required to report to the Securities and Exchange Commission. All tenants responding to our solicitation were in the advanced stages of addressing the Year 2000 Issue; this

was also the case with all of the tenants included in our review of Year 2000 disclosures reported in filings by such tenants to the Securities and Exchange Commission. The tenants included in our analysis represent 58% of our monthly contractual base rents as of September 30, 1999 multiplied by 12 plus estimated annualized expense reimbursements.

Despite our efforts described above, given the nature of the Year 2000 Issue, there can be no assurance that we will be able to identify and correct all possible aspects. However, based on all information available to us, we believe that we have addressed all areas where the Year 2000 Issue could materially impact our Company's business. Based on information currently available from our internal assessment, we do not expect significant incremental costs associated with our Year 2000 activities during 1999. We will also continue to evaluate Year 2000 issues for all future property acquisitions and development.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to certain market risks associated with our financial instruments, the most predominant of which is changes in interest rates. Increases in interest rates can result in increased interest expense under our Revolving Credit Facility and our other loans payable carrying variable interest rate terms. Increases in interest rates can also result in increased interest expense when our loans payable carrying fixed interest rate terms mature and need to be refinanced.

29

The following table sets forth our long-term debt obligations, principal cash flows by scheduled maturity, weighted average interest rates and estimated fair market value ("FMV") at September 30, 1999 (dollars in thousands):

<TABLE>
<CAPTION>

FMV	For the Year Ended December 31,							Total
	1999	2000 (2)	2001	2002 (3)	2003	Thereafter		
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Long term debt:								
Fixed rate (1)	\$ 526	132,834	\$ 3,048	\$ 3,279	\$ 3,526	\$ 142,407	\$ 285,620	
\$278,655								
Average interest rate	7.46%	6.95%	7.42%	7.42%	7.42%	7.30%	7.15%	
Variable rate	\$10,075	\$ 9,364	\$ 389	\$25,249	\$ 88	\$ 5,858	\$ 51,023	\$
51,023								
Average interest rate	7.13%	7.19%	7.39%	7.09%	8.36%	8.20%	7.25%	

</TABLE>

(1) Includes \$30.0 million balance governed by a swap agreement that fixes the LIBOR rate on the underlying loan to 5.085%.

(2) Includes \$100.0 million maturity in October that may be extended for two one-year terms, subject to certain conditions. Also includes \$32.6 million maturity in May that may be extended for a one-year period, subject to certain conditions.

(3) Includes \$13.4 million for 3 construction loans maturing that may be extended for a one-year period, subject to certain conditions.

Based on our variable rate debt balances during the nine months ended September 30, 1999, our interest expense would have increased \$492,000 if interest rates were 1% higher.

PART II

ITEM 1. LEGAL PROCEEDINGS

We are not currently involved in any material litigation nor, to the best of our knowledge, is any material litigation currently threatened against us (other than routine litigation arising in the ordinary course of business, substantially all of which is expected to be covered by liability insurance).

ITEM 2. CHANGES IN SECURITIES

a. None

b. None

c. On July 9, 1999, we issued 50,476 Common Units in our Operating Partnership in connection with the acquisition of a warehouse facility located in South Brunswick, New Jersey. The issuance of these Common Units is exempt from registration under Section 4 (2) of the Securities Act of 1933, as amended. These Common Units are exchangeable into our Common Shares, subject to certain conditions.

On August 4, 1999, 372,295 of our Common Units were converted to Common Shares. The issuance of these Common Shares is exempt from registration under Section 4 (2) of the Securities Act of 1933, as amended.

d. None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

30

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

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

<TABLE>
<CAPTION>

EXHIBIT NO.	DESCRIPTION
<S>	<C>
2.1	Agreement and Plan of Merger, dated January 31, 1998, among the Registrant, the Maryland Company and the Company (filed with the Trust's Registration Statement on Form S-4 (Commission File No. 333-45649) and incorporated herein by reference).
2.2	Assignment of Partnership Interests, dated April 30, 1998, between Airport Square Limited Partnership, Airport Square Corporation, Camp Meade Corporation and COPT Airport Square One LLC and COPT Airport Square Two LLC. (filed with the Company's Current Report on Form 8-K on May 14, 1998 and incorporated herein by reference).
2.3	Assignment of Purchase and Sale Agreement, dated April 30, 1998, between Aetna Life Insurance Company and the Operating Partnership. (filed with the Company's Current Report on Form 8-K on May 14, 1998 and incorporated herein by reference).
2.4	Assignment of Loan Purchase and Sale Agreement, dated April 30, 1998, between Constellation Real Estate, Inc. and the Operating Partnership. (filed with the Company's Current Report on Form 8-K on May 14, 1998 and incorporated herein by reference).
2.5	Purchase and Sale Agreement, dated April 1, 1998, between Aetna Life Insurance Company and Airport Square Limited Partnership (filed with the Company's Current Report on Form 8-K on May 14, 1998 and incorporated herein by reference).
2.6.1	Loan Purchase and Sale Agreement, dated March 13, 1998, between Aetna Life Insurance Company and Constellation Real Estate, Inc. (filed with the Company's Current Report on Form 8-K on May 14, 1998 and incorporated herein by reference).
2.6.2	Amendment to Loan Purchase and Sale Agreement, dated April 16, 1998, between Aetna Life Insurance Company and Constellation Real Estate, Inc. (filed with the Company's Current Report on Form 8-K on May 14, 1998 and

incorporated herein by reference).

- 2.7.1 Purchase and Sale Agreement, dated March 4, 1998, between 695 Rt. 46 Realty, LLC, 710 Rt. 46 Realty, LLC and COPT Acquisitions, Inc. (filed with the Company's Current Report on Form 8-K on June 10, 1998 and incorporated herein by reference).
- 2.7.2 Letter Amendment to Purchase and Sale Agreement, dated March 26, 1998, between 695 Rt. 46 Realty, LLC, 710 Rt. 46 Realty, LLC and COPT Acquisitions, Inc. (filed with the Company's Current Report on Form 8-K on June 10, 1998 and incorporated herein by reference).
- 2.8.1 Contribution Agreement between the Company and the Operating Partnership and certain Constellation affiliates (filed as Exhibit A of the Company's Schedule 14A Information on June 26, 1998 and incorporated herein by reference).

</TABLE>

31

<TABLE>
<CAPTION>

EXHIBIT NO. -----	DESCRIPTION -----
<S>	<C>
2.8.2	First Amendment to Contribution Agreement, dated July 16, 1998, between Constellation Properties, Inc. and certain entities controlled by Constellation Properties, Inc. (filed with the Company's Current Report on Form 8-K on October 13, 1998 and incorporated herein by reference).
2.8.3	Second Amendment to Contribution Agreement, dated September 28, 1998, between Constellation Properties, Inc. and certain entities controlled by Constellation Properties, Inc. (filed with the Company's Current Report on Form 8-K on October 13, 1998 and incorporated herein by reference).
2.9	Service Company Asset Contribution Agreement between the Company and the Operating Partnership and certain Constellation affiliates (filed as Exhibit B of the Company's Schedule 14A Information on June 26, 1998 and incorporated herein by reference).
2.10.1	Option Agreement, dated May 14, 1998, between the Operating Partnership and NBP-III, LLC (a Constellation affiliate) (filed as Exhibit C of the Company's Schedule 14A Information on June 26, 1998 and incorporated herein by reference).
2.10.2	First Amendment to Option Agreement, dated June 22, 1998, between the Operating Partnership and NBP-III, LLC (a Constellation affiliate) (filed as Exhibit E of the Company's Schedule 14A Information on June 26, 1998 and incorporated herein by reference).
2.11.1	Option Agreement, dated May 14, 1998, between the Operating Partnership and Constellation Gatespring II, LLC (a Constellation affiliate) (filed as Exhibit D of the Company's Schedule 14A Information on June 26, 1998 and incorporated herein by reference).
2.11.2	First Amendment to Option Agreement, dated June 22, 1998, between the Operating Partnership and Constellation Gatespring II, LLC (a Constellation affiliate) (filed as Exhibit F of the Company's Schedule 14A Information on June 26, 1998 and incorporated herein by reference).
2.12	Option Agreement, dated September 28, 1998, between Jolly Acres Limited Partnership, Arbitrage Land Limited Partnership and the Operating Partnership (filed with the Company's Current Report on Form 8-K on October 13, 1998 and incorporated herein by reference).
2.13	Right of First Refusal Agreement, dated September 28,

1998, between Constellation Properties, Inc. and the Operating Partnership (filed with the Company's Current Report on Form 8-K on October 13, 1998 and incorporated herein by reference).

- 2.14 Right of First Refusal Agreement, dated September 28, 1998, between 257 Oxon, LLC and the Operating Partnership (filed with the Company's Current Report on Form 8-K on October 13, 1998 and incorporated herein by reference).
- 2.15 Development Property Acquisition Agreement, dated May 14, 1998, between the Operating Partnership and CPI Piney Orchard Village Center, Inc. (a Constellation affiliate) (filed as Exhibit H of the Company's Schedule 14A Information on June 26, 1998 and incorporated herein by reference).

</TABLE>

32

<TABLE>
<CAPTION>

EXHIBIT NO.	DESCRIPTION
<S>	<C>
2.16	Contribution Agreement, dated September 30, 1998, between COPT Acquisitions, Inc. and M.O.R. XXIX Associates Limited Partnership (filed with the Company's Current Report on Form 8-K on October 28, 1998 and incorporated herein by reference).
2.17	Purchase and Sale Agreement, dated September 30, 1998, between New England Life Pension Properties II: A Real Estate Limited Partnership and COPT Acquisitions, Inc. (filed with the Company's Current Report on Form 8-K on October 28, 1998 and incorporated herein by reference).
2.18.1	Sale-Purchase Agreement, dated August 20, 1998 between South Middlesex Industrial Park Associates, L.P. and SM Monroe Associates and COPT Acquisitions, Inc. (filed with the Company's Current Report on Form 8-K on October 28, 1998 and incorporated herein by reference).
2.18.2	First Amendment to Sale-Purchase Agreement, dated October 30, 1998, between South Middlesex Industrial Park Associates, L.P. and SM Monroe Associates, L.P. and COPT Acquisitions, Inc. (filed with the Company's Current Report on Form 8-K on November 16, 1998 and incorporated herein by reference).
2.19	Contribution Agreement, dated December 31, 1998, between the Operating Partnership and M.O.R. 44 Gateway Associates L.P., RA & DM, Inc. and M.R.U. L.P. (filed with the Company's Current Report on Form 8-K on January 14, 1999 and incorporated herein by reference).
2.20.1	Purchase and Sale Agreement, dated December 31, 1998, between Metropolitan Life Insurance Company and Corporate Office Acquisitions, Inc. (filed with the Company's Current Report on Form 8-K on January 14, 1999 and incorporated herein by reference).
2.20.2	Amendment to Purchase and Sale Agreement, dated December 31, 1998, between Metropolitan Life Insurance Company, DPA/Gateway L.P., Corporate Office Acquisitions, Inc., COPT Gateway, LLC and the Operating Partnership (filed with the Company's Current Report on Form 8-K on January 14, 1999 and incorporated herein by reference).
2.21	Contribution Agreement, dated February 24, 1999, between the Operating Partnership and John Parsinen, John D. Parsinen, Jr., Enterprise Nautical, Inc. and Vernon Beck (filed with the Company's Quarterly Report on Form 10-Q on May 14, 1999 and incorporated herein by reference).
2.22	Agreement to Sell Partnership Interests, dated August 12, 1999, between Gateway Shannon Development Corporation, Clay W. Hamlin, III and COPT Acquisitions, Inc.

- 2.23 Agreement of Purchase and Sale, dated July 21, 1999, between First Industrial Financing Partnership, L.P. and COPT Acquisitions, Inc.
- 3.1 Amended and Restated Declaration of Trust of Registrant (filed with the Registrant's Registration Statement on Form S-4 (Commission File No. 333-45649) and incorporated herein by reference).
- 3.2 Bylaws of Registrant (filed with the Registrant's Registration Statement on Form S-4 (Commission File No. 333-45649) and incorporated herein by reference).

</TABLE>

<TABLE>
<CAPTION>

EXHIBIT NO. -----	DESCRIPTION -----
<S>	<C>
4.1	Form of certificate for the Registrant's Common Shares of Beneficial Interest, \$0.01 par value per share (filed with the Registrant's Registration Statement on Form S-4 (Commission File No. 333-45649) and incorporated herein by reference).
4.2	Amended and Restated Registration Rights Agreement, dated March 16, 1998, for the benefit of certain shareholders of the Company (filed with the Company's Quarterly Report on Form 10-Q on August 12, 1998 and incorporated herein by reference).
4.3	Articles Supplementary of Corporate Office Properties Trust Series A Convertible Preferred Shares, dated September 28, 1998 (filed with the Company's Current Report on Form 8-K on October 13, 1998 and incorporated herein by reference).
4.4.1	Amended and Restated Limited Partnership Agreement of the Operating Partnership, dated March 16, 1998 (filed with the Company's Quarterly Report on Form 10-Q on August 12, 1998 and incorporated herein by reference).
4.4.2	First Amendment to Amended and Restated Limited Partnership Agreement of the Operating Partnership, dated September 28, 1998 (filed with the Company's Current Report on Form 8-K on October 13, 1998 and incorporated herein by reference).
4.4.3	Second Amendment to Amended and Restated Limited Partnership Agreement of the Operating Partnership, dated October 13, 1998 (filed with the Company's Current Report on Form 8-K on October 28, 1998 and incorporated herein by reference).
4.4.4	Third Amendment to Amended and Restated Limited Partnership Agreement of the Operating Partnership, dated December 31, 1998 (filed with the Company's Current Report on Form 8-K on January 14, 1999 and incorporated herein by reference).
4.5	Registration Rights Agreement, dated September 28, 1998, for the benefit of certain shareholders of the Company (filed with the Company's Quarterly Report on Form 10-Q on May 14, 1999 and incorporated herein by reference).
4.6	Articles Supplementary of Corporate Office Properties Trust Series B Convertible Preferred Shares, dated July 2, 1999 (filed with the Company's Current Report on Form 8-K on July 7, 1999 and incorporated herein by reference).
10.1	Clay W. Hamlin III Employment Agreement, dated October 14, 1997, with the Operating Partnership (filed with the Company's Current Report on Form 8-K on October 29, 1997, and incorporated herein by reference).
10.2	Employment Agreement, dated October 20, 1997, between the Operating Partnership and Thomas D. Cassel (filed with the

Company's Annual Report on Form 10-K on March 25, 1998 and incorporated herein by reference).

- 10.3 Employment Agreement, dated September 28, 1998, between Corporate Office Management, Inc. and Randall M. Griffin (filed with the Company's Current Report on Form 8-K on October 13, 1998 and incorporated herein by reference).
- 10.4 Employment Agreement, dated September 28, 1998, between Corporate Office Management, Inc. and Roger A. Waesche, Jr. (filed with the Company's Current Report on Form 8-K on October 13, 1998 and incorporated herein by reference).

</TABLE>

<TABLE>
<CAPTION>

EXHIBIT NO.	DESCRIPTION
10.5	Management Agreement between Registrant and Glacier Realty, LLC (filed with the Company's Current Report on Form 8-K on October 29, 1997, and incorporated herein by reference).
10.6	Senior Secured Credit Agreement, dated October 13, 1997, (filed with the Company's Current Report on Form 8-K on October 29, 1997, and incorporated herein by reference).
10.7.1	Corporate Office Properties Trust 1998 Long Term Incentive Plan (filed with the Registrant's Registration Statement on Form S-4 (Commission File No. 333-45649) and incorporated herein by reference).
10.7.2	Amendment No. 1 to Corporate Office Properties Trust 1998 Long Term Incentive Plan (filed with the Company's Quarterly Report on Form 10-Q on August 13, 1999 and incorporated herein by reference).
10.8	Stock Option Plan for Directors (filed with Royale Investments, Inc.'s Form 10-KSB for the year ended December 31, 1993 (Commission File No. 0-20047) and incorporated herein by reference).
10.9	Lease Agreement between Blue Bell Investment Company, L.P. and Unisys Corporation dated March 12, 1997 with respect to lot A (filed with the Registrant's Registration Statement on Form S-4 (Commission File No. 333-45649) and incorporated herein by reference).
10.10	Lease Agreement between Blue Bell Investment Company, L.P. and Unisys Corporation, dated March 12, 1997, with respect to lot B (filed with the Registrant's Registration Statement on Form S-4 (Commission File No. 333-45649) and incorporated herein by reference).
10.11	Lease Agreement between Blue Bell Investment Company, L.P. and Unisys Corporation, dated March 12, 1997, with respect to lot C (filed with the Registrant's Registration Statement on Form S-4 (Commission File No. 333-45649) and incorporated herein by reference).
10.12	Senior Secured Revolving Credit Agreement, dated May 28, 1998, between the Company, the Operating Partnership, Any Mortgaged Property Subsidiary and Bankers Trust Company (filed with the Company's Current Report on Form 8-K on June 10, 1998 and incorporated herein by reference).
10.13	Secured Promissory Note, dated April 29, 1997, between 710 Rt. 46 Realty, LLC and Life Investors Insurance Company of America (filed with the Company's Current Report on Form 8-K on June 10, 1998 and incorporated herein by reference).
10.14	Mortgage and Security Agreement, dated April 29, 1997, between 710 Rt. 46 Realty, LLC and Life Investors Insurance Company of America (filed with the Company's Current Report on Form 8-K on June 10, 1998 and incorporated herein by reference).

10.15 Amended and Restated Deed of Trust Note, dated October 6, 1995, between Cranberry-140 Limited Partnership and Security Life of Denver Insurance Company (filed with the Company's Current Report on Form 8-K on October 13, 1998 and incorporated herein by reference).

</TABLE>

35

<TABLE>
<CAPTION>

EXHIBIT NO.	DESCRIPTION
<S>	<C>
10.16.1	Promissory Note, dated September 15, 1995, between Tred Lightly Limited Liability Company and Provident Bank of Maryland (filed with the Company's Current Report on Form 8-K on October 13, 1998 and incorporated herein by reference).
10.16.2	Allonge to Promissory Note, dated September 28, 1998, between Tred Lightly Limited Liability Company and Provident Bank of Maryland (filed with the Company's Current Report on Form 8-K on October 13, 1998 and incorporated herein by reference).
10.17.1	Third Loan Modification and Extension Agreement, dated November 12, 1997, between St. Barnabus Limited Partnership, Constellation Properties, Inc. and NationsBank, N.A. (filed with the Company's Current Report on Form 8-K on October 13, 1998 and incorporated herein by reference).
10.17.2	Fourth Loan Modification Agreement, dated September 28, 1998, between St. Barnabus Limited Partnership, Constellation Properties, Inc. and NationsBank, N.A. (filed with the Company's Current Report on Form 8-K on October 13, 1998 and incorporated herein by reference).
10.18.1	Deed of Trust Note, dated September 20, 1988, between Brown's Wharf Limited Partnership and Mercantile-Safe Deposit and Trust Company (filed with the Company's Current Report on Form 8-K on October 13, 1998 and incorporated herein by reference).
10.18.2	Extension Agreement and Allonge to Deed of Trust Note, dated July 1, 1994, between Brown's Wharf Limited Partnership and Mercantile-Safe Deposit and Trust Company (filed with the Company's Current Report on Form 8-K on October 13, 1998 and incorporated herein by reference).
10.19	Consulting Services Agreement, dated April 28, 1998, between the Company and Net Lease Finance Corp., doing business as Corporate Office Services (filed with the Company's Current Report on Form 8-K on October 13, 1998 and incorporated herein by reference).
10.20	Project Consulting and Management Agreement, dated September 28, 1998, between Constellation Properties, Inc. and COMI (filed with the Company's Current Report on Form 8-K on October 13, 1998 and incorporated herein by reference).
10.21	Promissory Note, dated October 22, 1998, between Teachers Insurance and Annuity Association of America and the Operating Partnership (filed with the Company's Quarterly Report on Form 10-Q on November 13, 1998 and incorporated herein by reference).
10.22	Indemnity Deed of Trust, Assignment of Leases and Rents and Security Agreement, dated October 22, 1998, by affiliates of the Operating Partnership for the benefit of Teachers Insurance and Annuity Association of America (filed with the Company's Quarterly Report on Form 10-Q on November 13, 1998 and incorporated herein by reference).
10.23	Agreement for Services, dated September 28, 1998, between the Company and Corporate Office Management, Inc. (filed with the Company's Quarterly Report on Form 10-Q on May 14, 1999 and incorporated herein by reference).

10.24.1 Lease Agreement, dated September 28, 1998, between St. Barnabus Limited Partnership and Constellation Properties, Inc. (filed with the Company's Quarterly Report on Form 10-Q on May 14, 1999 and incorporated herein by reference).

</TABLE>

36

<TABLE>
<CAPTION>

EXHIBIT NO.	DESCRIPTION
<S>	<C>
10.24.2	First Amendment to Lease, dated December 31, 1998, between St. Barnabus, LLC and Constellation Properties, Inc. (filed with the Company's Quarterly Report on Form 10-Q on May 14, 1999 and incorporated herein by reference).
10.25.1	Lease Agreement, dated August 3, 1998, between Constellation Real Estate, Inc. and Constellation Properties, Inc. (filed with the Company's Quarterly Report on Form 10-Q on May 14, 1999 and incorporated herein by reference).
10.25.2	First Amendment to Lease, dated December 30, 1998, between Three Centre Park, LLC and Constellation Properties, Inc. (filed with the Company's Quarterly Report on Form 10-Q on May 14, 1999 and incorporated herein by reference).
10.26.1	Lease Agreement, dated April 27, 1993, between Constellation Properties, Inc. and Baltimore Gas and Electric Company (filed with the Company's Quarterly Report on Form 10-Q on May 14, 1999 and incorporated herein by reference).
10.26.2	First Amendment to Lease, dated December 9, 1998, between COPT Brandon, LLC and Baltimore Gas and Electric Company (filed with the Company's Quarterly Report on Form 10-Q on May 14, 1999 and incorporated herein by reference).
10.27	Underwriting Agreement, dated June 29, 1999, between Corporate Office Properties Trust and the underwriters of the Series B Preferred Shares (filed with the Company's Current Report on Form 8-K on July 7, 1999 and incorporated herein by reference).
10.28	Contribution Rights Agreement, dated June 23, 1999, between the Operating Partnership and United Properties Group, Incorporated (filed with the Company's Quarterly Report on Form 10-Q on August 13, 1999 and incorporated herein by reference).
10.29	Promissory Note, dated September 30, 1999, between Teachers Insurance and Annuity Association of America and the Operating Partnership.
10.30	Indemnity Deed of Trust, Assignment of Leases and Rents and Security Agreement, dated September 30, 1999, by affiliates of the Operating Partnership for the benefit of Teachers Insurance and Annuity Association of America.
27	Financial Data Schedule.

</TABLE>

37

c. Reports on Form 8-K

We filed the following Current Reports on Form 8-K in the three months ended September 30, 1999:

Item 5 dated July 6, 1999 in connection with our Series B Preferred Share offering.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CORPORATE OFFICE PROPERTIES TRUST

Date: November 8, 1999

By: /s/ Randall M. Griffin

Randall M. Griffin
President and Chief Operating
Officer

Date: November 8, 1999

By: /s/ Roger A. Waesche, Jr.

Roger A. Waesche, Jr.
Senior Vice President and Chief
Financial Officer

AGREEMENT TO SELL PARTNERSHIP INTERESTS

THIS AGREEMENT TO SELL PARTNERSHIP INTERESTS is made and entered into as of the 12th day of August, 1999, by and between (i) GATEWAY SHANNON DEVELOPMENT CORPORATION, a Pennsylvania corporation (the "General Partner"), and CLAY W. HAMLIN, III ("Hamlin"), who are all of the general and limited partners (collectively, the "Partners") of Gateway Central Limited Partnership, a Pennsylvania limited partnership (the "Partnership") (the Partners sometimes hereinafter referred to collectively as the "Sellers"), and (ii) COPT ACQUISITIONS, INC., a Delaware corporation (the "Buyer").

W I T N E S S E T H:

A. The Sellers own all of the partnership interests (the "Partnership Interests") of the Partnership, the General Partner owning a 1% Partnership Interest and Hamlin owning a 99% Partnership Interest.

B. The Partnership is the record and beneficial owner of those certain parcels of real property as more particularly described on EXHIBIT "A" hereto (collectively, the "Land"), together with the buildings and improvements situated thereon (collectively, the "Building"), and all Personal Property (as hereinafter defined) located therein, and all appurtenances, leases, rights, easements, rights-of-way, tenements and hereditaments incident thereto (the "Additional Property") located in Lower Paxton Township, Dauphin County, Pennsylvania (the Land, Building, Personal Property and Additional Property are hereinafter collectively referred to as the "Property"); and

C. Sellers and Buyer desire to enter into this Agreement relating to the sale by Sellers to Buyer of Partnership Interests representing 89% of the capital interests and profits interests in the Partnership (the "Transferred Interests") to Buyer, and for the continued ownership and later sale by Sellers of the remaining Partnership Interests representing 11% of the capital interests and profits interests in the Partnership (the "Retained Interests").

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants and agreements herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Sellers and Buyer agree as follows:

1. TRANSFER OF TRANSFERRED INTERESTS. Subject to the terms and conditions set forth in this Agreement, at the First Closing (as defined below) Sellers shall assign and transfer the Transferred Interests to Buyer in consideration for Buyer's payment of 89% of the Net Purchase Price (hereinafter defined). Following the First Closing, those Sellers designated in EXHIBIT "1" attached hereto shall continue to hold all right, title and interest in and to the Retained Interests, subject to the terms of this Agreement.

2. CONSIDERATION FOR TRANSFERRED INTERESTS.

(a) In consideration of the assignment and transfer of the Transferred Interests at the First Closing, Buyer shall pay the Sellers 89% of the Net Purchase Price less \$191,440 (the "Lot 12 Price"). The portion of the Net Purchase Price paid to the Sellers at the First Closing will be paid to the respective Sellers in the same proportion as the respective Sellers assign and transfer the Transferred Interests. The "Net Purchase Price" for the Property shall equal the Purchase Price of \$6,109,977.24 LESS the outstanding and unpaid principal balance of the Mellon Loan (as defined below) at the First Closing [excluding the reduction in such balance resulting from any paydown required to be made under the Stipulation Amendment (hereinafter defined) as a condition of the Lender's consent to the transactions contemplated by this Agreement]. The Net Purchase Price shall be further adjusted by the amounts of positive or negative adjustments and prorations described in Section 13 below (which shall all be determined as of the date of the First Closing).

(b) At the First Closing, the Transferred Interests shall be transferred to Buyer with a portion (Lots 13 and 16) of the Property then being subject to the indebtedness, lien and operation of the Mellon Loan, including, without limitation, the Mortgage (as defined below).

(c) A portion (Lots 13 and 16) of the Property is presently encumbered by an Open-End Mortgage and Security Agreement ("Mortgage") from the Partnership, as debtor, for the benefit of Mellon Bank, N.A., as secured party (the "Lender"), which Mortgage secures an original principal indebtedness of \$5,077,423.00 with interest thereon payable over the term thereof (which ends on August 1, 2005), as evidenced by a Note from the Partnership to Lender ("Note").

(i) The Stipulation dated August 11, 1995, as amended by Amendment dated February 3, 1997 (collectively, the

"Stipulation"), Mortgage, Note, Construction Loan Agreement, and all other documents and instruments executed in connection therewith are collectively referred to as the "Mellon Loan." The outstanding principal balance under the Mellon Loan as of the date hereof is \$4,803,506.52. Sellers have delivered to Buyer true, correct, and complete copies of all of the documents comprising the Mellon Loan.

(ii) Buyer's obligations under this Agreement are expressly contingent on the condition that, on or prior to the First Closing, Buyer receives the written consent (the "Consent") from Lender at no cost to Buyer (other than Lender's attorney's fees which will be paid by Buyer), (i) consenting to the sale of the Partnership Interests to Buyer as set forth herein (the "Transfer"), (ii) confirming that the Mellon Loan shall remain on the same terms and conditions as presently exist, subject to amendment of the Stipulation, on or before the First Closing, substantially in accordance with the terms set forth in Exhibit "2(c)(ii)" (the "Stipulation Amendment") , and (iii) certifying that, to the best knowledge of the Lender, there is no default or event which with notice or lapse of time, or both, would constitute a default under the Mellon Loan. Buyer shall, at or before the First Closing, pay to Lender the amount of any paydown of the outstanding balance of the Mellon Loan required to be paid to Lender

2

under the Stipulation Amendment as a condition of the Lender's Consent to the transactions contemplated by this Agreement. At Closing, the General Partner shall execute a certificate in favor of Buyer certifying that, to the best knowledge of the General Partner, there is no default, or event of default which with notice or lapse of time, or both, would constitute a default under the Mellon Loan. The General Partner shall use commercially reasonable efforts to obtain the Consent from Lender before the end of the Due Diligence Period (as defined below). If Buyer does not receive the Consent by the First Closing, Buyer shall have the right to terminate this Agreement, and neither Seller nor Buyer shall have any further liability under this Agreement. If Lender does not consent or if Lender's Consent is other than as set forth above and is not acceptable to Buyer, Buyer shall have the right, at its sole election, to terminate this Agreement by giving written notice thereof to Sellers within ten (10) days thereafter.

(iii) Sellers' obligations under this Agreement are expressly contingent on the condition that the Lender, at or before the First Closing, shall have released the General Partner and Clay W. Hamlin, III from all obligations and liabilities under the Mellon Loan pursuant to release documents reasonably acceptable to the General Partner. If Lender does not deliver such release at or before the First Closing, the General Partner shall have the right to terminate this Agreement, and, upon such termination, neither Seller nor Buyer shall have any further liability under this Agreement.

(d) Buyer shall pay Sellers the Lot 12 Price, on the earlier to occur of (1) one (1) year after the First Closing Date or (2) the date that Buyer obtains a building permit ("Lot 12 Permit") for the construction on Lot 12 of the Property of an office building and other improvements in accordance with Buyer's plans. Buyer shall be responsible for all costs of obtaining the Lot 12 Permit. Sellers, at no third party cost to Sellers, shall cooperate with Buyer's efforts to obtain the Lot 12 Permit.

3. CLOSINGS. Except as otherwise provided in this Agreement, (a) the Transfer of the Transferred Interests contemplated herein shall be consummated at the "First Closing," which shall take place on the date (the "First Closing Date") specified by Buyer on not less than five (5) days notice to Sellers, provided that the First Closing Date shall not be later than fifteen (15) days after the end of the Due Diligence Period, and (b) the Transfer of the Retained Interests contemplated herein shall be consummated at the "Second Closing," which shall take place three (3) years and one (1) month after the First Closing. The Closings shall take place at the offices of Buyer, 8815 Centre Park Drive, Suite 400, Columbia, Maryland 21045, or at such other place as may mutually agreed upon by General Partner and Buyer. All references in this Agreement to the "Closing" shall be deemed to refer to the First Closing only, all references to the "Closing Date" shall be deemed to refer to the First Closing Date only, and all references to the "Closings" shall be deemed to refer to both the First Closing and the Second Closing.

3

4. INSPECTION OF PROPERTY.

(a) BUYER'S RIGHT OF INSPECTION. On or before three (3) days after the date of this Agreement, the General Partner shall deliver to Buyer the items listed on EXHIBIT "4(a)". Subject to the rights of tenants under the Leases, Buyer shall have the right, at its own risk, cost and expense, at any time or times prior to Closing, to enter, or cause its agents or representatives to enter, upon the Property for the purpose of making surveys,

or any tests, investigations and/or studies relating to the Property or Buyer's intended acquisition of Partnership Interests which Buyer deems appropriate, in its sole discretion, during reasonable hours and upon reasonable notice to the General Partner. Buyer agrees to use reasonable efforts to minimize disruption to business operations within the Property during the course of any entries thereon. Buyer shall further have complete access to all documentation, agreements and other information in the possession of Sellers related to the ownership, use and operation of the Property, to the extent it is readily available to Sellers, and shall have the right to make copies of same. Buyer agrees to repair any damage to the Property that may be caused by its inspections and to indemnify and defend Sellers and the Partnership and hold Sellers and the Partnership harmless against any injury, liability, loss, damage or expense (including, without limitation, reasonable attorneys' fees) suffered by the Sellers or the Partnership as a result of any inspection of the Property by Buyer or its designees.

(b) DUE DILIGENCE PERIOD. Any other provisions of this Agreement to the contrary notwithstanding, Buyer may cause at Buyer's sole cost and expense, such boring, engineering, economic, water, sanitary and storm sewer, utilities, topographic, structural, environmental and other tests, investigations, market studies and other studies to be undertaken of the Property as Buyer shall elect, subject to the rights of tenants under the Leases. Buyer agrees to use all reasonable efforts to minimize disruption to business operations within the Property during the course of any entries thereon. Buyer shall have the right, at its sole election on or before the date which is fifteen (15) days after the date of the date of this Agreement (the "Due Diligence Period"), to terminate this Agreement by giving written notice thereof to the General Partner in which event this Agreement shall terminate, and no party shall have any further liabilities or obligations to any other party.

(c) AUDIT. The General Partner hereby agree to allow books and records related to the Property to be audited (at Buyer's sole expense) by an independent, certified public accounting firm selected by Buyer, and the General Partner will cooperate and cause its employees and other agents to cooperate in such auditing process. Buyer shall provide the General Partner with prior notice of such audit.

5. TITLE.

(a) At the First Closing, title to the Property held by the Partnership shall be fee simple title free and clear of all liens, covenants, restrictions, easements, encumbrances, and other title exceptions or objections excepting, however, Permitted Exceptions (hereinafter defined). Otherwise, the title to the Property shall be good and marketable and such as will be insured as such by Commonwealth Land Title Insurance

4

Company ("Commonwealth") at regular rates for regular risks under the current form of ALTA title insurance policy in the amount of \$5,991,440.00 and with such endorsements as Buyer may reasonably require, including, without limitation, non-imputation and Fairways endorsements.

(b) Within three (3) days after the date of this Agreement, the General Partner shall deliver to Buyer copies of the Partnership's title insurance policy (including copies of all exceptions) and surveys covering the Property. Prior to expiration of the Due Diligence Period, Buyer shall furnish the General Partner with a preliminary title report issued by Commonwealth covering the Property (the "Title Report") and a written notice specifying those title exceptions which are not acceptable to Buyer (which may include any matters shown on any survey of the Property obtained by Buyer) (the "Disapproved Exceptions," which shall also include any matters added to the Title Report or survey after its original issuance). Buyer's failure to designate as one of the Disapproved Exceptions a title exception shown on the Title Report shall constitute Buyer's approval of such title exception (all title exceptions not designated by Buyer as Disapproved Exceptions and the Mellon Loan are in this Agreement called "Permitted Exceptions"). All liens of an ascertainable amount up to the amount of the Net Purchase Price, except the Mellon Loan (as to Lots 13 and 16), shall be paid and discharged by Seller at or before Closing. Within ten (10) days after General Partner's receipt of Buyer's notice of Disapproved Exceptions, the General Partner shall notify Buyer of all Disapproved Exceptions that General Partner is unwilling or unable to remove. General Partner's failure to give Buyer notice of General Partner's unwillingness or inability to remove any Disapproved Exceptions shall constitute General Partner's covenant that Seller shall remove such Disapproved Exceptions at or prior to Closing. Buyer shall have the rights set forth in Section 4(c) if the General Partner does not remove all Disapproved Exceptions at or prior to Closing.

(c) If title to the Property at Closing does not satisfy the requirements of Section 5(c), Buyer shall have the sole option of either (i) accepting such title as exists for the Property at the First Closing without any abatement of price, except that liens, except the Mellon Loan (as to Lots 13 and 16) of an ascertainable amount, up to the amount of the Net Purchase

Price, shall be paid and discharged by the General Partner or (ii) being immediately paid all documented, third party out-of-pocket expenses incurred by Buyer (including, without limitation, the fees of attorneys, engineers, environmental consultants and surveyors) in connection with the purchase of the Property up to the maximum aggregate amount of \$10,000 ("Buyer's Reasonable Costs") and, in the latter event, the Sellers and the Buyer shall be released from all liability or obligation to the other and this Agreement shall then and thereafter be null and void.

(d) From and after the date of this Agreement, the General Partner shall not take any action, or fail to take any action, that would cause title to the Property to be subject to any title exceptions or objections, other than the Permitted Exceptions.

6. REPRESENTATIONS AND WARRANTIES OF SELLERS. In order to induce Buyer to enter into this Agreement and to pay the Net Purchase Price in consideration for the

5

Partnership Interests, each Seller for such Seller only and for no other Seller makes the following representations and warranties, each of which is material and shall survive Closing without limitation, notwithstanding any investigation at any time made by or on behalf of Buyer:

(a) AUTHORITY. Such Seller has the rights, power and authority to enter into this Agreement and to sell and transfer its Partnership Interests in accordance with the terms and conditions of this Agreement. Except for the consents required under the Mellon Loan, no consents of any persons other than those executing this Agreement as a Seller are required for such execution or to cause such Seller to consummate the transactions contemplated by this Agreement. This Agreement is the valid and binding obligation of such Seller, enforceable against such Seller in accordance with its terms.

(b) NO DEFAULTS. Neither the execution of this Agreement nor the consummation of the transactions contemplated hereby will: (i) subject to any approval required under the Mellon Loan, conflict with, or result in a breach of, the terms, conditions, or provisions of or constitute a default under any agreement or instrument to which such Seller is a party or by which such Seller is bound, (ii) subject to any approval required under the Mellon Loan, violate any restriction, requirement, covenant or condition to which such Seller is subject or by which such Seller is bound or (iii) constitute in violation of any code, resolution, law, statute regulation, ordinance, rule, judgment, decree or order to which such Seller is subject or by which such Seller is bound.

(c) OWNERSHIP OF INTERESTS. Such Seller owns the Partnership Interest owned by such Seller, as set forth in EXHIBIT "1" hereto, free and clear of all liens, charges, encumbrances, restrictive agreements and assessments. Upon the transfer of such Seller's Partnership Interest (or a portion thereof) to Buyer or its designee(s), Buyer will receive good and absolute title thereto, free from all liens, charges, security interests, claims, rights, encumbrances, restrictive agreements and assessments whatsoever. Such Seller hereby waives, with respect to the transfer contemplated by this Agreement, any "right of refusal" or other restriction on transfer, if any, set forth in the limited partnership agreement of the Partnership. There are no outstanding options, contracts, calls, commitments or demands of any nature relating to the Partnership Interest of such Seller.

7. REPRESENTATIONS AND WARRANTIES OF THE GENERAL PARTNER. In order to induce Buyer to enter into this Agreement and to pay the Net Purchase Price in consideration for the Partnership Interests, the General Partner hereby makes the following representations and warranties, each of which is material and shall survive Closing for a period of six (6) months (unless expressly provided that it will survive Closing without such limitation), notwithstanding any investigation at any time made by or on behalf of Buyer:

(a) AUTHORITY. The Partnership is a limited partnership duly organized and in good standing under the laws of the Commonwealth of Pennsylvania. The copy of the Partnership's Partnership Agreement and all Amendments thereto (collectively, the "Partnership Agreement"), including all Certificates of Limited Partnership and all

6

Amendments thereto, and the list of all the Partners along with their individual Partnership Interests, attached hereto an EXHIBIT "7(A)", is a true, correct and complete copy thereof. The representations and warranties set forth in this Section 7(a) shall survive Closing without being subject to the six (6) month limitation.

(b) TITLE. The Partnership is the sole owner of fee simple title to the Property.

(c) COMPLIANCE WITH EXISTING LAWS. The General Partner's knowledge and except as set forth on EXHIBIT "7(c)" attached hereto, (i) the Partnership is not in violation, in any material respect, of any material building, zoning, environmental or other ordinances, statutes or regulations of any governmental agency, in respect to the ownership, use, maintenance, condition, development, and operation of the Property or any part thereof, and (ii) the Partnership possesses all material, licenses, certificates, permits and authorizations necessary for the use, development, and operation of the Property in the manner in which it is currently being operated by the Partnership. The Property is zoned _____. To the General Partner's knowledge, the Building and all related facilities are now in conformance with all applicable zoning laws. At or prior to the First Closing, General Partner shall deliver to Sellers a certificate from Lower Paxton Township confirming the statements in this Section 7(c). General Partner has notified Buyer that local governmental authorities may be claiming that a local sewer moratorium affects Lot 12 of the Property.

(d) LEASES. True, correct and complete copies of all of the leases of the Property and any amendments thereto (collectively, the "Leases"), have been delivered to Buyer. Attached hereto as EXHIBIT "7(D)" is a description of all of the Leases and a current rent schedule ("Rent Schedule") covering the Leases, which is true and correct in all material respects. There are no leases, tenancies or occupancies of any space in the Property other than those set forth in EXHIBIT "7(d)" or, to the General Partner's knowledge, any subleases or subtenancies unless otherwise noted therein. Except as otherwise set forth in EXHIBIT "7(d)":

(i) The Leases are in full force and effect and constitute a legal, valid and binding obligation of the respective tenants;

(ii) no tenant has an option to purchase, or any right of first refusal to first offer covering the Property or any portion thereof;

(iii) no renewal or expansion options have been granted to the tenants, except as noted on the Rent Schedule;

(iv) to the General Partner's knowledge, the Partnership is not in default under any of the Leases;

(v) the rents set forth on the Rent Schedule are being collected on a current basis and there are no arrearages in excess of one month, except as indicated in

7

the Rent Schedule hereto, nor has any tenant paid any rent, additional rent or other charge of any nature for a period of more than thirty (30) days in advance;

(vi) all work for tenant alterations and other work or materials contracted for by the Partnership and any tenant has been completed by the Partnership, and all work and materials have been fully paid;

(vii) the Partnership has not sent written notice to any tenant claiming that such tenant is in default, which default remains uncured, and to the General Partner's knowledge, no tenant is in default under its Lease, except as indicated in the Rent Schedule hereto;

(viii) no action or proceeding instituted against the Partnership by any tenant is presently pending in any court; and

(ix) there are no security deposits other than those set forth in the Rent Schedule.

(e) SERVICE CONTRACTS. Attached hereto as EXHIBIT "7(e)" is a true, complete, correct and complete list of all contracts or agreements relating to the management, leasing, operation, maintenance or repair of the Property (the "Service Contracts"). True and correct copies of all of the Service Contracts have been delivered to Buyer. Except in the case of a default by the vendor under a specific Service Contract, no Service Contract will be terminated, amended, modified or supplemented prior to the Closing Date without Buyer's prior written approval, which approval shall not be unreasonably withheld, conditioned or delayed. To General Partner's knowledge, there are no defaults by the Partnership or any vendor under any Service Contracts, and all Service Contracts are terminable by the Partnership on at least sixty (6) days prior notice, without payment by the Partnership.

(f) TAX BILLS. The General Partner has delivered true

and correct copies of tax bills issued by any applicable federal, state or local governmental authority to the Partnership with respect to the Property for the most recent past and current tax years, and any new assessment received with respect to a current or future tax year.

(g) INSURANCE. Attached hereto as EXHIBIT "7(g)" is a list of all hazard, liability and other insurance policies presently affording coverage with respect to the Property. The General Partner shall maintain in full force and effect all such policies until the First Closing Date.

(h) POSSESSION OF PROPERTY. Possession of the Property shall remain with the Partnership at Closing in its "as is, where is" condition as of the date of Buyer's execution of this Agreement, subject to normal wear and tear and damage by fire or other casualty and the effect of condemnation (subject to Section 14 herein), and subject to the Permitted Exceptions.

8

(i) CONDEMNATION PROCEEDINGS. No condemnation or eminent domain proceedings are pending or, to the best of the General Partner's knowledge, threatened against the Property or any part thereof, and neither the Partnership nor the General Partner has made any commitments to or received any notice, oral or written, of the desire of any public authority or other entity to take or use the Property or any part thereof whether temporarily or permanently, for easements, rights-of-way, or other public or quasi-public purposes, except as set forth in the Permitted Exceptions.

(j) LITIGATION. Except as set forth on EXHIBIT "7(j)" hereto, no litigation is pending or, to the best of the General Partner's knowledge, threatened, including administrative actions or orders relating to governmental regulations, affecting the use, operation or ownership of the Property or any part thereof.

(k) NO DEFAULTS. Neither the execution of this Agreement nor the consummation of the transactions contemplated hereby will: (i) subject to any approval required under the Mellon Loan, conflict with, or result in a breach of, the terms, conditions or provisions of, or constitute a default under, any agreement or instrument to which the Partnership is a party or by which the Partnership or the Property is bound, (ii) subject to the approval required under the Mellon Loan, violate any restriction, requirement, covenant or condition to which the Partnership is subject or by which the Partnership or the Property is bound, (iii) constitute a violation of any applicable code, resolution, law, statute, regulation, ordinance, rule, judgment, decree or order applicable to the Partnership, or (iv) result in the cancellation of any contract or lease pertaining to the Property. The representations and warranties set forth in this Section 6(k) shall survive Closing without being subject to the six (6) month limitation.

(l) HAZARDOUS WASTE. The General Partner has no knowledge of any discharge, spillage, uncontrolled loss, seepage or filtration (a "Spill") of oil, petroleum or chemical liquids or solids, liquid or gaseous products or any hazardous waste or hazardous substance (as those terms are used in the Comprehensive Environmental Response, Compensation and Liability Act of 1986, as amended, the Resource Conservation and Recovery Act of 1976, as amended, or in any other applicable federal, state or local laws, ordinances, rules or regulations relating to protection of public health, safety or the environment, as such laws may be amended from time to time) at, upon, under or within the Land or any contiguous real estate. To the best of the General Partner's knowledge, there is no proceeding or action pending or threatened by any person or governmental agency regarding the environmental condition of the Property. To the General Partner's knowledge, the Building is totally free of friable asbestos requiring remediation.

(m) LICENSES AND PERMITS. Sellers have received no notice, nor has any knowledge, that it is lacking any required permit or license issued by applicable governmental authorities for operation, maintenance, or ownership, or development of the Property ("Licenses"). The Partnership shall not amend any licenses for the Property and shall maintain them in full force and effect to the extent that the Partnership is responsible for them.

9

(n) OPERATING STATEMENTS. Attached hereto as EXHIBIT "7(n)" are true and correct operating statements of the Property for 1997 and 1998. Also attached as EXHIBIT "7(N)" is a copy of the 1999 operating budget for the Property.

(o) PERSONAL PROPERTY. Attached hereto as EXHIBIT "7(o)" is a true, correct and complete inventory of all personal property ("Personal Property"), if any, used in the management, maintenance and operation

of the Property (other than trade fixtures or personal property of tenants).

(p) LEASING COMMISSIONS. There are, and at the First Closing shall be, no outstanding or contingent leasing commissions or fees payable with respect to the Property.

(q) PARTNERSHIP LIABILITIES. Except for (i) the Mellon Loan, and (ii) any accrued liabilities and obligations of the Partnership which are being adjusted at Closing pursuant to Section 13 of this Agreement, the Partnership shall not have any liabilities or obligations, either accrued, absolute or contingent or otherwise, which will not be paid or discharged on or before the Closing Date. In addition, except for the claims and liabilities described in the preceding sentence or otherwise described or disclosed in this Agreement (including the Exhibits hereto), the Partnership has not received notice of any, and to the knowledge of the General Partner, there is, as of the date of execution of this Agreement, no basis for any, claim against (or liability of) the Partnership arising from the business done, transactions entered into or other events occurring prior to the Closing Date which is not the express responsibility of the Sellers under the terms of this Agreement (or taken into account as an adjustment to Net Purchase Price to be paid to the Sellers hereunder). Specifically, but without limitation, the General Partner represents and warrants to Buyer that the Partnership does not have any obligations of any nature under the following agreements, all of such obligations having been discharged and satisfied prior to the date of this Agreement: Option Agreement dated March 18, 1996 between the Partnership, as optionor., and John Boland, as optionee, and Option Agreement dated March 18, 1996 between the Partnership, as optionor, and Matthew S. Boland and Mark S. Boland, as optionee. The representations set forth in this Section 7(q) shall survive Closing without being subject to the six (6) month limitation.

(r) PARTNERSHIP FOR TAX PURPOSES. The Partnership is, and at all times has been, properly treated as a partnership for Federal Income Tax purposes, and not as an "association" or "publicly traded partnership" taxable as a corporation. The representation set forth in this Section 7(r) shall survive Closing without being subject to the six (6) month limitation.

(s) TAXES. The Partnership has timely filed with the appropriate taxing authorities all returns (including without limitation information returns and other material information) in respect of Federal, State and local taxes (collectively "Taxes") required to be filed through the date hereof and will timely file any such returns required to be filed on or prior to the Closing Date. Sellers and Buyer understand that, as a result of the transactions contemplated by this Agreement, the Partnership will terminate for Federal

10

income tax purposes. Sellers shall timely file the final tax returns required in connection with such termination and shall timely make a Section 754 election under the Internal Revenue Code, as amended. At least seven (7) days before filing such returns and making such election, Sellers shall provide copies of the returns and election to Buyer for Buyer's review, and shall take into account any comments that Buyer may have regarding such return and election. The returns and other information filed (or to be filed) are complete and accurate in all material respects. All Taxes of the Partnership in respect of periods beginning before the Closing Date have been timely paid, or will be timely paid prior to the Closing Date, and the Partnership has no liability for Taxes in excess of the amounts so paid. All Taxes that the Partnership has been required to collect or withhold have been duly collected or withheld and, to the extent required when due, have been or will be (prior to Closing Date) duly paid to the proper taxing authority. No audits of any of the Partnership's federal, state or local returns for Taxes by the relevant taxing authorities have occurred, and no material deficiencies for Taxes of the Partnership have been claimed, proposed or assessed by any taxing or other governmental authority against the Partnership. There are no pending or, to the best of knowledge of the General Partner, threatened audits, investigations or claims for or relating to any material additional liability to the Partnership in respect of Taxes, and there are no matters under discussion with any governmental authorities with respect to Taxes that in reasonable judgment of the General Partner or its counsel, is likely to result in an additional liability for Taxes. To the knowledge of the General Partner, there are no liens for taxes on any of the Partnership Interests, and there are no liens for taxes (other than for current taxes not yet due and payable) on any of the assets of the Partnership. No Seller is a person other than a United States person within the meaning of the Internal Revenue Code of 1986, as amended (the "Code"). The representations and covenants set forth in this Section 7(s) shall survive Closing without being subject to the six (6) month limitation.

(t) SPECIAL LIMITATIONS. Notwithstanding anything in this Agreement to the contrary (other than the second sentence of Section 15(b)(ii)):

(i) If Buyer does not terminate this

Agreement within the Due Diligence Period, then the representations and warranties made by the Sellers or the General Partner in this Agreement (as well as the specific facts and/or conditions which were the subject of such representations and/or warranties) shall be deemed modified to account appropriately for every fact or other matter which came to the attention of Buyer, or Buyer's employees, agents or representatives during the course of the Due Diligence Period (other than such fact or matter which was due to the willful misconduct or bad faith of the Sellers or the General Partner), which fact or matter was inconsistent with the Sellers' or General Partner' representation(s) or warranty(ies) set forth herein, it being the intent and agreement of the parties that Buyer shall not have the right or ability to claim that the inaccuracy of any representation set forth herein (provided that such inaccuracy was not due to the willful misconduct or bad faith of Sellers or the General Partner) which was actually known to Buyer (or its employees, agents and/or representatives) as of the end of the Due Diligence Period constitutes either a default by the Sellers or the General Partner or a failure of a condition to Closing hereunder;

11

(ii) If Buyer elects to consummate the Closing under this Agreement despite the failure of any of the conditions set forth in Section 10 below, which failure is actually known to Buyer prior to Closing, including without limitation the failure of any representation or warranty of the Sellers or General Partner contained herein to be true and correct as of the time of Closing (provided such failure was not the result of the willful misconduct or bad faith of Sellers or the General Partner), then unless Sellers or the General Partner expressly agree in writing to the contrary at the time of Closing, Buyer shall be deemed to have waived any claims against the Sellers or General Partner arising out of such failure, and, in such event, the Sellers and General Partner shall have no post-Closing liability to Buyer with respect thereto.

(iii) Buyer shall not be entitled to assert any claim against the Sellers or General Partner with respect to the inaccuracy of any representation or warranty made by the Sellers or General Partner (provided that such inaccuracy was not due to the willful misconduct or bad faith of Sellers or the General Partner), to the extent such inaccuracy was actually known to Buyer, or Buyer's employees, agents and/or representatives, as of or prior to the time of Closing and Buyer elects to consummate the Closing under this Agreement, it being the intent and agreement of the parties that Buyer shall not have the right or ability to consummate the Closing and thereafter assert a claim for breach of a warranty or representation by Sellers which was actually known to Buyer or its representatives as of or prior to Closing.

(iv) If a matter represented by the Sellers or General Partner hereunder was true as of the date of execution of this Agreement, but subsequently is rendered inaccurate due to the occurrence of events or due to a cause other than the Sellers' or General Partner's intentional misconduct or bad faith, or intentional breach of this Agreement, then such inaccuracy shall not constitute a default by the Sellers or General Partner under this Agreement, even though the same might constitute a failure of a condition precedent to buyer's obligation to close under this Agreement.

As used in this Agreement, the term "knowledge of General Partner" shall mean the actual knowledge (and not implied, imputed or constructive knowledge) of Clay W. Hamlin, III, without investigation or inquiry.

8. OBLIGATIONS OF SELLERS PENDING CLOSING. From and after the date of this Agreement through the Closing Date, Sellers covenant and agree as follows:

(a) MAINTENANCE AND OPERATION OF PROPERTY. The General Partner will cause the Property to be maintained in its present order and condition, normal wear and tear, and damage by fire or other casualty (subject to Section 14) excepted and will cause the continuation of the normal operation thereof, including the purchase and replacement of fixtures and equipment, and the continuation of the normal practice with respect to maintenance and repairs so that the Property will, except for normal wear and tear and damage by fire or other casualty (subject to Section 14), be in substantially the same condition on the Closing Date as on the date hereof.

12

(b) LICENSES. The General Partner shall use its commercially reasonable efforts to preserve in force all Licenses and to cause those expiring to be renewed.

(c) CHANGES IN REPRESENTATIONS. The General Partner shall notify Buyer promptly, and Buyer shall notify Sellers promptly, if either

becomes aware of any occurrence prior to the Closing Date which would make any of its representations, warranties or covenants contained herein not true in any material respect.

(d) OBLIGATIONS AS TO LEASES AND SERVICE CONTRACTS.

The General Partner shall not, without Buyer's prior written consent amend, modify, renew or extend any Lease or Service Contract in any respect unless required by law or the terms of a specific Lease or Service Contract, or enter into new leases or service contracts or approve any assignment of leases or service contracts or subletting of leased space, or terminate any Lease. Prior to Closing, Sellers shall not apply all or any part of the security deposit of any tenant unless such tenant has vacated the Property.

(e) OBLIGATIONS AS TO MELLON LOAN. The General

Partner shall not, without Buyer's prior written consent, (i) prepay, or permit the Partnership to prepay, the Mellon Loan, or (ii) modify or amend, or permit the Partnership to modify or amend, any of the documents evidencing or securing the Mellon Loan or otherwise entered into in connection with the Mellon Loan. The General Partner shall make, or cause the Partnership to make, all payments required to be made under the Mellon Loan when due, shall perform, or cause the Partnership to perform, all obligations under the Mellon Loan and shall keep, and cause the Partnership to keep, the Mellon Loan free from default. The General Partner shall cause the Partnership not to incur any debt except ordinary trade and service payables which are currently payable in the ordinary course of the Partnership's business and shall cause the Partnership to comply specifically, but without limitation, with Sections 7(q), 7(r), and 7(s) of this Agreement.

9. REPRESENTATIONS AND WARRANTIES OF BUYER. In order to induce Sellers to enter into this Agreement and to transfer the Partnership Interests to Buyer, Buyer hereby makes the following representations and warranties, each of which is material and shall survive Closing, notwithstanding any investigation at any time made by or on behalf of Sellers:

(a) AUTHORITY OF BUYER. Buyer is a corporation duly organized and existing and in good standing under the laws of the State of Delaware. Buyer has all necessary power and authority to execute, deliver and perform this Agreement and consummate all of the transactions contemplated by this Agreement. This Agreement is the valid and binding obligation of Buyer, enforceable against Buyer in accordance with its terms.

(b) NO DEFAULTS. Neither the execution of this Agreement nor the consummation of the transactions contemplated hereby will: (i) conflict with, or result in a breach of, the terms, conditions or provisions of, or constitute a default under, any agreement or instrument to which Buyer is a party, (ii) violate any restriction, requirement, covenant or

13

condition to which the Buyer is subject, or (iii) constitute a violation of any applicable code, resolution, law, statute, regulation, ordinance, rule, judgment, decree or order.

10. CONDITIONS PRECEDENT TO FIRST CLOSING.

(a) Buyer's obligation to complete the First Closing is contingent upon the satisfaction of all of the following conditions on the First Closing Date.

(i) REPRESENTATIONS AND WARRANTIES. Sellers' representations and warranties shall be true, correct and complete in all material respects in the same manner and with the same effect as though such representations and warranties had been made on and as of the First Closing.

(ii) ZONING AND LICENSES. No proceedings shall have occurred or be pending to change, redesignate or redefine the zoning classification of the Property to a more restrictive classification than presently exists on the date of Buyer's execution of this Agreement, and the Licenses shall be and remain in full force and effect.

(iii) CONSENT FROM LENDER. Buyer shall have received the Consent from Lender.

(iv) PERFORMANCE BY SELLER. Sellers shall have complied with and not be in breach of any of their covenants or obligations under this Agreement.

(b) FAILURE OF CONDITION. In the event of the failure by the Closing Date of any condition precedent set forth above, then Buyer, at its sole election, may (a) terminate this Agreement, in which event neither party shall have any further obligations or liabilities to the other; or (b) waive such condition and proceed to Closing without abatement of consideration.

11. SELLERS' FIRST CLOSING DELIVERIES. At the First Closing the following documents, each dated as of the First Closing Date, shall be delivered to Buyer:

(a) Assignment and Assumption Agreement ("Assignment") and an Amendment to the Partnership Agreement ("Amendment") and an Amendment to the Limited Partnership Certificate ("Certificate Amendment"), in recordable form, reasonably satisfactory to Buyer and the Sellers, setting forth the assignment by each of the Sellers of their Transferred Interest and his or its withdrawal from the Partnership (or reduction in interest, in the case of Sellers holding Retained Interests) and the admission of Buyer and/or its designee(s) as partners of the Partnership, which Amendment and Certificate Amendment shall be executed and acknowledged by all the Sellers and Buyer. Buyer and Sellers holding Retained Interests shall enter into the Amended Partnership Agreement (hereinafter defined).

(b) A release from each Seller releasing the Partnership and Buyer (and its designee(s)) as partners of the Partnership from any obligations and liabilities with

14

respect to the original formation of the Partnership, and any other matter arising from business done, transactions entered into or events occurring prior to the Closing Date (other than those matters for which Buyer is indemnifying the Sellers pursuant to Section 15(c)).

(c) A schedule from the General Partner updating through the end of the month preceding the First Closing Date the Rent Schedule for the Property and setting forth all arrearages in rents and all prepayments of rents;

(d) Originally executed Leases and Service Contracts and copies of books, records, operating reports, plans, architectural and engineering reports, copies of warranties, files and other documents, writings, computer disks and other materials related to the ownership, use, operation and development of the Property, to the extent that any exist and are in the possession of the General Partner, which obligation shall survive Closing;

(e) An original letter executed by the General Partner advising the tenants of the Property of the change in control and management of the Property and directing that rents and other payments thereafter be sent to Buyer or as Buyer may direct;

(f) Possession of the Property from the General Partner in the condition required by this Agreement, and the keys therefor;

(g) Such other items and instruments from the General Partner as shall be required by the Title Company in connection with the issuance of its title insurance policy to Buyer pursuant to Section 5 (including customary General Partner' or owner's affidavit), except that Sellers shall not be obligated to undertake any financial obligation, indemnities, escrows or guarantee in favor of the Title Company; and

(h) Any other documents required by this Agreement to be delivered by Sellers.

12. BUYER'S PERFORMANCE. At the First Closing, simultaneously with the deliveries of the Seller pursuant to the provisions of Section 11 above, Buyer shall pay to the Sellers 89% of the Net Purchase Price less \$191,440 in accordance with Section 2, and shall execute and deliver those documents (including without limitation those documents described in Section 10 above to which Buyer is a party or a required signatory) and take such other actions required to be taken by Buyer at Closing as required under this Agreement.

13. SETTLEMENT CHARGES: PRORATIONS AND ADJUSTMENTS.

(a) Buyer shall pay for the title examination, the title insurance premium, notary fees and other such charges incident to the Closings. Although Sellers and Buyer believe that no real estate transfer or recording fees or taxes will be due in connection with the transactions contemplated hereby, if it is finally determined that such taxes are due and payable in connection herewith, then Sellers (collectively) and Buyer shall each pay

15

one-half (1/2) of such real estate transfer taxes. Buyer and Sellers shall each pay its own legal fees related to the preparation of this Agreement and all documents required to settle the transaction contemplated hereby.

(b) At the First Closing, the following adjustments and prorations shall be computed as of the First Closing Date, and shall increase or decrease the Net Purchase Price determined under Section 2(a) above, as if the transaction contemplated by this Agreement was a sale of the Property by the Partnership to Buyer:

(i) TAXES. Real estate and personal property taxes shall be apportioned (based on the fiscal periods for which such taxes are assessed) as of the Closing Date.

(ii) ASSESSMENTS. All special assessments and other similar charges which have become a lien upon the Property or any part thereof at the Closing Date, and are due and payable through the Closing Date, shall be paid in full by the Partnership or the Sellers on or prior to the Closing. All other special assessments or similar charges shall be adjusted as of the Closing Date.

(iii) RENT. Rent for the month of, and any month after, Closing collected by the Partnership prior to Closing shall be apportioned as of the Closing Date. If any tenant is in arrears in the payment of rent on the Closing Date, rents received from such tenant after the Closing shall be applied in the following order of priority: (a) first, to the payment of current rent then due; (b) second, to delinquent rent for any period after the Closing Date; and (c) third, to delinquent rent for any period prior to the Closing Date. Buyer shall either cause the Partnership to use reasonable efforts to collect (at no cost to Buyer or the Partnership), or shall assign to Sellers the right to collect, arrearages in rents due from tenants as of the First Closing Date. If rents or any portion thereof received by Sellers or the Partnership after the Closing Date are payable to the other party by reason of this allocation, the appropriate sum, less a proportionate share of any reasonable attorneys' fees, costs and expenses of collection thereof, shall be promptly paid to the other party, which obligation shall survive the Closing.

If any tenants are required to pay percentage rents, escalation charges for real estate taxes, operating expenses, cost-of-living adjustments or other charges of a similar nature ("Additional Rents") and any Additional Rents are collected by the Partnership after the Closing which are attributable in whole or in part to any period prior to the Closing, then the Partnership shall promptly pay to Sellers the amount of such Additional Rents attributable to the period prior to the Closing, less a proportionate share of any reasonable attorneys' fees, costs and, expenses of collection thereof, and deliver to Sellers a statement therefor, if and when the tenant paying the same has made all payments of rents and Additional Rent then due to the Partnership pursuant to such tenant's Lease, which obligation shall survive the Closing. Upon written request of Sellers (but only until the time of the first reconciliation), Buyer shall cause the Partnership to provide Sellers with the then current periodic report of the status of collection of such Additional Rents from such tenants.

16

(iv) DEBT SERVICE ON THE MELLON LOAN. The amount of interest payable under the Mellon Loan shall be apportioned as of the Closing Date. Buyer shall, at the First Closing, pay to Seller the aggregate amount of all escrows held by Lender as of the First Closing Date under the Mellon Loan Documents.

(v) SECURITY DEPOSITS AND CASH. The Net Purchase Price shall be reduced by the aggregate amount of security deposits which the Partnership is holding or is obligated to hold under the Leases as of the First Closing Date and shall be increased by the aggregate amount of cash in the Partnership's bank account(s) as of the First Closing Date (determined as of 11:59 p.m. on the day immediately preceding the First Closing Date, but after taking into account any amounts of cash distributed to the Sellers as permitted under Section 13(c) below).

(vi) MISCELLANEOUS. All other charges and fees customarily prorated and adjusted in similar transactions, including utilities, insurance premiums and charges for Service Contracts to be retained by the Partnership, shall be prorated as of the Closing Date. In the event that accurate prorations and other adjustments cannot be made at Closing because current bills are not obtainable or the amount to be adjusted is not yet ascertainable (as, for example, in the case of utility bills) the parties shall prorate on the best available information, subject to further adjustment promptly upon receipt of the final bill or upon completion of final computations. To the extent that water consumption or other utility charges may constitute a lien against the Property, Sellers agree that an appropriate amount in respect of water consumption or other utility charges may be held in escrow by the Title Company in connection with its issuance of a title insurance policy to Buyer. The General Partner shall use their reasonable efforts to have all utility meters read on the Closing Date so as to accurately determine the proration of current utility bills.

(c) It is acknowledged and agreed that, on or prior to the First Closing, the General Partner shall cause the Partnership to distribute to the Sellers all cash and assets of the Partnership other than the Property; provided that the cash distributed to the Sellers shall not exceed the cash within the Partnership's bank accounts as of 11:59 p.m. on the day immediately preceding the First Closing Date.

14. RISK OF LOSS. The risk of loss or damage to the Property by fire or other casualty until the First Closing shall be borne by the Sellers. If prior to Closing (i) condemnation proceedings are commenced against all or any portion of the Property (other than a de minimis condemnation, which shall mean a condemnation which does not affect any parking or access areas of the Property and does not have a material adverse affect on the value of the Property), or (ii) if the Property is damaged by fire or other casualty to the extent that the cost of repairing such damage shall be Two Hundred Fifty Thousand Dollars (\$250,000.00) or more based on the good faith estimate of an independent contractor selected by the General Partner and reasonably approved by Buyer, or (iii) if the Property is damaged by an uninsured risk, then Buyer shall have the right, upon notice in writing to the Sellers delivered within ten (10) days after actual notice of such condemnation or fire or other casualty

17

or litigation, to terminate this Agreement, and thereupon the parties shall be released and discharged from any further obligations to each other. If Buyer does not elect to terminate this Agreement or in the event of fire or other casualty or condemnation not giving rise to a right to terminate this Agreement by Buyer, all of the proceeds of fire or other casualty insurance proceeds and the rent insurance proceeds payable with respect to the period after Closing or of the condemnation award, as the case may be, shall remain in the Partnership for the benefit of Buyer, and Sellers shall have no obligation to repair or restore the Property; provided, however, that the Net Purchase Price determined under Section 2(a) above shall be reduced by (a) the "deductible" applied by the Partnership's insurance policy, or (b) if the Partnership is self-insured, the cost of repairing such damage. Buyer shall have the right to participate in the negotiation and settlement of any casualty or condemnation-related claim if Buyer does not elect to terminate this Agreement.

15. INDEMNIFICATIONS.

(a) INDEMNIFICATION BY SELLERS.

(i) Subject to Section 7(t) of this Agreement, each Seller for such Seller only, and for no other Seller, hereby indemnifies and agrees to defend and hold harmless Buyer and its successors and assigns from and against any and all claims, expenses, costs, damages, losses and liabilities (including reasonable attorneys' fees) which may be asserted against or suffered by any indemnitee, the Partnership or the Property, as a result of, on account of or arising from any breach by such Seller of any representation or warranty made by such Seller under Section 6 of this Agreement, or any breach of any covenant or agreement made by such Seller under this Agreement. This Section 15(a) (i) shall survive Closing without limitation.

(b) INDEMNIFICATION BY THE GENERAL PARTNER.

(i) Subject to Section 7(t) of this Agreement, the General Partner hereby indemnifies and agrees to defend and hold harmless Buyer and its partners and subsidiaries and any officer, director, employee, agent of any of them, and their respective successors and assigns from and against any and all claims, expenses, costs, damages, losses and liabilities (including reasonable attorneys' fees) which may at any time be asserted against or suffered by, any indemnitee, the Partnership or the Property, or any part thereof, whether before or after the Closing Date, as a result of, on account of or arising from any breach of any representation or warranty made by the General Partner under Section 7 of this Agreement or any breach of any covenant or agreement made by the General Partner under this Agreement. Any indemnification of Buyer or the Partnership or other indemnitee under this Section 15(b) (i) shall survive Closing without limitation (other than indemnification for breach of representations or warranties which are subject to a limited survival period described in Section 7 of this Agreement, in which case such indemnification obligation shall cease and expire with respect to any claim not raised by Buyer, by written notice to Sellers, within such limited survival period).

18

(ii) Subject to Section 7(t) of this Agreement, the General Partner hereby indemnifies and agrees to defend and hold harmless the Partnership, Buyer and its partners and subsidiaries and any officer, director, employee, agent of any of them, and their respective successors and assigns from and against any and all claims, expenses, costs, damages, losses and liabilities (including reasonable attorneys' fees) which may

at any time be asserted against or suffered by any indemnitee, the Partnership or the Property, or any part thereof, whether before or after the First Closing Date, as a result of, on account of or arising from any claim relating to or arising out of any contract, agreement or other obligation to which the Partnership was a party or any claim relating to any encumbrance or other occurrence prior to the First Closing Date (other than obligations under the Mellon Loan accruing after the First Closing Date, obligations accruing after the First Closing Date under the Leases and Service Contracts, items adjusted as of the First Closing Date under Section 13 above, and other obligations, claims or agreements expressly assumed by Buyer in writing), provided (and solely to the extent) such claim is derived from an occurrence or breach which took place prior to the First Closing Date, and solely to the extent such claim is not within the scope of any insurance and/or indemnity agreement in favor of the Partnership (and Buyer will look to any such insurance and /or indemnity agreement(s) in connection with any such insured or indemnified claims to the extent actually covered by such insurance and/or indemnity agreement). Claims within the scope of the indemnity set forth in this Section 15(b)(ii) shall include, without limitation, any and all liabilities for federal and state income and other taxes (other than real estate taxes adjusted under Section 13) due and payable with respect to any period (or portion thereof) ending on or prior to the First Closing Date, and such indemnity shall not be subject to Section 7(t) of this Agreement. The indemnification of Buyer and the Partnership by the General Partner under this Section 15(b)(ii) shall survive Closing without limitation.

(c) INDEMNIFICATION BY BUYER. Buyer hereby indemnifies and agrees to defend and hold harmless Sellers and their respective, heirs, personal representatives, successors and assigns from and against any and all claims, expenses, costs, damages, losses and liabilities (including reasonable attorneys' fees) which may at any time be asserted against or suffered by Sellers as a result of, on account of or arising from (i) any breach of any representation, warranty, covenant or agreement on the part of Buyer made under this Agreement or (ii) any obligation, claim, suit, liability, contract, agreement, debt or encumbrance or other occurrence created, arising or accruing after the Closing Date and relating to the Property or its operations (including without limitation (1) the obligations under the Mellon Loan accruing after the First Closing, and (2) any accrued liabilities and obligations of the Partnership which are being adjusted at the First Closing pursuant to Section 13). The foregoing obligations set forth in this Section 15(c) shall survive Closing without limitation.

(d) RIGHT TO DEFEND CLAIM. If any party entitled to indemnification under this Section 15 (the "Indemnitee") becomes aware of any potential claim, suit or action which, if successful, will give rise to a right to indemnification against another party to this Agreement (the "Indemnitor"), the Indemnitee shall give the Indemnitor prompt written notice of such potential claim, suit or action and shall give the Indemnitor the right to defend such claim, suit or action at the sole cost and expense of the Indemnitor. If the Indemnitor shall

19

undertake to defend such claim, suit or action, the Indemnitee may, at its own cost and expense, participate in the defense of such claim, suit or action. If the Indemnitor declines to defend such claim, suit or action, the Indemnitee's claim for indemnification against the Indemnitor shall in attorneys' fees and expenses incurred by the Indemnitee in defending such claim, suit or action.

16. BROKERAGE COMMISSION. Sellers and Buyer each represent and warrant to the other that it has not made any agreement or taken any action which may cause anyone to become entitled to a commission as a result of the transactions contemplated by this Agreement. Buyer and Sellers will indemnify and defend the other from any and all claims, actual or threatened, for compensation by any third party by reason of breach of its or their representation or warranty contained in this Section. The provisions of this Section shall survive Closing.

17. DEFAULT.

(a) DEFAULT BY SELLERS. If Sellers shall default under this Agreement before or at Closing, Buyer, as Buyer's sole and exclusive remedy, may elect either to (i) terminate this Agreement, in which event neither party shall have any further liability or obligation to the other, except that Seller shall reimburse Buyer for all of Buyer's Reasonable Costs; (ii) close without any reduction in the Net Purchase Price; or (iii) file an action for specific performance of this Agreement to compel Sellers to perform Sellers obligations under this Agreement and complete Closing. Except as specifically set forth in this Section 17(a), Buyer shall have no other remedy for default by Sellers before or at Closing.

(b) DEFAULT BY BUYER. If Buyer defaults in its obligation to close the purchase of the Property, then the Seller's sole and exclusive remedy shall be to receive from Buyer all of Seller's reasonable

documented out-of-pocket costs relating to this Agreement, the amount thereof being fixed and liquidated damages (it being understood that Seller's actual damages in the event of such default are difficult to ascertain and that such proceeds represent the parties' best current estimate of such damages). Except as specifically set forth in this Section 17(b), Seller shall have no other remedy for any default by Buyer.

The provisions of Sections 17(a) and 17(b) above shall not be applicable to any breach or default by a party occurring or first becoming actually known to the other party after the First Closing, and, as to any such breach or default, the nondefaulting party may exercise any and all remedies available at law or in equity, subject, however, to any applicable limitations on survival expressly provided for in this Agreement.

18. RETAINED INTERESTS.

(a) Upon the contribution of the Transferred Interests to Buyer at the First Closing, the Sellers holding the Retained Interests (the "Retained Partners") and Buyer (and any other party designated by Buyer to hold an interest in the Partnership) shall enter into an amended and restated limited partnership agreement (the "Amended Partnership

20

Agreement') for the Partnership containing such terms and conditions as are mutually agreeable to Buyer and the Retained Partners. The Amended Partnership Agreement shall provide that (i) Buyer (or Buyer's designee) is the general partner of the Partnership and shall have exclusive authority to manage the Property and the Partnership, including without limitation the expenditure of Partnership funds and the distribution of cash flow, (ii) the Retained Partners shall be limited partners and shall have no personal liability for any debts, obligations or claims of the Partnership, and (iii) the Retained Partners shall, in the aggregate, have a capital interest in the Partnership equal to 11% of the aggregate capital of the Partnership (which aggregate capital of the Partnership shall equal the Net Purchase Price), and (iv) the Retained Partners shall be entitled to a cumulative eleven (11%) priority return on his capital interest in the Partnership (the "Priority Return"). The Retained Partners shall retain full right, title and interest in and to the Retained Interests until the Second Closing and shall not transfer or hypothecate the Retained Interests without the prior written consent of the Buyer.

(b) At the Second Closing, the Retained Partners will contribute the Retained Interests to Buyer and, in exchange therefor, Buyer shall pay to the Retained Partners an amount equal to 11% times the Net Purchase Price of the Property. If, as of the Second Closing, the Retained Partners have not received the full amount of the Priority Return accrued through the Second Closing Date, Buyer shall take such actions as may be required to cause the Partnership to pay to the Retained Partners the unpaid amount of the Priority Return accrued through the Second Closing (including contributing or advancing such funds to the Partnership if necessary).

(c) At the Second Closing, the Retained Partner's shall (i) execute, acknowledge and deliver to Buyer substantially the same documents set forth in Section 11(a) and (b) above with respect to the Retained Interests, each dated as of the date of the Second Closing and (ii) execute an affidavit setting forth that all of the representations and warranties set forth in Section 6 relating to the Retained Interests are true and correct in all material respects on the date of the Second Closing.

19. MISCELLANEOUS PROVISIONS.

(a) COMPLETENESS AND MODIFICATION. This Agreement (together with all Exhibits attached hereto), constitutes the entire agreement of the parties hereto with respect to the transactions contemplated herein, and it supersedes all prior discussions, understandings or agreements between the parties. This Agreement shall not be modified or amended except by an instrument in writing signed by all of the parties hereto.

(b) BINDING EFFECT. This Agreement shall be binding upon and inure to the benefit of the parties hereto, and their respective successors and assigns.

(c) ASSIGNMENT. This Agreement shall not be assignable by Buyer without the consent of Sellers, provided that, notwithstanding anything to the contrary contained in this Agreement, Buyer shall be entitled to assign this Agreement to an entity

21

controlled by, controlling or under common control with the Buyer and to direct the Sellers to transfer their Partnership Interests to an entity or entities

controlled by, controlling, or under common control with the Buyer.

(d) WAIVER: MODIFICATION. Failure by Buyer or Sellers to insist upon or enforce any of its rights hereto shall not constitute a waiver or modification thereof.

(e) GOVERNING LAW. This Agreement shall be governed by and construed under the laws of the Commonwealth of Pennsylvania.

(f) HEADINGS. The headings are herein used for convenience or reference only and shall not be deemed to vary the content of this Agreement or the covenants, agreements, representations and warranties herein set forth, or the scope of any provision hereof.

(g) CONTINUING DOCUMENTATION AND ACCESS. From and after Closing, the General Partner shall afford Buyer reasonable access to any and all information in their possession concerning the ownership, use and operation of the Property (including the right to copy same at the expense of Buyer) for purposes of any tax examination or audit or other similar purpose, subject to the agreements of the Sellers, the Partnership or Buyer concerning confidentiality set forth herein. Buyer agrees and acknowledges that the information provided to them by the General Partner, the Sellers or the Partnership regarding the Property or the Partnership is confidential, and that they will not disclose such information to any other person, other than to their employees, attorneys, accountants and other consultants, or use such information for any purpose other than the transaction described herein without the prior written consent of the General Partner. If this Agreement is terminated or if the First Closing is not consummated, all information provided to Buyer and, and all copies thereof, shall be returned to the General Partner.

(h) COUNTERPARTS. This Agreement may be executed in as many counterparts as may be required; it shall be sufficient that the signature of, or on behalf of, each party, or that the signatures of the persons required to bind any party, appear on one or more such counterparts. All counterparts shall collectively constitute a single agreement.

(i) NOTICES. All notices, requests, consents and other communications hereunder shall be in writing and shall be delivered by hand, commercial courier, telecopy or overnight courier (for example, Federal Express) against receipt, to the addresses indicated below:

22

IF TO BUYER:

Karen M. Singer, Esquire
Corporate Office Properties Trust
8815 Centre Park Drive - Suite 400
Columbia, MD 21045
Phone: 410-992-7293
Fax: 410-992-7534

WITH A COPY TO:

F. Michael Wysocki, Esquire
Saul, Ewing, Remick & Saul LLP
Centre Square West
1500 Market Street - 38th Floor
Philadelphia, PA 19102
Phone: 215-972-7169
Fax: 215-972-1932

IF TO SELLERS OR THE GENERAL PARTNER:

Mr. Clay W. Hamlin, III
Chief Executive Officer
Corporate Office Properties Trust
401 City Avenue - Suite 615
Bala Cynwyd, PA 19004-1126
Phone: 610-538-1810
Fax: 610-538-1801

Such notice shall be deemed given on the date of receipt by the addressee or the date receipt would have been effectuated if delivery were not refused. Each party may designate a new address by written notice to the other in accordance with this Section 19(i). Any notice required or permitted to be given by or on behalf of the Sellers hereunder shall be effective if such notice is executed by the General Partner.

(j) FURTHER ASSURANCES. Sellers and Buyer agree to execute, acknowledge and deliver any further agreements, documents or instruments that are reasonably necessary or desirable to carry out the transactions contemplated by this Agreement.

(k) BUSINESS DAYS. A "business day" shall be Mondays through Fridays, less and excepting all legal holidays observed by the United States Government or the Government of the State of Maryland. Any date specified in this Agreement which does not fall on a business day shall be automatically extended until the first business day after such date.

23

(l) TIME OF THE ESSENCE. Time is of the essence in the performance of all obligations under this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement to Sell Partnership Interests as of the day and year first written above.

SELLERS:

GATEWAY SHANNON DEVELOPMENT COMPANY

By: /s/ Clay W. Hamlin, III

Clay W. Hamlin, III
President

/s/ Clay W. Hamlin, III

CLAY W. HAMLIN, III

BUYER:

COPT ACQUISITIONS, INC.

By: /s/ Roger A. Warsche, Jr.

Name: Roger A. Warsche, Jr.

Title: Senior Vice President

24

LIST OF EXHIBITS

<TABLE> <S>	<C>	<C>
EXHIBIT "A"	Legal Description of Land	Recitals
EXHIBIT "1"	Transferred and Retained Interests	Recitals, Section 18,
EXHIBIT "2(c) (ii)"	Terms of Amendment to Mellon Loan	Section 2(c) (ii)
EXHIBIT "4(a)"	Seller's Deliveries	Section 4(a)
EXHIBIT "7(a)"	Partnership Agreement	Section 7(a)
EXHIBIT "7(d)"	Leases and Rent Schedule	Section 7(d)
EXHIBIT "7(e)"	Service Contracts	Section 7(e)
EXHIBIT "7(c)"	Violations	Section 7(c)
EXHIBIT "7(g)"	Insurance List	Section 7(g)
EXHIBIT "7(j)"	Litigation	Section 7(j)
EXHIBIT "7(n)"	Operating Statements and Budget	Section 7(n)
EXHIBIT "7(o)"	Personal Property	Section 7(o)

</TABLE>

[SELLERS AND BUYER TO ATTACH FOREGOING AT EXECUTION OF THIS AGREEMENT]

EXHIBIT A

LEGAL DESCRIPTION OF LAND

LOT NO. 12

ALL THAT CERTAIN lot situate in Lower Paxton Township, Dauphin County, being designated as Lot No. 12 on the Preliminary/Final Subdivision Plan for Gateway Corporate Center recorded in Plan Book D, Volume 5, Page 19.

LOT NO. 13

ALL THAT CERTAIN lot situate in Lower Paxton Township, Dauphin County, being designated as Lot No. 13 on the Subdivision Plan for Heatherwood Commercial Park dated March 12, 1981, last revised April 29, 1981 by D.P. Raffensperger Associates, Engineers and Surveyors, recorded in Plan Book M, Volume 3, Page 84.

LOT NO. 16

ALL THAT CERTAIN lot situate in Lower Paxton Township, Dauphin County, being designated as Lot No. 16 on the Preliminary/Final Subdivision Plan for Gateway Corporate Center recorded in Plan Book D, Volume 5, Page 19.

EXHIBIT 1

TRANSFERRED AND RETAINED INTERESTS

GATEWAY CENTRAL LIMITED PARTNERSHIP

<TABLE>

<S>

<C>

PARTNERSHIP INTERESTS HELD PRIOR TO FIRST CLOSING:

Gateway Shannon Development Corporation	1.0%	General Partnership Interest
Clay W. Hamlin, III	99.0%	Limited Partnership Interest

PARTNERSHIP INTERESTS HELD AFTER FIRST CLOSING:

Corporate Office Properties Holdings, Inc.	.1%	General Partnership Interest
Corporate Office Properties, L.P.	88.9%	Limited Partnership Interest
Clay W. Hamlin, III	11.0%	Limited Partnership Interest

</TABLE>

EXHIBIT 4(a)

SELLER DUE DILIGENCE DELIVERIES

(1) Copies of any and all leases and other agreements affecting the Property.

(2) A rent roll indicating all tenants, spaces occupied and vacant (including the square footage thereof), base rent, escalations, "pass-throughs" (including, but not limited to, real estate taxes, utilities, insurance and/or operating expenses), additional rent, rent adjustments (including, but not limited to, Consumer Price Index, or other adjustments) construction allowances, abatements, concessions, lease commencement and expiration dates, renewal or expansion options, options to purchase, cancellation rights, security deposit and/or other deposits.

(3) Copies of all hazard, rent loss, liability and other insurance policies currently in force with respect to the Property and/or Partnership's business at the Property.

(4) Copies of all engineering and architectural plans and specifications, drawings, studies and surveys (including, without limitation, tenant floor plans, tenant build-out plans, and CAD diskettes) relating to the Property, in Partnership's possession or control, and copies of any reports or studies (including, but not limited to, environmental reports, inspection reports of governmental authorities or insurance carriers, ADA reports, soils reports, and appraisals), in Partnership's possession or control, in respect of the condition or operation of the Property or recommended improvements thereto.

(5) Copies of the bill or bills issued for the years 1997, 1998 and 1999 for all real estate taxes and personal property taxes and copies of any and all notices pertaining to real estate taxes or assessments applicable to the Property. General Partner shall promptly deliver to Buyer copies of any such bills or notices received by Seller after the date of this Agreement, even if received after Closing.

(6) Copies of all certificates of occupancy, licenses, permits, authorizations and approvals required by law or by any governmental authority having jurisdiction thereover in respect of the Property, or any portion thereof, occupancy thereof, construction thereon or any use thereof.

(7) Copies of all income and expense statements, year-end financial monthly and annual operating statements and operating budgets in respect of the Property for calendar years 1997, 1998 and to the extent available, the current year ("Operating Statements"). General Partner shall deliver to Purchaser all Operating Statements prepared in the ordinary course of business promptly upon preparation thereof relating to periods prior to Closing.

(8) Copies of all brokerage commission, management, leasing, maintenance, repair, construction (including those for tenant improvements), service, pest control, elevator maintenance and supply contracts (including, without limitation, janitorial, elevator, scavenger, laundry and landscaping agreements), equipment rental agreements, telephone, telecommunications, and master antenna agreements, and any other contracts or agreements relating to or affecting the Property or which will be binding upon the Property or Partnership subsequent to Closing, all as amended and all warranties relating to such contracts.

(9) Copies of all contracts for construction repairs or capital replacements to be performed at the Property, or covering such work performed during the five (5) years immediately preceding the date of this Agreement, and all warranties relating to such contracts.

(10) Copies of all warranties and maintenance manuals relating to any portion of the Property or any Personal Property.

(11) Copies of Partnership's marketing materials pertaining to the Property.

AGREEMENT OF PURCHASE AND SALE

THIS AGREEMENT (the "AGREEMENT") is made and entered into as of this 21st day of July, 1999, by and between FIRST INDUSTRIAL FINANCING PARTNERSHIP, L.P., a Delaware limited partnership ("SELLER"), and COPT ACQUISITIONS, INC., a Delaware corporation, or its assignee ("PURCHASER").

1. SALE.

Seller agrees to sell and convey to Purchaser, and Purchaser agrees to purchase from Seller, for the purchase price set forth below and on the terms and conditions set forth in this Agreement, the Project (as hereinafter defined), including those certain buildings, each of which contains approximately that number of net rentable square feet specified on EXHIBIT A attached hereto (the "BUILDINGS"). The Buildings are commonly known by the street addresses described on EXHIBIT A. For purposes of this Agreement, the term, "PROJECT" shall be deemed to mean, on a collective basis: (a) the parcels of land described in EXHIBIT B, attached hereto (the "Land"), together with all rights, easements and interests appurtenant thereto including, but not limited to, any streets or other public ways adjacent to said Land and any water or mineral rights owned by, or leased to, Seller; (b) all improvements located on the Land, including, but not limited to, the Buildings, and all other on-site structures, systems, and utilities associated with, and utilized by Seller in the ownership and operation of the Buildings (all such improvements being referred to herein as the "IMPROVEMENTS"), but excluding improvements, if any, owned by any tenant(s) located therein; (c) Seller's interest in all leases and other agreements to occupy all or any portion of the Project that are in effect on the Contract Date including, but not limited to, any New Leases (as defined in SECTION 8.2.1) (the "LEASES"); (d) all equipment, fixtures, machinery and personalty of every description that is owned by Seller (rather than any tenant under the Leases or any third party) attached to or used exclusively in connection with the Project (the "PERSONAL PROPERTY"); (e) all trademarks, tradenames, development rights, building names and entitlements and other similar assignable intangible personal property owned by Seller and used exclusively in connection with the ownership, operation and maintenance of the Land and the Improvements (the "INTANGIBLE PERSONAL PROPERTY"); (f) the Approvals (as defined in EXHIBIT D) issued to Seller in connection with the ownership of the Project to the extent the same are assignable; and (g) to the extent assignable, subject to proprietary rights therein and without recourse to Seller, all of Seller's right, title and interest in and to all guaranties and warranties issued with respect to the Improvements, if any, architectural plans, drawings and specifications, if any, describing the Improvements, and all surveys, maps, engineering reports and other technical descriptions of the Project (collectively, the "REPORTS").

2. PURCHASE PRICE.

The total purchase price to be paid to Seller by Purchaser for the Project shall be Thirty-Nine Million Five Hundred Thousand and No/100 Dollars (\$39,500,000.00), which amount has been allocated among the Buildings as described on EXHIBIT A (the "PURCHASE PRICE"). Provided that all conditions precedent to Purchaser's and Seller's obligations to close as set forth in this Agreement ("CONDITIONS PRECEDENT") have been satisfied and fulfilled, or waived in writing by Purchaser, the Purchase Price shall be paid to Seller at Closing, plus or minus prorations and other adjustments hereunder, by federal wire transfer of immediately available funds.

3. CLOSING.

3.1. CLOSING DATE. The purchase and sale contemplated herein shall be consummated at a closing ("CLOSING") to take place by mail or at the offices of Purchaser's counsel, Morgan, Lewis & Bockius LLP, 1701 Market Street, Philadelphia, Pennsylvania 19103-2921, with a representative of the Title Company (as hereinafter defined) in attendance and receiving and disbursing funds. The Closing shall occur (i) within thirty (30) days after the Approval Date (as hereinafter defined) (the "INITIAL CLOSING DATE"), or (ii) in the event Purchaser timely exercises its Closing Date Extension Right (as hereinafter defined) pursuant to SECTION 6.5 hereof, within 60 days after the Approval Date (the "EXTENDED CLOSING DATE"),

or (iii) at such other time as the parties may agree upon in writing (the date upon which Closing occurs pursuant to item (i), (ii) or (iii) above, the "CLOSING Date"). The Closing shall be effective as of 11:59 p.m. on the Closing Date.

3.2. CONDITIONS TO CLOSING. It is a Condition Precedent to Purchaser's obligations to proceed to Closing that, as of the Closing Date (i) Seller has performed all of its covenants hereunder in all material respects, (ii) the Project is delivered to Purchaser at Closing free and clear of any occupants or

rights to possession other than tenants under the Leases; (iii) the Title Company has issued or is prepared to issue the Title Policies (defined below) or marked up title commitments therefor at Closing, and (iv) Seller shall have delivered Estoppel Certificates (defined below) satisfying at least the Required Estoppel Amount (defined below). If any Condition Precedent to Purchaser's obligations hereunder is not fulfilled, or waived in writing by Purchaser, Purchaser may, in its sole discretion and as its sole remedy hereunder, at law or in equity, elect either (x) to terminate this Agreement by delivery of written notice to Seller, whereupon the Earnest Money, together with all interest earned thereon, shall be promptly returned to Purchaser and neither party shall have any further liability hereunder, except as otherwise expressly provided in SECTIONS 6.3, 17 and 20 below; or (y) proceed to Closing and waive the failure of the applicable Condition Precedent. It shall also be a Condition Precedent to Purchaser's obligation to proceed to Closing that during the period between the Approval Date and the Initial Closing Date, tenants leasing no more than 5% of the aggregate square footage of the Project as set forth on EXHIBIT A shall vacate or abandon the Project other than pursuant to the scheduled expiration of the applicable Leases (the "OCCUPANCY CONDITION"); provided, however, that the foregoing Occupancy Condition shall not be applicable to the period, if any, between the Initial Closing Date and the Extended Closing Date, and any vacation or abandonment of the Project during such period by one or more tenants, whether pursuant to the scheduled expiration of any such tenant's Lease or otherwise, shall not constitute the failure of a Condition Precedent hereunder. It shall be a further Condition Precedent to Purchaser's obligation to proceed to Closing that all of Seller's representations and warranties hereunder that were true and correct in all material respects as of the date of the Approval Date Certificate (defined below) remain true and correct in all material respects as of the Initial Closing Date (the "REPRESENTATION CONDITION"); provided, however, that the Representation Condition shall not be applicable to the period, if any, between the Initial Closing Date and the Extended Closing Date and the untruth or inaccuracy of any representation and warranty of Seller as of the Extended Closing Date that was true and correct in all material respects as of the date of the Approval Date Certificate and the Initial Closing Date shall not constitute the failure of a Condition Precedent hereunder. For purposes of determining those representations and warranties made by Seller to Purchaser that remain true and correct in all material respects as of the Approval Date, Seller shall deliver to Purchaser, not later than three (3) days prior to the Approval Date, a certificate (the "APPROVAL DATE CERTIFICATE") certifying that all of Seller's representations and warranties made as of the Contract Date remain true and correct as of the date of such Approval Date Certificate, except for changes and qualifications specified by Seller in such Approval Date Certificate so as to make the Approval Date Certificate true and correct in all material respects. The representations, warranties and certifications contained in such Approval Date Certificate shall be made by Seller to the standard of knowledge, if any, contained herein for the applicable representations, warranties or certification and subject to all of the terms, conditions and limitations contained in SECTION 22 of this Agreement. Notwithstanding anything contained herein to the contrary, if either or both of the Representation Condition and the Occupancy Condition is not fulfilled, or waived in writing by Purchaser, Purchaser may, in its sole discretion and as its sole remedy hereunder, at law or in equity, elect either (aa) to terminate this Agreement by delivery of written notice to Seller not later than the Initial Closing Date, whereupon the Earnest Money, together with all interest earned thereon, shall be promptly returned to Purchaser and neither party shall have any further liability hereunder, except as otherwise expressly provided in SECTIONS 6.3, 17 and 20 below; or (bb) proceed the Closing and waive the failure of the applicable Condition Precedent.

4. EARNEST MONEY.

4.1. ESCROWEE. On the Contract Date, the parties shall enter into an escrow agreement in the form attached hereto as EXHIBIT C (the "ESCROW AGREEMENT," the escrow

2

created thereby being referred to herein as the "Escrow"), designating Commonwealth Land Title Insurance Company as the escrowee thereunder ("ESCROWEE"). The parties hereby authorize their respective attorneys to execute the Escrow Agreement and to make such amendments thereto as they shall deem necessary or convenient to close the transaction contemplated hereby.

4.2. EARNEST MONEY DEPOSIT. Not later than three (3) business days after Seller's execution and delivery of this Agreement (the date of such execution and delivery, the "CONTRACT DATE"), Purchaser shall deposit into the Escrow, in accordance with the terms of the Escrow Agreement, and as its initial earnest money deposit (the "INITIAL EARNEST MONEY"), the sum of Five Hundred Thousand and No/100 Dollars (\$500,000.00). In the event Purchaser elects to exercise its Closing Date Extension Right pursuant to SECTION 6.5 below, Purchaser shall deposit within three (3) business days following the delivery of the Closing Date Extension Notice (as defined in SECTION 6.5 below), as an additional earnest money deposit (the "ADDITIONAL EARNEST MONEY"), the sum of Five Hundred Thousand and No/100 Dollars (\$500,000.00). The Initial Earnest

Money and the Additional Earnest Money shall be hereinafter collectively referred to as the "EARNEST MONEY". The Earnest Money shall be invested by the Escrowee in an interest-bearing account with an FDIC-insured, national bank having gross assets in excess of \$1,000,000,000.00 (an "APPROVED DEPOSITORY").

4.3. APPLICATION AT CLOSING. At Closing, the Earnest Money shall be delivered to Seller and credited against the Purchase Price. All interest (if any) earned on the Earnest Money shall be paid to Purchaser, except in the event of Purchaser's breach of its obligations under this Agreement resulting in Seller's termination of this Agreement (as hereinafter provided), whereupon the Earnest Money and all interest earned thereon shall be paid to Seller. All Earnest Money shall be appropriately dealt with by the Escrowee so as to be delivered to Seller or Purchaser, as the case may be, as provided herein and as provided in the Escrow Agreement.

5. SELLER'S DELIVERIES.

Prior to the execution of this Agreement, Seller has, to Seller's knowledge, delivered or made available to Purchaser all of the documents, materials, information and agreements described on EXHIBIT D attached hereto that are in Seller's possession or reasonable control (the "DOCUMENTS"), including, but not limited to, those documents, materials, information and agreements identified on EXHIBIT D-1 to this Agreement (the "SCHEDULED DOCUMENTS"). Seller shall continue to make available to Purchaser or its agents for inspection at the Harrisburg, Pennsylvania office of First Industrial Realty Trust, Inc., a Maryland corporation ("FR"), all, to Seller's knowledge, of the Documents in Seller's possession or reasonable control, which were not previously delivered by Seller to Purchaser pursuant to the correspondence and corollary documentation described on SCHEDULE 5 attached hereto.

6. INSPECTION PERIOD.

6.1. BASIC PROJECT INSPECTION. At all times prior to Closing, including times following the "INSPECTION PERIOD" (which Inspection Period is defined to be the period from and after the Contract Date and continuing through and including the date that is thirty (30) days after the Contract Date), Purchaser, its agents and representatives shall be entitled to conduct a "BASIC PROJECT INSPECTION," which will include the rights to: (i) enter upon the Land and Improvements, on reasonable notice to Seller, to perform inspections and tests of the Project, (ii) make investigations with regard to environmental and other legal requirements, (iii) review the tenant leases and other contracts affecting the Project, and (iv) upon three (3) business days' prior written notice to Seller affording Seller the opportunity to be present at such interview, interview any tenant of the Project with respect to its current and prospective occupancy of the Project. If Purchaser determines that the results of any inspection, test, examination or review do not meet Purchaser's criteria, in its sole discretion, for the purchase, financing or operation of the Project in the manner contemplated by Purchaser, then Purchaser may terminate this Agreement by written notice to Seller (the "TERMINATION NOTICE"), with a copy to Escrowee, given not later than the last day of the Inspection Period (the "APPROVAL

3

DATE"). If Purchaser fails to timely deliver a Termination Notice to Seller prior to the Approval Date, Purchaser shall be automatically deemed to have waived its right to terminate this Agreement pursuant to this SECTION 6.1. Upon the timely termination of this Agreement by Purchaser in accordance with the terms of this SECTION 6.1, the Initial Earnest Money, together with all interest thereon, shall be returned to Purchaser and neither party shall have any further liability to the other hereunder, except as provided in SECTIONS 6.3, 17 and 20 below.

6.2. ENVIRONMENTAL ASSESSMENT AND ADDITIONAL PERIOD. During the Inspection Period, Purchaser shall have the right to employ one or more environmental consultants or other professional(s) to perform a so-called "Phase I" environmental inspection and assessment (the "ASSESSMENT") of the Project, and Seller acknowledges and consents to such Assessment. Seller shall reasonably cooperate with Purchaser and its environmental consultants (but without third party expense to Seller). In the event that (i) the results of the Assessment are inconclusive or reveal material environmental matters unacceptable to Purchaser, in its sole judgment, or (ii) Purchaser has not received or has not, in its sole judgment, had adequate time to review updated Surveys of the Project (but not the Surveys delivered by Seller, which Purchaser shall be required to review on or prior to the Approval Date), then Purchaser, at its sole option but provided that Purchaser satisfies all of the conditions described in the next sentence, after prior written notice to Seller delivered on or prior to the Approval Date, shall be entitled to extend the Inspection Period for 15 days following the Approval Date (the "ADDITIONAL PERIOD"), for the limited purposes of allowing and accommodating (x) additional required environmental inspections and tests (the "ADDITIONAL ASSESSMENT"), whether involving an ASTM "Phase II" evaluation or otherwise (provided the scope of such Additional Assessment has been approved by Seller, which approval shall not be unreasonably withheld or delayed), and/or (y) additional review of the updated Surveys, as the case may

be, and for no other purposes whatsoever. If Purchaser timely exercises its right to extend the Inspection Period by the Additional Period, Purchaser shall be required to provide written notice to Seller, on or prior to the Approval Date, certifying to Seller that Purchaser (aa) has obtained financing for the Project (or has sufficient capital proceeds available to consummate the transactions contemplated hereby without financing) and completed the Basic Project Inspection; and (bb) Purchaser is satisfied with the condition of the Project and Purchaser's underwriting of the Project, including, but not limited to, the physical condition of the Project and the status of the tenancies, subject only to the Additional Assessment with regard to the environmental condition of the Project and/or the completion of Purchaser's review and approval of the updated Surveys, whereupon Purchaser shall have no further right to terminate this Agreement by delivery of a Termination Notice on or prior to the Approval Date. Such Additional Period, if applicable, shall automatically and concomitantly extend the Initial Closing Date and Extended Closing Date, if applicable, on a day-to-day basis, for all relevant purposes hereunder. If (i) Purchaser has elected to extend the Inspection Period by the Additional Period for the limited purposes described in this SECTION 6.2; and (ii) any Additional Assessment conducted by Purchaser reveals any environmental condition(s) that either were not known to Purchaser as of the Approval Date or were known to Purchaser but not capable of being reasonably evaluated on the basis of information available to Purchaser and which, in Purchaser's sole judgment, would have a material adverse affect on the ownership, use or operation of the Project, Purchaser may elect to terminate this Agreement by written notice to Seller (an "ADDITIONAL PERIOD TERMINATION NOTICE"), with a copy to Escrowee, given not later than the last day of the Additional Period, which Additional Period Termination Notice shall contain a reasonably detailed description of the environmental conditions revealed by the Additional Assessment together with a certification made by Purchaser to Seller that Purchaser either (i) had no knowledge of such environmental conditions as of the Approval Date or (ii) had knowledge of such environmental condition but lacked sufficient information to reasonably evaluate such condition. If (a) Purchaser satisfies all of the conditions described in the preceding sentence and (b) timely delivers an Additional Period Termination Notice on or prior to the expiration of the Additional Period, this Agreement shall be deemed properly terminated, whereupon the Earnest Money, together with all interest earned thereon, shall be promptly returned to Purchaser and neither party shall have any further liability hereunder, except as otherwise provided in SECTION 6.3, 17 and 20.

4

6.3. PURCHASER'S UNDERTAKING. Purchaser hereby covenants and agrees that it shall cause all studies, investigations and inspections (including, but not limited to, the Assessment and any Additional Assessment), performed at the Project pursuant to this SECTION 6 to be performed in a manner that does not unreasonably disturb or disrupt the tenancies or business operations of the Project's tenant(s). Further, in connection with Purchaser's exercise of its rights under this Agreement, if the Closing fails to occur for any reason whatsoever, Purchaser hereby covenants and agrees to repair any physical damage that occurs to the Project due to the exercise by Purchaser (or any person acting on the behalf or at the request of Purchaser including, without limitation, its agents, employees, independent contractors, consultants or representatives) of its rights pursuant to this Agreement (or any entry onto the Project prior to the date of this Agreement for purposes comparable to those described in SECTION 6.1), including, without limitation, the right to conduct the Basic Project Inspection or the Assessment, at Purchaser's sole cost and expense, and to return the Project to the same condition as existed immediately prior to the initial entry onto the Project or any portion thereof (or, to the extent such restoration is not practicable, to a condition of equal or greater value). During the Inspection Period, Purchaser, its engineers, architects, employees, contractors and agents shall maintain public liability insurance policies insuring against claims arising as a result of the Basic Project Inspection. Said insurance policies shall include personal injury and property damage coverage, in the amount of not less than \$1,000,000 per occurrence and \$5,000,000 annual general aggregate per location. Said insurance policies shall be issued by an insurance agency with a Best Rating of A-IX or better and otherwise be reasonably acceptable to Seller and licensed to do business in the Commonwealth of Pennsylvania. Prior to the commencement of the Basic Project Inspection, Purchaser shall deliver to Seller, insurance certificates (on ACORD Form 27) naming Seller as an additional insured and reflecting the coverage required in this SECTION 6.3. Purchaser hereby indemnifies, protects, defends and holds Seller harmless from and against any and all losses, damages, claims, causes of action, judgments, damages, costs and expenses (but in no event any consequential or speculative damages) that Seller suffers or incurs as a result of any damage caused at, to, in, or at the Project as a result of any or all of the studies, investigations and inspections (including, but not limited to, the Assessment), that Purchaser elects to perform (or cause to be performed) pursuant to this Agreement. Purchaser's undertaking pursuant to this SECTION 6.3 shall indefinitely survive the Closing or termination of this Agreement.

6.4. CONFIDENTIALITY. Each party agrees to maintain in confidence, the information contained in this Agreement or pertaining to the sale contemplated hereby and the information and data furnished or made available by Seller to

Purchaser, its agents and representatives in connection with Purchaser's investigation of the Project and the transactions contemplated by the Agreement; provided, however, that each party, its agents and representatives may disclose such information and data (a) to such party's accountants, attorneys, prospective lenders, investment bankers, underwriters, ratings agencies, partners, consultants and other advisors in connection with the transactions contemplated by this Agreement (collectively "REPRESENTATIVES") to the extent that such Representatives reasonably need to know such information and data in order to assist, and perform services on behalf of, Seller or Purchaser; (b) to the extent required by any applicable statute, law, regulation or governmental authority, including, without limitation, any rule or regulation promulgated by the Securities Exchange Commission; and (c) in connection with any litigation that may arise between the parties in connection with the transactions contemplated by this Agreement.

6.5. CLOSING DATE EXTENSION RIGHT. Purchaser may elect, in its sole discretion, to extend the Closing Date (the "CLOSING DATE EXTENSION RIGHT") until the date that is sixty (60) days from and after the Approval Date by delivery of written notice to Seller (the "CLOSING DATE EXTENSION NOTICE"), with a copy to Escrowee, given not later than the date which is ten (10) days prior to the Initial Closing Date. Purchaser shall deposit the Additional Earnest Money with Escrowee not later than three (3) business days after the delivery of the Closing Date Extension Notice and in accordance with SECTION 4.2 above and the terms of the Escrow Agreement. In the event Purchaser (a) does not timely deliver the Closing Date Extension Notice to Seller, or (b) fails to deposit the Additional Earnest Money with Escrowee within three (3) business days following the delivery of the Closing Date Extension Notice, the Closing Date Extension Right shall be null and void and the Closing

5

Date shall be the date that is set forth in SECTION 3(I) or SECTION 3(III) hereof, as the case may be.

7. TITLE AND SURVEY MATTERS.

7.1. CONVEYANCE OF TITLE. At Closing, Seller agrees to deliver to Purchaser special warranty deeds ("Deeds"), in recordable form, conveying record fee simple title to the Project to Purchaser, free and clear of all liens, claims and encumbrances except for the following items (the "PERMITTED EXCEPTIONS"): (1) taxes not yet due and payable; and (2) the rights of tenants under leases reflected on the rent roll ("RENT ROLL") attached hereto EXHIBIT E.

7.2. TITLE COMMITMENT. Purchaser shall obtain, within ten (10) days after the Contract Date, commitments, dated after the Contract Date, issued by Commonwealth Land Title Insurance Company (the "TITLE COMPANY"), for owner's title insurance policies (the "TITLE POLICIES"), in the full amount of the Purchase Price, showing fee simple title to the Project in Seller, together with copies of all recorded documents evidencing title exceptions raised in "Schedule B" of such title commitment. Any and all costs related to the Title Policies shall be paid by the Purchaser, including, but not limited to, the costs of the title insurance premium, the cost of deleting the Schedule B preprinted exceptions, any endorsements and all search, continuation and later-date fees.

7.3. SURVEY. Seller has delivered to Purchaser, those certain surveys of the Project described on SCHEDULE 7.3 (the "SURVEYS"). Any updates of the Surveys, including, but not limited to recertification thereof, shall be the sole responsibility of Purchaser, and Purchaser shall pay for all costs of updating the Surveys (and/or procuring new surveys) in connection with the transaction contemplated hereunder.

7.4. DEFECTS AND CURE. The items described in SECTIONS 7.2 and 7.3 are collectively referred to as "TITLE EVIDENCE." If the Title Evidence discloses any liens, claims, encumbrances or other matters, other than the Permitted Exceptions, to which Purchaser, in its sole and absolute discretion, shall object (the "DEFECTS"), Purchaser shall notify Seller thereof (the "DEFECT NOTICE"), in writing, on or prior to the Approval Date (except that Purchaser shall be entitled to object to New Defects (defined below) disclosed on the updated Surveys during the Additional Period, if any), and thereafter Seller shall have the right (but not the obligation, except as hereinafter provided) to cure and remove such Defects prior to Closing. In the event that Purchaser (xx) elects to obtain updates to the Surveys; and (yy) extends the Inspection Period for the Additional Period pursuant to, and in accordance with, SECTION 6.2, Purchaser may provide an additional Defect Notice on or prior to the expiration of the Additional Period with respect to only those liens, claims, encumbrances or other matters that are depicted by such updated Surveys but were not described or depicted in the Surveys delivered by Seller to Purchaser or the other Title Evidence (any such Defects, "NEW DEFECTS"). Within ten (10) days after Seller's receipt of a Defect Notice, Seller shall notify Purchaser ("SELLER'S RESPONSE NOTICE") as to those Defect(s) or New Defects, as the case may be, if any, that Seller shall attempt to cure prior to Closing, if any. If Seller fails to deliver a Seller's Response Notice to Purchaser within ten (10) days, Seller shall be deemed to have notified Purchaser that Seller shall not

cure any Defect(s) or New Defects, as the case may be, raised in the Defect Notice; provided, however, that Seller shall be obligated to cure and remove all of the following Defects ("MANDATORY CURE ITEMS"), if any: (i) the liens of any mortgage, trust deed or deed of trust executed by Seller and evidencing an indebtedness owed by Seller; (ii) tax liens; (iii) mechanic's liens pursuant to a written agreement either between (x) the claimant (the "CONTRACT CLAIMANT") and Seller or its employees, officers or managing agents (the "SELLER PARTIES") or (y) the Contract Claimant and any other contractor, materialman or supplier with which Seller or the Seller Parties have a written agreement; and (iv) any covenant, lien, restriction or easement arising from and after the Contract Date as a direct result of the intentional act of Seller or the Seller Parties that is not consented to by Purchaser in its sole and absolute discretion. If Seller notifies Purchaser (or is deemed to notify Purchaser) that it will not cure any or all Defect(s) or New Defects, as the case may be (except for Mandatory Cure Defects which Seller shall remain obligated to cure), then Purchaser may (1) terminate this Agreement by written notice to Seller given within five (5)

6

days after Purchaser receives (or is deemed to receive) Seller's Response Notice, in which event the Earnest Money, together with all interest earned thereon, shall be returned to Purchaser and neither party shall have any further liability to the other hereunder, except as provided in SECTIONS 6.3, 17 and 20 herein; or (2) proceed to close with no reduction in or offset against the Purchase Price (except that Purchaser may reduce the Purchase Price by the amount necessary to cure any Mandatory Cure Defects), and thereafter Purchaser shall be deemed to have accepted such Defect(s) or New Defects, as the case may be, as Permitted Exceptions, and Purchaser shall be deemed to automatically and forever waive any and all claims and liabilities against Seller with respect to such Defect(s) or New Defects, as the case may be. To the extent that Purchaser fails to timely and properly notify Seller (pursuant to this SECTION 7) of any such Defect(s) or New Defects, as the case may be, Purchaser shall be deemed to have accepted the same and to automatically and forever waive its right to terminate this Agreement pursuant to this SECTION 7.4 and such Defect(s) or New Defects, as the case may be, shall be deemed Permitted Exceptions for all purposes hereunder. Seller shall be entitled to reasonably delay closing to a date no later than thirty (30) days after the Initial Closing Date or the Extended Closing Date (as the case may be), time being of the essence, to enable Seller to satisfy its obligations pursuant to this SECTION 7.4.

8. SELLER'S REPRESENTATIONS, WARRANTIES AND COVENANTS.

8.1. SELLER'S REPRESENTATIONS AND WARRANTIES. Seller represents and warrants to Purchaser that the following matters are true as of the Contract Date in all material respects:

8.1.1. DELIVERY OF WRITTEN MATERIALS. To Seller's knowledge, Seller has not failed to deliver, or make available to Purchaser pursuant to SECTION 5, any Document in Seller's possession or reasonable control which contains information that would have a material adverse impact on (i) Purchaser's ability to use and operate the Project as it is currently being used and operated or (ii) the value of the Project.

8.1.2. COMPLIANCE WITH LAWS. Except as disclosed by the Scheduled Documents, Seller has received no written notice from any governmental authority of, and Seller has no actual knowledge of, (i) any material violation or alleged material violation of any law, ordinance, rule or regulation which is in effect as of the date of this Agreement, by the Project or any portion thereof, including, without limitation, any violation or alleged violation of any local, state or federal environmental, zoning, handicap or fire law, ordinance, code, regulation, rule or order, and specifically including, without limitation, variances or special permits affecting the Project; or (ii) Seller having failed to discharge and perform all conditions to any permits or other approvals with respect to the Project. Except as disclosed by the Scheduled Documents, Seller has received no written notice from any governmental authority of any improvements, alterations or other work of any kind that must be completed in order to bring the Project into compliance with the Americans With Disabilities Act or any and all regulations promulgated thereunder.

8.1.3. LITIGATION. Except as disclosed by the Scheduled Documents, Seller has received no notice of, and Seller has no actual knowledge of, pending or threatened litigation or governmental proceedings against Seller, or the Project, that could result in an encumbrance to the Project or materially and adversely limit or impair the use or operation thereof, or affect the validity or enforceability of this Agreement or the Leases or the performance of Seller under this Agreement.

8.1.4. DUE AUTHORIZATION. Seller is a limited partnership duly organized, validly existing and in good standing under the laws of the State of Delaware and fully qualified to do business in the Commonwealth of Pennsylvania. Seller has full power, right and authority to own and operate the Project and to execute, deliver and carry out the terms and provisions of this Agreement and each of the other agreements, instruments and documents herein required to be

made or delivered by Seller pursuant hereto, and has taken all necessary action to authorize the execution, delivery and performance of this Agreement and such other agreements, instruments and documents. The individuals executing this Agreement and all other agreements, instruments and documents herein required to be made or delivered

7

by Seller pursuant hereto on behalf of Seller are and shall be duly authorized to sign the same on Seller's behalf and to bind Seller thereto.

8.1.5. ENFORCEABILITY. This Agreement has been, and each and all of the other agreements, instruments and documents herein required to be made by Seller pursuant hereto have been, and on the Closing Date will be, executed by Seller or on behalf of Seller, and when so executed, are and shall be legal, valid, and binding obligations of Seller enforceable against Seller in accordance with their respective terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting the rights of creditors generally and, as to enforceability, the general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law). No consent of any creditor, investor, judicial or administrative body, governmental authority or other governmental body or agency, or other party to such execution and delivery and performance by Seller is required.

8.1.6. NO CONFLICT. The execution and delivery of, and consummation of the transactions contemplated by this Agreement is not prohibited by, and will not conflict with, constitute grounds for termination of, or result in the breach of any of the agreements or instruments to which Seller is now party or by which it or the Project is bound, or to Seller's knowledge, any order, rule or regulation of any court or other governmental agency or official.

8.1.7. ENVIRONMENTAL MATTERS.

(i) Except as disclosed in the Scheduled Documents, (a) Seller has not filed or received any written notice or other formal written communication under federal or state law indicating past or present treatment, generation, storage or disposal of any Hazardous Material on the Land by Seller; and (b) Seller has not received any written notice or other formal written communication to the effect that it may be liable as a result of a release or threatened release of a Hazardous Material upon or from the Land. Except as disclosed in the Scheduled Documents, Seller has received no written notice of any threatened actions or proceedings by any governmental agency or any other party regarding the disposal or presence of Hazardous Materials at the Project or regarding any violation of Environmental Law at the Project.

(ii) To Seller's knowledge, except as disclosed in the Scheduled Documents, Seller has not placed, used, generated, stored, or disposed of on or under the Land, or transported to or from it, any Hazardous Material except in the ordinary and normal course of business and in compliance with Environmental Laws.

(iii) To Seller's knowledge, except as disclosed in the Scheduled Documents: (a) there are no Hazardous Materials present on the Land except in the ordinary course of business and in compliance with Environmental Laws; and (b) the Land, and the use and operation thereof, is in material compliance with all applicable Environmental Laws.

(iv) The term "ENVIRONMENTAL LAWS" means all applicable federal, state or local laws, ordinances, requirements and regulations (including consent decrees and administrative orders) relating to health, worker protection, safety, wetlands, waste disposal, or the protection of the environment, including, without limitation: the federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, the federal Superfund Amendments and Reauthorization Act of 1986, the federal Resource Conservation and Recovery Act of 1976, the federal Clean Air Act, the federal Water Pollution Control Act and federal Clean Water Act of 1977, the federal Insecticide, Fungicide and Rodenticide Act, the federal Pesticide Act of 1978, the federal Toxic Substances Control Act, the federal Safe Drinking Water Act, the federal Hazardous Materials Transportation Act, and all amendments thereto and regulations adopted pursuant thereto.

8

(v) The term "HAZARDOUS MATERIAL" shall mean any substance or material regulated under any Environmental Law, including, without limitation, oil and petroleum products and by-products, asbestos, asbestos-containing materials, polychlorinated biphenyls, radon, urea

formaldehyde, radioactive materials and pesticides.

8.1.8. BANKRUPTCY MATTERS. Neither Seller nor, to Seller's knowledge, any existing tenant or guarantor under any of the Leases, has made a general assignment for the benefit of creditors, filed any voluntary petition in bankruptcy or suffered the filing of an involuntary petition by its creditors, suffered the appointment of a receiver to take possession of substantially all of its assets, suffered the attachment or other judicial seizure of substantially all of its assets, admitted its inability to pay its debts as they come due, or made an offer of settlement, extension or composition to its creditors generally.

8.1.9. LEASES. (i) The tenants listed in the Rent Roll attached hereto as EXHIBIT E are the only tenants occupying the Project; (ii) other than as described on EXHIBIT E, there are no other oral or written leases, tenancies or other arrangements under which any other party has a right to occupy all or any part of the Project, except to the extent of any New Leases executed and entered into prior to Closing pursuant to SECTION 8.2.1; (iii) copies of all Leases, and all amendments thereto and guaranties thereof, if any, have been furnished by Seller to Purchaser and the copies so provided are accurate and complete except to the extent of any New Leases executed and entered into prior to Closing pursuant to SECTION 8.2.1; (iv) the Leases have not been amended, modified or terminated (except for any amendments delivered to Purchaser pursuant to item (iii) above or any New Leases executed and entered into prior to Closing pursuant to SECTION 8.2.1); and (v) the Rent Roll attached hereto as EXHIBIT E is an accurate and complete copy of the Rent Roll prepared by Seller in the ordinary course of its ownership of the Project current as of the date specified thereon. To Seller's knowledge, (a) the Leases are presently valid and in full force and effect and there are no material defaults thereunder except as disclosed in the Scheduled Documents, (b) except as set forth in SCHEDULE 8.1.14 or the Title Evidence, no tenant has any right or option to acquire the Project, or any part thereof; (c) except as set forth in the Scheduled Documents, no tenant has any right to terminate its Lease prior to the expiration date thereof set forth in such Lease; (d) any tenant improvements that Seller, as landlord, is obligated to complete pursuant to any Lease prior to the date hereof has been completed as of this date and accepted by the applicable tenant (except the foregoing shall not be applicable to any New Leases executed and entered into pursuant to SECTION 8.2.1); (e) no tenant under any of the Leases has prepaid any rent under any of the Leases for more than one (1) month; (f) except as set forth in the Scheduled Documents, no tenant has notified Seller, in writing, of any default by Seller, as landlord, pursuant to such tenant's Lease that remains uncured as of the date hereof; and (g) except as set forth in the Scheduled Documents, no tenant has notified Seller, in writing, of any fact or condition that shall constitute a default by Seller, as landlord, pursuant to such tenant's Lease provided that such fact or condition is not cured or remedied prior to the expiration of the cure period stipulated in such tenant's Lease.

8.1.10. EXISTING CONTRACTS. Each of the Existing Contracts (as defined in EXHIBIT D) is terminable at will without penalty or cancellation fee upon no more than thirty (30) days notice, except for the brokerage agreements. To Seller's knowledge, no written notice of any material default or breach by Seller of any of such Existing Contracts has been received by Seller. To Seller's knowledge, Seller has performed all obligations pursuant to such Existing Contracts. Seller shall cause to be terminated by the Closing Date all of the Existing Contracts (except for brokerage agreements) unless otherwise directed by Purchaser prior to the Approval Date.

8.1.11. CONDEMNATION. To Seller's knowledge, there is no condemnation or eminent domain proceeding, pending or contemplated with regard to any part of the Project.

8.1.12. NO BROKERS. To Seller's knowledge, Seller has delivered or made available as Scheduled Documents true and complete copies of any and all listing

9

agreements, brokerage agreements or other comparable agreements entered into by Seller in connection with the Project and any Lease pursuant to which a leasing commission or finder's fee may be payable subsequent to Closing.

8.1.13. FIRPTA. Seller is not a "foreign person" as such term is defined in Section 1445(f)(3) of the Internal Revenue Code of 1954, as amended (the "CODE").

8.1.14. RIGHTS TO PURCHASE. Except as set forth in SCHEDULE 8.1.14 or the Title Evidence, there are no binding agreements, options, rights of first refusal, conditional sales agreements or other agreements or arrangements for the purchase and sale of the Project or any portion thereof.

8.1.15. EMPLOYEES. Seller has no employees in the Commonwealth of Pennsylvania.

8.1.16. APPROVALS. To Seller's knowledge, all Approvals presently issued to Seller as owner of the Project with respect to the occupancy, operation, maintenance and ownership of the Project are in full force and effect and Seller has not received notice of any intention on the part of the issuing authority to cancel, suspend or modify any of the Approvals or to take any action or institute any proceeding to effect such cancellation, suspension or modification.

8.1.17. GOVERNMENTAL ACTIONS. Except as disclosed by the Scheduled Documents or the Title Evidence, to Seller's knowledge, there are no threatened, pending or proposed (i) proceedings or governmental actions to modify the zoning classification of, or to condemn, or to purchase in lieu thereof, all or any part of the Project; or (ii) reassessment, special assessments, or new or additional assessments or penalties or interest with respect to the Project or any other assessments applicable to the Project, other than reassessments or special assessments occurring in the ordinary course to all industrial properties located in the same taxing district as the Project or as a result of the transactions contemplated hereby, or (iii) proceedings before any court or administrative agency, the adverse resolution of which would have a materially adverse effect on the value or operations of the Project.

8.2. COVENANTS OF SELLER. Effective as of the Contract Date, Seller hereby covenants with Purchaser as follows:

8.2.1. NEW LEASES. From and after three (3) days prior to the Approval Date, Seller shall neither amend any Lease (other than routine amendments setting forth the commencement date or expiration date of the applicable Lease or the acceptance of the applicable leased premises by a tenant), nor execute any new lease, license, or other occupancy agreement for the Project without Purchaser's prior written approval (which approval shall not be required if the terms of such amendment or new lease, license or occupancy agreement are as or more favorable (to landlord) than the leasing parameters for the applicable space set forth on SCHEDULE 8.2.1 attached hereto, but may be withheld in Purchaser's sole discretion otherwise, and shall be deemed given if Purchaser's written disapproval is not delivered to Seller within five (5) business days following Purchaser's receipt of Seller's written request for such approval). Seller shall notify Purchaser in writing, on or prior to three (3) days before the Approval Date, of any amended or newly executed lease, license or other occupancy agreement for the Project that Seller enters into from and after the Contract Date but prior to three (3) days before the Approval Date. Any new lease, license or other agreement affecting the ownership or operation of the Project that is entered into in accordance with this SECTION 8.2.1 prior to Closing is herein referred to as a "NEW LEASE."

8.2.2. NEW CONTRACTS. From and after three (3) days prior to the Approval Date, Seller shall not enter into any new contract with respect to the ownership and operation of the Project that will survive the Closing, or that would otherwise affect the use, operation or enjoyment of the Project after Closing, without Purchaser's prior written approval (which approval shall not be unreasonably withheld and shall be deemed given if Purchaser's written disapproval is not delivered to Seller within five (5) business days following Seller's request for such approval); provided, however, that Seller shall notify Purchaser in writing, on

10

or prior to three (3) days before the Approval Date, of any and all new contracts which would affect the use, operation and enjoyment of the Project after Closing that Seller enters into from and after the Contract Date but prior to three (3) days before Approval Date.

8.2.3. OPERATION OF PROJECT. Seller hereby covenants and agrees that Seller shall operate and manage the Project in the same manner in which it is being operated as of the Contract Date, maintaining present services, and shall maintain the Project in its same repair and working order; and shall perform and comply with, when due, all of Seller's obligations under the Leases, Existing Contracts, management agreements, Approvals and other agreements relating to the Project and otherwise in accordance with applicable laws, ordinances, rules and regulations affecting the Project.

8.2.4. INSURANCE. The insurance policies, for which certificates of insurance are included in the Scheduled Documents, shall remain continuously in force through and including the Closing Date.

8.2.5. CHANGE IN CONDITIONS. Seller shall, to the extent Seller obtains actual knowledge thereof, promptly notify Purchaser of the occurrence of any of the following:

(i) any material change in the condition of the Project that would cause any representation and warranty contained herein by Seller to Purchaser to be untrue in any material respect to the extent the same were made as of such date;

(ii) a fire or other casualty causing damage to the Project, or any portion thereof;

(iii) receipt of written notice of eminent domain proceedings or condemnation of or affecting the Project, or any portion thereof;

(iv) receipt of written notice from any governmental authority or insurance underwriter relating to the condition, use or occupancy of the Project, or any portion thereof, or any real property adjacent to the Project, or setting forth any requirements with respect thereto;

(v) receipt or delivery of any written default or termination notice or claim of offset or defense to the payment of rent from any tenant;

(vi) a change in the occupancy of the leased portions of the Project, except to the extent resulting from the expiration of the term of any Lease in accordance with its terms as set forth in the Lease or the Rent Roll;

(vii) written notice of any actual or threatened litigation against Seller that would affect or involve the Project or affecting or relating to the Project, or any portion thereof; and

(viii) the commencement of any strike, lock-out, boycott or other labor trouble affecting the Project, or any portion thereof.

8.2.6. SECURITY DEPOSITS. From and after the Approval Date, Seller shall not apply any security deposit held by Seller pursuant to the terms of any Lease without obtaining the prior written consent of Purchaser, which consent may be withheld in Purchaser's sole and absolute discretion. Prior to the Approval Date, Seller may apply any Security Deposit held by Seller at Seller's sole discretion; provided, however, that Seller shall notify Purchaser in writing of any and all such applications on or prior to three (3) days before the Approval Date.

8.2.7. TAX FILINGS. Seller covenants and agrees to timely file any and all tax returns for calendar year 1999 and all prior years required to be filed by Seller with the Pennsylvania Department of Revenue (the "Department"). Without limitation upon the foregoing, Seller shall and does hereby indemnify, defend and hold Purchaser and its successor and assigns harmless from any loss, cost, liability or expense (including, without limitation, reasonable fees of counsel and court costs) actually suffered or incurred by

11

Purchaser or its successors and assigns as a result of any claim made by the Department or by any other taxing or employment authority of the Commonwealth of Pennsylvania for unpaid taxes, penalties, interest or court costs related thereto owing to such authorities from Seller with respect to the Project; provided, however, that the foregoing indemnity shall in no event apply to any transfer taxes payable in connection with the transactions contemplated hereby. The terms of this SECTION 8.2.7 shall survive Closing.

All references in this Agreement to "SELLER'S KNOWLEDGE," "SELLER'S ACTUAL KNOWLEDGE" or words of similar import shall refer only to the actual (as opposed to deemed, imputed or constructive) knowledge of Denise Neugebauer, Jeff Thomas and James D. Carpenter without inquiry or investigation, and notwithstanding any fact or circumstance to the contrary, shall not be construed to refer to the knowledge of any other person or entity. Seller represents and warrants that (a) James D. Carpenter has been a Senior Investment Officer of Industrial Properties Investment Services ("IPIS") since May, 1998 and prior to such date an employee of FR since July, 1995; (b) IPIS provides underwriting services and due diligence assistance to FR and otherwise assists Seller and its affiliates ("FIRST INDUSTRIAL") in connection with all or substantially all of its acquisition and disposition of improved property; and (c) in his capacity as an employee of IPIS, Mr. Carpenter has primary responsibility for day-to-day oversight of any assistance to First Industrial that IPIS provides in FR's Eastern region, which region includes the Project. Seller represents and warrants that Mr. Thomas has been the Regional Director of FR's Harrisburg region, which includes the Project, since January, 1999 in which capacities he has overseen the day-to-day ownership and operation of the Project and has been an employee of FR since July, 1994. Seller represents and warrants that Ms. Neugebauer has been the accountant at FR's national office primarily responsible for the day-to-day accounting function related to the Project since April, 1999 and has been employed by FR since November, 1995.

9. PURCHASER'S COVENANTS AND REPRESENTATIONS.

Effective as of the execution of this Agreement, Purchaser hereby covenants with Seller as follows:

9.1. 1031 EXCHANGE. The parties recognize and understand that this transaction may be part of a contemplated "like kind" exchange for the other party under Section 1031 of the Internal Revenue Code (an "EXCHANGE"). As such, THE parties agree to reasonably cooperate with each other in effectuating an Exchange, which cooperation may include the execution of documents, REASONABLE DELAYS OF THE CLOSING not to exceed a maximum of 10 days by each party and the taking of other reasonable action, as is reasonably necessary, to accomplish an Exchange; provided, however that the party not undertaking an Exchange shall not be required to assume any additional expense or liability in connection with, or as part of its cooperation with, an Exchange. The covenant contained in this SECTION 9.1 shall survive the Closing and shall not be merged into any instrument of conveyance delivered at Closing.

Seller shall indemnify, defend and save and hold harmless Purchaser of, from and against any loss, cost, expense, liability, damage or claim of any kind or nature arising from or out of or in connection with Purchaser's execution or delivery of documents requested by Seller in connection with the aforesaid Exchange. Without limitation of the foregoing indemnity, Seller covenants and agrees to pay upon demand any actual costs or expenses paid or incurred by Purchaser in connection with furnishing the cooperation requested by Seller hereunder including, without limitation, Purchaser's reasonable legal fees and costs incurred in connection with the review and negotiation of any required documentation.

Additionally, Purchaser shall indemnify, defend and save and hold harmless Seller of, from and against any loss, cost, expense, liability, damage or claim of any kind or nature arising from or out of or in connection with Seller's execution or delivery of documents requested by Purchaser in connection with the aforesaid Exchange. Without limitation of the foregoing indemnity, Purchaser covenants and agrees to pay upon demand any actual costs or expenses paid or incurred by Seller in connection with furnishing the cooperation requested by

12

Purchaser hereunder including, without limitation, Seller's reasonable legal fees and costs incurred in connection with the review and negotiation of any required documentation.

9.2. AUTHORITY. The execution and delivery of this Agreement by Purchaser, and the performance of this Agreement by Purchaser, have been duly authorized by Purchaser, and this Agreement is binding on Purchaser and enforceable against Purchaser in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting the rights of creditors generally and, as to enforceability, the general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity). No consent of any creditor, investor, judicial or administrative body, governmental authority, or other governmental body or agency, or other party to such execution, delivery and performance by Purchaser is required.

10. PROJECT SOLD "AS IS".

10.1. Except as is otherwise expressly provided in this Agreement, Seller hereby specifically disclaims any warranty (oral or written) concerning (i) the nature and condition of the Project and the suitability thereof for any and all activities and uses that Purchaser may elect to conduct thereon, (ii) the manner, construction, condition and state of repair or lack of repair of any improvements located thereon, (iii) the nature and extent of any right-of-way, lien, encumbrance, license, reservation, condition or otherwise, (iv) the compliance of the Project or its operation with any laws, rules, ordinances, or regulations of any government or other body, it being specifically understood that Purchaser shall have full opportunity, during the Inspection Period, to determine for itself the condition of the Project; and (v) any other matter whatsoever except as expressly set forth in this Agreement. Except as is otherwise expressly provided in this Agreement, the sale of the Project as provided for herein is made on a strictly "AS IS" "WHERE IS" basis as of the Closing Date. Purchaser expressly acknowledges that, in consideration of the agreements of Seller herein, SELLER MAKES NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, OR ARISING BY OPERATION OF LAW, INCLUDING, BUT IN NO WAY LIMITED TO, ANY WARRANTY OF QUANTITY, QUALITY, CONDITION, HABITABILITY, MERCHANTABILITY, SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OF THE PROJECT, ANY IMPROVEMENTS LOCATED THEREON OR ANY SOIL CONDITIONS RELATED THERETO.

10.2. EXCEPT FOR SUCH REPRESENTATIONS AND WARRANTIES AS ARE EXPRESSLY PROVIDED IN THIS AGREEMENT, PURCHASER SPECIFICALLY ACKNOWLEDGES THAT PURCHASER IS NOT RELYING ON (AND SELLER HEREBY DISCLAIMS AND RENOUNCES) ANY OTHER REPRESENTATIONS OR WARRANTIES MADE BY OR ON BEHALF OF SELLER OF ANY KIND OR NATURE WHATSOEVER. FURTHER, PURCHASER, FOR PURCHASER AND PURCHASER'S SUCCESSORS AND ASSIGNS, HEREBY RELEASES SELLER FROM AND WAIVES ANY AND ALL CLAIMS AND LIABILITIES AGAINST SELLER, EXCEPT FOR CLAIMS BASED UPON (A) A BREACH BY SELLER OF A REPRESENTATION AND WARRANTY EXPRESSLY PROVIDED IN SECTION 8 AND

SUBJECT TO THE TERMS AND LIMITATIONS CONTAINED IN SECTION 22; OR (B) ANY FRAUDULENT MISREPRESENTATION BY SELLER, FOR, RELATED TO, OR IN CONNECTION WITH, ANY ENVIRONMENTAL CONDITION AT THE PROJECT (OR THE PRESENCE OF ANY MATTER OR SUBSTANCE RELATING TO THE ENVIRONMENTAL CONDITION OF THE PROJECT), INCLUDING, BUT NOT LIMITED TO, CLAIMS AND/OR LIABILITIES RELATING TO (IN ANY MANNER WHATSOEVER) ANY HAZARDOUS, TOXIC OR DANGEROUS MATERIALS OR SUBSTANCES LOCATED IN, AT, ABOUT OR UNDER THE PROJECT, OR FOR ANY AND ALL CLAIMS OR CAUSES OF ACTION (ACTUAL OR THREATENED) BASED UPON, IN CONNECTION WITH OR ARISING OUT OF CERCLA (THE COMPREHENSIVE ENVIRONMENTAL RESPONSE, COMPENSATION AND LIABILITY ACT OF 1980, 42 U.S.C. SECTION 9601 ET SEQ., AS AMENDED BY THE SUPERFUND AMENDMENT AND REAUTHORIZATION ACT OF 1986, AND AS MAY BE FURTHER AMENDED FROM TIME TO TIME), THE RESOURCE CONSERVATION AND RECOVERY ACT OF 1976, 42 U.S.C. SECTION 6901 ET SEQ., OR ANY OTHER CLAIM OR CAUSE OF ACTION (INCLUDING ANY FEDERAL OR STATE BASED

13

STATUTORY, REGULATORY OR COMMON LAW CAUSE OF ACTION) RELATED TO ENVIRONMENTAL MATTERS OR LIABILITY WITH RESPECT TO OR AFFECTING THE PROJECT.

10.3. Purchaser acknowledges and agrees that the provisions contained in this SECTION 10 were a material factor in Seller's acceptance of the Purchase Price and that Seller was unwilling to sell the Project to Purchaser unless Seller was released as expressly set forth above.

11. SELLER'S CLOSING DELIVERIES.

At Closing (or such other times as may be specified below), Seller shall deliver or cause to be delivered to Purchaser the following, in form and substance reasonably acceptable to Purchaser:

11.1. DEEDS. Special Warranty Deeds, prepared by Purchaser's counsel in form and substance reasonably approved by Seller, duly executed by Seller, in recordable form conveying the Project to Purchaser pursuant to the legal descriptions contained in EXHIBIT B attached hereto, subject to the Permitted Exceptions. In the event of any disparity between the legal description(s) contained in EXHIBIT B attached hereto, and any updated Survey(s) obtained by Purchaser, Seller hereby agrees to provide a quitclaim deed conveying all of Seller's right, title and interest, if any, in the legal descriptions set forth in such updated Survey(s).

11.2. ASSIGNMENT OF LEASES. An assignment of the Leases (including all security deposits and/or other deposits thereunder), prepared by Purchaser's counsel in form and substance reasonably approved by Seller, with (i) the agreement of the assignor to indemnify, defend and hold Purchaser harmless from and against any and all claims, damages, costs, and expenses (including, but not limited to, reasonable attorney's fees) arising from unperformed obligations of the landlord under the Leases required to have been performed prior to Closing and (ii) the agreement of Purchaser to indemnify, defend and hold Seller harmless from and against any and all claims, damages, costs and expenses (including, but not limited to, reasonable attorney's fees) arising from liabilities and obligations of the landlord under the Leases first accruing and required to be performed after the Closing.

11.3. ESTOPPEL CERTIFICATES FROM TENANTS. As a Condition Precedent to Purchaser's obligation to close hereunder, Seller shall have obtained and delivered to Purchaser, on or prior to the Closing Date, an estoppel certificate in the form attached hereto as EXHIBIT F (or in the form required by the applicable tenant's Lease to the extent a form is attached) without material and adverse modification or adjustment by the applicable tenant of such Estoppel Certificate or any modification thereto by the applicable tenant that is inconsistent with the description of economic terms of the applicable tenancy contained in the Rent Roll (an "ESTOPPEL CERTIFICATE") dated no earlier than forty-five (45) days prior to the Closing Date (except to the extent Purchaser elects to extend Closing pursuant to SECTION 6.5, in which event Estoppel Certificates must be dated not earlier than seventy-five (75) days prior to Closing), from (a) tenants that account for at least seventy percent (70%) of the gross rent of the Project (the "REQUIRED ESTOPPEL AMOUNT"); and (b) all of the tenants identified on SCHEDULE 11.3 (the "CRITICAL TENANTS"), which Critical Tenants shall be included for purposes of calculating the Required Estoppel Amount. Notwithstanding anything contained herein to the contrary, if either or both of Paragraphs 11 and 12 from the form of Estoppel Certificate attached hereto as EXHIBIT F are (x) removed (in whole or in part) by a tenant, or (y) modified by a tenant to include a knowledge or notice standard, or (z) otherwise adjusted or modified by a tenant in a fashion that is not material and adverse in nature (any such removal or modification described in items (x), (y) and (z), a "PERMITTED MODIFICATION"), such Permitted Modifications shall not be deemed a material and adverse modification or adjustment by a tenant and Seller shall accept an Estoppel Certificate, for purposes of determining whether the Required Estoppel Amount has been satisfied, in which Permitted Modifications have been made to either or both of Paragraphs 11 and 12 provided that such Estoppel Certificate otherwise satisfies the requirements of the preceding sentence. If Seller (despite its diligent efforts)

is unable to obtain an Estoppel Certificate from a sufficient number of tenants such

14

that the Required Estoppel Amount is satisfied, Purchaser's sole remedy shall be to either (i) terminate this Agreement and receive back the Earnest Money with all interest accrued thereon; or (ii) proceed to close and automatically and forever waive such Condition Precedent. In the event Seller is unable to obtain an Estoppel Certificate from one or more Critical Tenants, Seller shall provide an Estoppel Certificate in the place and stead of such Critical Tenants for the benefit of Purchaser in the form required by this SECTION 11.3 (but with Paragraphs 11 and 12 removed from any Estoppel Certificate in the form attached hereto as EXHIBIT F), except that Seller shall be entitled to modify such form to reasonably and accurately describe the condition of such tenancy; provided, however, that to the extent any such modification by Seller is material and adverse to the interests of landlord or inconsistent with the economic terms of the applicable tenancy contained in the Rent Roll, Purchaser's sole remedy shall be either (i) to terminate this Agreement and receive back the Earnest Money with all accrued interest thereon; or (ii) proceed to close and automatically and forever waive such Condition Precedent.

11.4. KEYS. Keys, codes and combinations to all locks located in the Project.

11.5. TITLE POLICIES. The Title Policies (or "marked-up" commitments therefor) issued by the Title Company, dated as of the date of the recordation of the Deeds in the amount of the Purchase Price, in the form required by SECTION 7.

11.6. CLOSING STATEMENT. A closing statement conforming to the proration and other relevant provisions of this Agreement.

11.7. ENTITY TRANSFER CERTIFICATE. Entity Transfer Certification confirming that Seller is a "United States Person" within the meaning of Section 1445 of the Internal Revenue Code of 1986, as amended.

11.8. BILL OF SALE. A quit claim bill of sale assigning, conveying and transferring to Purchaser, (a) all of the Personal Property, subject only to the Permitted Exceptions and (b) the Reports, which bill of sale shall be prepared by Purchaser's counsel in form and substance reasonably approved by Seller.

11.9. ORIGINAL LEASES. All original Leases in Seller's possession or reasonable control.

11.10. ORIGINAL APPROVALS. All originals of the Approvals in Seller's possession or reasonable control.

11.11. ASSIGNMENT OF INTANGIBLE PERSONAL PROPERTY. An assignment agreement assigning, conveying and transferring to Purchaser the Intangible Personal Property, which assignment shall be prepared by Purchaser's counsel in form and substance reasonably approved by Seller.

11.12. TENANT LETTER. Letters to each tenant advising of the change in ownership and directing the payment of rent to such party as the Purchaser shall designate, said letter to be prepared by Purchaser's counsel in form and substance reasonably acceptable to Seller.

11.13. TITLE INSURANCE CERTIFICATES. Such affidavits of title or other certifications as shall be reasonably required by the Title Company to insure Purchaser's title to the Project as set forth in SECTION 7.1, and to remove the Schedule B preprinted exceptions (excepting the "survey" exception, which exception shall be removed only to the extent Purchaser procures updated Surveys satisfying the requirements of the Title Company.)

11.14. UPDATED RENT ROLL. An updated schedule of Leases, containing all information required to be set forth in EXHIBIT E, which updated Schedule of Leases shall be certified to Seller's knowledge and survive Closing only subject to the terms, conditions and limitations described in SECTION 22.

15

11.15. TAX BILLS. Current tax bills and, if available, tax bills for each of the years of Seller's ownership of the property.

11.16. ASSOCIATION ESTOPPEL. An estoppel certificate (each, an "ASSOCIATION ESTOPPEL") from the owner's association of any industrial or office park in which all or some portion of the Project may be located confirming that all, if any, association dues payable for the period prior to Closing have been paid in full and affirming Seller's good standing as a member of such

organization. The Association Estoppel for the Buildings identified as A-1 through A-6 on EXHIBIT A shall contain a certification from the applicable association that any architectural or design approvals required to be obtained from the applicable association for such Buildings were obtained; provided, however, that such certification shall not be provided in the Association Estoppel for the Buildings identified as A-7 and A-8 on EXHIBIT A.

11.17. TAX REDUCTION RIGHTS. An assignment of tax reduction rights, if any for the period from and after Closing, which assignment shall (i) expressly preserve for Seller any tax reduction rights for the period prior to Closing and (ii) be prepared by Purchaser's counsel in form and substance reasonably acceptable to Seller.

11.18. CLOSING CERTIFICATE. A certificate (the "CLOSING CERTIFICATE") duly executed by Seller to the effect that, as of the Initial Closing Date, all of the representations and warranties made by Seller set forth in this Agreement, as modified by the Approval Date Certificate, remain true and correct in all material respects as if made on and as of the Initial Closing Date, except for changes and qualifications specified by Seller in such Closing Certificate so as to make the certificate true and correct in all material respects. The representation, warranties and certifications made by Seller to Purchaser in the Closing Certificate shall be made to the standard of knowledge, if any, set forth herein for the applicable representation, warranty or certification and subject to all of the terms, conditions and limitations contained in SECTION 22 of this Agreement, including, but not limited to, the provisions limiting the survivability thereof. In the event that the Closing Certificate indicates that any of the representations and warranties of Seller set forth in the Approval Date Certificate are no longer true and correct as of the Initial Closing Date in all material respects, Purchaser may elect, in its sole discretion and as its sole remedy hereunder, at law or in equity, either to (i) terminate this Agreement by delivery of written notice to Seller delivered not later than three (3) days after the date of the Closing Certificate, whereupon the Earnest Money, together with all interest earned thereon, shall be promptly returned to Purchaser and neither party shall have any further liability hereunder, except as otherwise expressly provided in SECTIONS 6.3, 17 and 20; or (ii) proceed to Closing and waive the failure of the applicable Condition Precedent related to the continued truth and correctness of such representation and warranty. No such Closing Certificate shall be required for the period, if any, between the Initial Closing Date and the Extended Closing Date and the Closing Certificate shall be delivered on or prior to the Initial Closing Date.

12. PRORATIONS AND ADJUSTMENTS.

The following shall be prorated and adjusted between Seller and Purchaser as of the Closing Date, except as otherwise specified:

12.1. The amount of all security and other tenant deposits which are actually held by Seller, and interest due thereon, if any, shall be credited to Purchaser.

12.2. Purchaser and Seller shall divide the cost of any earnest money and closing escrows hereunder equally between them (except for any escrow established solely to accommodate Purchaser's lender, if any, and for any incremental cost of such lender's participation in any escrow established by the parties).

12.3. To the extent not billed directly to tenants, water, electricity, sewer, gas, telephone and other utility charges based, to the extent practicable, on final meter readings and final invoices. If Seller is unable to secure final meter readings as of Closing, the adjustments shall be based on readings dated not more than ten (10) days prior to Closing, and the unfixed meter charges based thereon for the intervening period shall be apportioned on the basis of such last reading.

16

12.4. Amounts paid or payable under those of the Existing Contracts assigned by Seller to Purchaser at Closing shall be prorated.

12.5. To the extent not payable by tenants directly to the taxing authority, all accrued general real estate, personal property and ad valorem taxes for the current year applicable to the Project shall be prorated on an accrual basis, utilizing actual final tax bills, if available prior to Closing. If such bills are not available, then such taxes shall be prorated on the basis of the most currently available tax bills for the Project.

12.6. All assessments, general or special, shall be prorated as of the Closing Date, with Seller being responsible for any installments of assessments which are due prior to the Closing Date and Purchaser being responsible for any installments of assessments which are due on or after the Closing Date.

12.7. All base rents and other charges, including, without limitation, all additional rent, shall be prorated at Closing if and to the extent received by Seller in the calendar month in which Closing occurs. All base rent paid following the Closing Date by any tenant of the Project who is indebted under a lease for base rent for any period prior to and including the Closing Date shall be deemed a "POST-CLOSING RECEIPT" until such time as all such indebtedness is paid in full. Post-Closing Receipts for each tenant (whether collected by Seller or Purchaser) shall be allocated as follows: (a) first, to Purchaser and Seller (on a prorated basis) to pay any rent owing from such tenant for the month in which Closing occurs; (b) second, to Purchaser to pay any rent then owing from such tenant to Purchaser; and (iii) third, to Seller to pay any rent owing from such tenant to Seller for the period prior to Closing; provided, however, that any and all Post-Closing Receipts received more than one hundred eighty (180) days after Closing shall be the property of Purchaser, except for Post-Closing Receipts received by Seller pursuant to any legal action initiated prior to one hundred eighty (180) days after Closing, which shall continue to be allocated between the parties pursuant to the terms of this sentence. Within ten (10) days following each receipt by Purchaser or Seller of a Post-Closing Receipt, Purchaser or Seller, as the case may be, shall pay such Post-Closing Receipt to the other party to the extent owing pursuant to the terms of the preceding sentence. Seller shall be entitled to pursue any and all actions at law or in equity to collect any delinquent rents owing to Seller as well as any other sums owing to Seller from such tenant pursuant to the terms of its Lease; provided, however, that Seller shall not be entitled to pursue any action to evict such tenant or otherwise terminate such tenant's Lease. Each of Seller and Purchaser retains the right to conduct an audit, at reasonable times and upon reasonable notice, of the other's books and records to verify the accuracy of the Post-Closing Receipts reconciliation statement and, in the event the auditing party verifies that more than ten percent (10%) of any Post-Closing Receipts have been misallocated for the benefit of the non-auditing party, the non-auditing party shall pay to the auditing party said additional Post-Closing Receipts and the reasonable cost of performing the auditing party's audit. This SECTION 12.7 shall survive the Closing and the delivery and recording of the deed for a period of eighteen (18) months.

12.8. Commissions of leasing and rental agents and tenant improvement allowances for any Leases (other than New Leases) relating to the base lease term or any renewal term that is pending as of the Contract Date shall be paid in full at or prior to Closing by Seller, without contribution or proration from Purchaser (any such commissions or tenant improvements allowances, "SELLER'S COMMISSIONS"). Commissions of leasing and rental agents and tenant improvement allowances for (x) any renewals (other than renewals pending as of the Contract Date) or expansions of any Lease that are either listed on SCHEDULE 12.8 attached hereto or set forth in any Lease, and (y) any New Leases shall be the sole responsibility of Purchaser, without contribution or proration from Seller (any such commissions or tenant improvements allowances, "PURCHASER'S COMMISSIONS"). Seller hereby agrees to and does indemnify, protect and defend and hold harmless Purchaser, and its successors and assigns (the "PURCHASER'S INDEMNIFIED PARTIES"), from and against all losses, claims, costs, expenses and damages (including, but not limited to, reasonable fees of counsel and court costs) (collectively, "LOSSES") that the Purchaser's Indemnified Parties may actually suffer and incur as a direct result of (i) the failure by Seller to timely pay or discharge any of the Seller's Commissions; and (ii) any commissions owing to leasing and rental agents and

17

tenant improvement allowances for any renewals (other than renewals pending as of the Contract Date) or the expansions of any Lease that are not either identified on SCHEDULE 12.8, identified in any Lease or actually known to Purchaser on or prior to Closing. Purchaser agrees to and does hereby indemnify, protect and defend and hold harmless Seller, and its successors and assigns (the "SELLER'S INDEMNIFIED PARTIES"), from and against all Losses that the Seller's Indemnified Parties may actually suffer or incur as a direct result of the failure by Purchaser to timely pay or discharge any of the Purchaser's Commissions. The terms of this SECTION 12.8 shall survive the Closing and the delivery of any conveyance documentation.

12.9. Such other items that are customarily prorated in transactions of this nature shall be ratably prorated.

Except as provided in SECTION 12.7, any and all prorations made pursuant to this Agreement on the Closing Date shall be deemed final.

13. CLOSING EXPENSES.

Seller shall only pay for: (i) the cost of recording the Deeds, (ii) the cost, if any, of delivering the Survey (exclusive of any updates thereof commissioned by Purchaser), (iii) transfer taxes and (iv) subject to SECTION 12.2 hereof, one-half of the cost of any escrows hereunder. Subject to SECTION 12.2 hereof, Purchaser will pay for one-half of any escrow costs hereunder, the cost of the Title Policies, including all premiums, "extended form coverage" and any and all endorsements to the Title Policies, and the cost of any updates to

the Surveys.

14. DESTRUCTION, LOSS OR DIMINUTION OF PROJECT.

If, prior to Closing, all or any portion of the Project is damaged by fire or other natural casualty (collectively "DAMAGE"), or is taken or made subject to condemnation, eminent domain or other governmental acquisition proceedings (collectively "EMINENT DOMAIN"), then:

14.1. If the aggregate cost of repair or replacement or the value of the Eminent Domain (collectively, "REPAIR and/or REPLACEMENT") is \$100,000.00 or less, in the reasonable opinion of Purchaser's and Seller's respective engineering consultants, and provided that tenants occupying more than 5% of the aggregate square footage of the Project shall not have a right to terminate their respective Leases on account of such Damage or Eminent Domain or shall have such rights, but shall have waived such rights, Purchaser shall close and take the Project as diminished by such events with an assignment by Seller of all casualty insurance or condemnation proceeds and all claims therefor and the payment by Seller to Purchaser of all applicable deductible amounts.

14.2. If (a) the aggregate cost of repair and/or replacement is greater than \$100,000.00, in the reasonable opinion of Purchaser's and Seller's respective engineering consultants, or (b) if tenant's occupying more than 5% of the aggregate square footage of the Project shall have a right to terminate their respective Leases on account of such Damage or Eminent Domain that have not been waived, then Purchaser, at its sole option, may elect either to (i) terminate this Agreement by written notice to Seller and receive an immediate return of the Earnest Money, together with all interest earned thereon, and neither party shall have any further liability to the other hereunder, except as provided in SECTIONS 6.3, 17 and 20; or (ii) proceed to close and take the Project as diminished by such events; together with an assignment of the proceeds of Seller's casualty insurance for all Damage (or condemnation awards for any Eminent Domain) and the payment by Seller to Purchaser of any applicable deductible amounts.

14.3. In the event of a dispute between Seller and Purchaser with respect to the cost of repair and/or replacement with respect to the matters set forth in this SECTION 14, an engineer designated by Seller and an engineer designated by Purchaser shall select an independent engineer licensed to practice in the jurisdiction where the Project is located who shall resolve such dispute. All fees, costs and expenses of such third engineer so selected shall be shared equally by Purchaser and Seller.

18

15. DEFAULT.

15.1. DEFAULT BY SELLER. If Seller shall have failed to perform any of the covenants and agreements contained herein to be performed by Seller within the time for performance as specified herein (including Seller's obligation to close), Purchaser may either (i) terminate Purchaser's obligations under this Agreement by written notice to Seller with a copy to Escrowee, in which event the Earnest Money, together with all interest earned thereon, shall be returned to Purchaser; or (ii) Purchaser may file an action for specific performance of this Agreement. Except as otherwise expressly provided in SECTION 15.2, Purchaser shall have no other remedy for any default by Seller, including any right to damages. In the event that any of the Conditions Precedent shall not have been satisfied on or prior to Closing, Purchaser's sole remedy hereunder, at law or in equity, shall be to terminate this Agreement by written notice to Seller, with a copy to Escrowee, and receive the return of the Earnest Money, together with all interest earned thereon, whereupon neither party shall have any further liability hereunder except as otherwise expressly provided in SECTIONS 6.3, 17 and 20.

15.2. PURCHASER'S OUT-OF-POCKET COSTS. In the event (a) Seller's breach or default hereunder directly results from an intentional act or omission of Seller taken with the intention of frustrating Closing or the willful misconduct of Seller and (b) Purchaser elects to terminate this Agreement on account of such breach or default, then, upon such termination by Purchaser hereunder, in addition to receiving the immediate return of the Earnest Money, anything in this Agreement contained to the contrary notwithstanding, Purchaser shall also be entitled to receive from Seller, upon demand, Purchaser's actual, documented out-of-pocket costs and expenses associated with this Agreement and Purchaser's anticipated acquisition of the Project including, without limitation, Purchaser's reasonable fees and costs of counsel, title expenses, survey costs, and other costs and expenses associated with Purchaser's due diligence, including, without limitation, legal, financial and accounting due diligence, Purchaser's structural inspection of the Project and Purchaser's environmental assessment of the Project (collectively, "TRANSACTION COSTS"). The foregoing list is not intended to be exclusive, but representative of the costs and expenses that the parties anticipate that Purchaser will incur in anticipation of this transaction. Seller's maximum reimbursement liability under this SECTION 15.2 shall not exceed \$50,000.00.

15.3. DEFAULT BY PURCHASER. Purchaser recognizes that the Project will be removed by Seller from the market during the existence of this Agreement and that if this purchase and sale is not consummated because of Purchaser's default, Seller shall be entitled to compensation for such detriment. Seller and Purchaser acknowledge that it is extremely difficult and impracticable ascertain the extent of the detriment, and to avoid this problem, Seller and Purchaser agree that if the purchase and sale contemplated in this Agreement is not consummated because of Purchaser's default under this Agreement, Seller shall be entitled to retain the Earnest Money and all interest earned thereon as liquidated damages. The parties agree that the sum stated above as liquidated damages shall be in lieu of any other relief to which Seller might otherwise be entitled, Seller hereby specifically waiving any and all rights which it may have to damages or specific performance as a result of Purchaser's default under this Agreement.

16. SUCCESSORS AND ASSIGNS.

Neither party shall assign this Agreement without the prior written consent of the other, except that either party may assign its interest in and obligations under this Agreement to a so-called "Qualified Intermediary" in order to accomplish an Exchange. Without limitation of the foregoing, Purchaser shall have the further right, at its option, to assign its rights under this Agreement to Corporate Office Properties Trust, or Corporate Office Properties, L.P., or to a limited liability company in which COPLP shall be a member or to another limited general partnership in which COPT, COPLP or their affiliate, shall be a partner, provided that such assignee assumes and accepts all of Purchaser's liabilities and obligations hereunder in writing.

19

17. LITIGATION.

In the event of litigation between the parties with respect to the Project, this Agreement, the Escrow Agreement, the performance of their respective obligations hereunder or the effect of a termination under this Agreement or the Escrow Agreement, the losing party shall pay all reasonable, documented costs and expenses incurred by the prevailing party in connection with such litigation, including, but not limited to, reasonable attorneys' fees of counsel selected by the prevailing party. Notwithstanding any provision of this Agreement to the contrary, the obligations of the parties under this SECTION 17 shall survive termination of this Agreement.

18. NOTICES.

Any notice, demand or request which may be permitted, required or desired to be given in connection therewith shall be given in writing and directed to Seller and Purchaser as follows:

Seller: First Industrial Financing Partnership, L.P.
440 Commercial Street, 5th Floor
Boston, MA 02109
Attn: James D. Carpenter

With a copy to
its attorneys: Barack Ferrazzano Kirschbaum Perlman & Nagelberg
333 W. Wacker Drive
27th Floor
Chicago, Illinois 60606
Attn: Mark J. Beaubien, Esq.

Purchaser: COPT Acquisitions, Inc.
401 City Avenue, Suite 615
Bala Cynwyd, Pennsylvania 19004
Attn: Jim Davis

With a copy to
its attorneys: Corporate Office Properties Trust
8815 Center Park Drive, Suite 400
Columbia, Maryland 21045
Attn: John H. Gurley, Esq.
Vice President and General Counsel

- and -

Morgan, Lewis & Bockius, LLP
1701 Market Street
Philadelphia, Pennsylvania 19103-2921
Attn: Eric L. Stern, Esq.

Notices shall be deemed properly delivered and received when and if either (i) personally delivered; or (ii) one (1) business day after deposits

with Federal Express or other overnight courier.

19. BENEFIT.

This Agreement is for the benefit only of the parties hereto and no other person or entity shall be entitled to rely hereon, receive any benefit herefrom or enforce against any party hereto any provision hereof.

20. BROKERAGE.

Each party hereto represents and warrants to the other that it has dealt with no brokers or finders in connection with this transaction, except for Cushman & Wakefield ("BROKER"). Seller shall pay any brokers' commission due to Broker, if any. Seller hereby indemnifies, protects, defends and holds Purchaser harmless from and against all losses, claims, costs, expenses and damages (including, but not limited to, reasonable attorneys' fees of counsel selected by Purchaser) resulting from the claims of any broker, finder, or other such party, including Broker, claiming by, through or under the acts or agreements of Seller. Purchaser hereby indemnifies, protects, defends and holds Seller harmless from and against all losses,

20

claims, costs, expenses and damages (including, but not limited to, reasonable attorney's fees of counsel selected by Seller) resulting from the claims of any broker, finder or other such party, other than Broker, claiming by, through or under the acts or agreements of Purchaser. The obligations of the parties pursuant to this SECTION 20 shall survive any termination of this Agreement.

21. MISCELLANEOUS.

21.1. ENTIRE AGREEMENT. This Agreement constitutes the entire understanding between the parties with respect to the transaction contemplated herein, and all prior or contemporaneous oral agreements, understandings, representations and statements, and all prior written agreements, understandings, letters of intent and proposals are merged into this Agreement. Neither this Agreement nor any provisions hereof may be waived, modified, amended, discharged or terminated except by an instrument in writing signed by the party against which the enforcement of such waiver, modification, amendment, discharge or termination is sought, and then only to the extent set forth in such instrument.

21.2. TIME OF THE ESSENCE. Time is of the essence of this Agreement. If any date herein set forth for the performance of any obligations by Seller or Purchaser or for the delivery of any instrument or notice as herein provided should be on a Saturday, Sunday or legal holiday, the compliance with such obligations or delivery shall be deemed acceptable on the next business day following such Saturday, Sunday or legal holiday. As used herein, the term "legal holiday" means any state or federal holiday for which financial institutions or post offices are generally closed in the Commonwealth of Pennsylvania for observance thereof.

21.3. CONSTRUCTION. The headings of various Sections in this Agreement are for convenience only, and are not to be utilized in construing the content or meaning of the substantive provisions hereof.

21.4. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania.

21.5. PARTIAL INVALIDITY. The provisions hereof shall be deemed independent and severable, and the invalidity or partial invalidity or enforceability of any one provision shall not affect the validity of enforceability of any other provision hereof.

21.6. NO RECORDING. Neither this Agreement nor any memorandum thereof shall be recorded and the act of recording by Purchaser shall be deemed a default by Purchaser hereunder.

22. SURVIVAL.

All representations and warranties by the respective parties contained herein or made by Seller in the Approval Date Certificate, the Updated Rent Roll or the Closing Certificate, as the case may be, shall survive the Closing Date, the delivery of the Deeds and transfer of title to the Land for a period of nine (9) months. Notwithstanding anything to the contrary contained herein, if Purchaser (x) is notified in any Scheduled Document, Estoppel Certificate received by Purchaser prior to Closing, third party reports prepared for the benefit of Purchaser in connection with its Basic Project Inspection or the Additional Assessment, if any, that are received prior to Closing in final or draft form, or Title Evidence received by Purchaser prior to Closing or in a writing by Seller received by Purchaser prior to Closing (all

21

of the foregoing, "IMPLIED NOTICE DOCUMENTS"), which notice and knowledge shall be imputed to Purchaser to the extent contained in such Imputed Notice Documents, or (y) obtains actual (as opposed to deemed, imputed or constructive knowledge) knowledge prior to Closing, whether as a result of its review of the Documents or otherwise, (aa) that any representation or warranty made by Seller is not true or correct as of the date of this Agreement, or that such representation or warranty is not true or correct as of the date of the Approval Date Certificate, the Updated Rent Roll or the Closing Certificate, as the case may be, or (bb) that Seller has failed to perform any covenant and agreement herein contained and Purchaser shall nevertheless elect to acquire the Project notwithstanding such fact, Purchaser shall not be entitled to commence any action after Closing to recover damages from Seller due to such representation or warranty failing to be true or correct (and Purchaser shall not be entitled to rely on such representation or warranty), or such covenant and agreement having failed to be performed by Seller. Furthermore, no claim for a breach of any representation or warranty of Seller, or the failure of a covenant or agreement of Seller, shall be actionable or payable unless (a) the valid claims for all such breaches collectively aggregate more than Twenty-Five Thousand Dollars (\$25,000), in which event the full amount of such claims shall be actionable, and (b) written notice containing a description of the specific nature of such breach shall have been given by Purchaser to Seller prior to the expiration of said nine (9) month period and an action shall have been commenced by Purchaser against Seller within fifteen (15) months of Closing. Notwithstanding anything contained herein to the contrary, the maximum amount that Purchaser shall be entitled to collect from Seller in connection with all suits, litigation or administrative proceeding resulting from any and all breaches of any representations, warranties and certifications of Seller contained in SECTION 8 hereof, the Approval Date Certificate, the Updated Rent Roll or the Closing Certificate shall in no event exceed Two Million and No/100 Dollars (\$2,000,000) in the aggregate. The limitations described in the preceding sentence shall not apply in those instances where any misrepresentation by Seller in this Agreement, the Approval Date Certificate, the Updated Rent Roll or the Closing Certificate is determined by a court of competent jurisdiction to have constituted a fraud by Seller upon Purchaser within the meaning of the common law of the Commonwealth of Pennsylvania.

23. SEC REPORTING (8-K) REQUIREMENTS.

For the period of time commencing on the Closing Date and continuing through the first anniversary of the Closing Date, Seller shall, from time to time, upon reasonable advance written notice from Purchaser, provide Purchaser and its representatives, at Purchaser's sole cost and expense, with (I) access to all financial and other information pertaining to the period of Seller's ownership and operation of the Project, to enable Purchaser and its third party accountants (the "ACCOUNTANTS") to prepare financial statements in compliance with any or all of (a) Rule 3-05 or 3-14 of Regulation S-X of the Securities and Exchange Commission (the "Commission"), as applicable; (b) any other rule issued by the Commission and applicable to Purchaser; and (c) any registration statement, report or disclosure statement filed with the Commission by, or on behalf of Purchaser; and (II) a representation letter in a form to be mutually and reasonably agreed to by Seller and Purchaser on or prior to Closing, signed by the individual(s) responsible for Seller's financial reporting, which representation letter may be required by the Accountants in order to render an opinion concerning Seller's financial statements.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement of Purchase and Sale on the date first above written.

SELLER:

FIRST INDUSTRIAL FINANCING
PARTNERSHIP, L.P., a Delaware limited
partnership

By: First Industrial Finance Corporation, its
sole general partner

By: /s/illegible

Its:

PURCHASER:

COPT ACQUISITIONS, INC., a Delaware
corporation

By: /s/illegible

Its: President

S-1

EXHIBITS

- A Address and Size of Buildings
- B Legal Description of the Land
- C Escrow Agreement
- D Documents
- D-1 Scheduled Documents
- E Rent Roll
- F Estoppel Certificate

SCHEDULES

- Schedule 7.3 Surveys
- Schedule 8.1.14 Rights to Purchase
- Schedule 8.2.1 Lease Amendment or New Lease Terms
- Schedule 11.3 Critical Tenants
- Schedule 12.8 Leasing Commissions and Tenant Improvements

EXHIBIT A

ADDRESS AND SIZE OF BUILDINGS

<TABLE>
<CAPTION>

	Property -----	Square Feet -----	Valuation -----
<S>	<C>	<C>	<C>
A-1.	6340 Flank Drive	68,200	
A-2.	6345 Flank Drive	69,443	
A-3.	6360 Flank Drive	46,500	
A-4.	6380 Flank Drive	32,000	
A-5.	6400 Flank Drive	52,399	
A-6.	6405 Flank Drive	32,000	

	Total Gateway	300,542	\$28,650,000
A-7.	5035 Ritter Road	56,000	
A-8.	5070 Ritter Road	60,000	

		116,000	\$10,850,000

Total Portfolio		416,542	\$39,500,000

</TABLE>

EXHIBIT B

LEGAL DESCRIPTION OF THE LAND

B-1

LEGAL DESCRIPTION

6340 FLANK DRIVE
HARRISBURG, PENNSYLVANIA

PARCEL 1:

ALL THAT CERTAIN piece or parcel of land, situate in the Township of Lower Paxton, County of Dauphin, Commonwealth of Pennsylvania, known as Lot No. 6 of Heatherwood Commercial Park, as shown on the Plan recorded in the Office of the Recorder of Deeds in and for the County of Dauphin, in Plan Book "M", Volume 3, Page 84, more particularly bounded and described as follows:

BEGINNING at a point on the north side of Flank Drive, formerly known as Butler Drive, at the division line between Lot No. 5 and Lot No. 6, said point being also a distance of 299.00 feet east of the intersection of the east side of Aster Drive and the north side of Flank Drive, formerly known as Butler Drive; THENCE by the line of Lots No. 5, 4 and 3 North 15 degrees 01 minutes west 518.68 feet to a point at the right of way line of route I-81. L.R. 1005; THENCE BY same North 74 degrees 40 minutes 30 seconds East 560.00 feet to a point at line of Lot No. 7; THENCE by same South 15 degrees 01 minutes East 501.05 feet to a point on the north side of Flank Drive, formerly known as Butler Drive, THENCE by the same and a curve to the right having a radius of 540.00 feet, an arc length of 149.81 feet to a point; THENCE by the same South 74 degrees 59 minutes West 412.09 feet to the point and place of BEGINNING.

BEING the same premises which Bedford Associates, New York limited partnership by deed dated June 30, 1987 and recorded in the Recorded of Deeds Office in and for Dauphin County, in Record Book 967, page 246 granted and conveyed to Rouse & Associates 6340 Flank Drive Limited Partnership, a Pennsylvania limited partnership.

PARCEL 2:

Easement for "Common Areas" as granted in the Declaration of Protective Covenants Heatherwood Commercial Park recorded at Book 257, page 525.

B-1-1

LEGAL DESCRIPTION

6345 FLANK DRIVE
HARRISBURG, PENNSYLVANIA

PARCEL 1:

ALL THAT CERTAIN piece or parcel of land, situate in the Township of Lower Paxton, County of Dauphin, Commonwealth of Pennsylvania, known as Lot No. 14 of Heatherwood Commercial Park, as shown on the Plan recorded in the Office of the Recorder of Deeds in and for the County of Dauphin in Plan Book M, Volume 3, Page 84, more particularly bounded and described as follows:

BEGINNING at a point of tangent on the Easterly side of Dorchester Road (50 feet wide), said point being measured from a point of curve on the Northerly side of Allentown Boulevard (120 feet wide); on the arc of a circle curving to the right having a radius of 25 feet the arc distance of 39.27 feet;

THENCE extending from said beginning point along the Easterly side of Dorchester Road, North 15 degrees 01 minute West 445.10 feet to a point of curve;

THENCE extending on the arc of a circle curving to the right having a radius of 25 feet the arc distance of 39.27 feet, having a chord bearing of North 29 degrees 59 minutes East 35.36 feet to a point of tangent on the southerly side of Flank Drive, formerly known as Butler Drive (60 feet wide);

THENCE extending along the said Southerly side of Flank Drive, formerly known as Butler Drive, North 74 degrees 59 minutes East 362.09 feet to a point of curve,

THENCE continuing along Flank Drive, formerly known as Butler Drive, on the arc of a circle curving to the left having a radius of 600 feet the arc distance of 159.16 feet having a chord bearing of North 67 degrees 23 minutes 03 seconds East 158.69 feet to a point being the Northwest corner of Lot No. 13;

THENCE extending along said lot the following two courses and distances;

- (1) South 36 degrees 01 minute East 252.87 feet and
- (2) South 15 degrees 01 minute East 280.00 feet to a point on the Northerly side of Allentown Boulevard;

Thence extending along said Allentown Boulevard, South 74 degrees 59 minutes West 610.00 feet to a point of curve;

THENCE extending on the arc of a circle curving to the right having a radius of 25 feet the arc distance of 39.27 feet, having a chord bearing of North 60 degrees 01 minutes West 35.36 feet, to the first mentioned point and place of BEGINNING.

PARCEL 2:

Easement to "Common Areas" as granted in the Declaration of Protective Covenants Heatherwood Commercial Park recorded at 257, page 525.

B-1-2

LEGAL DESCRIPTION

6360 FLANK DRIVE
LOWER PAXTON TOWNSHIP
HARRISBURG, PENNSYLVANIA

PARCEL 1:

ALL THAT CERTAIN piece or parcel of land, situate in the Township of Lower Paxton, County of Dauphin, Commonwealth of Pennsylvania, known as Lot #7 of Heatherwood Commercial Park, as shown on the plan recorded in the Office of the Recorder of deeds in and for the County of Dauphin in Plan Book "M", Volume 3, Page 84, more particularly bounded and described as follows:

BEGINNING at a point on the north side of Flank Drive, formerly known as Butler Drive, at the division line between Lot No. 6 and Lot No. 7, said point being also a distance of 860.90 feet east of the intersection of the east side of Aster Drive and the north side of Flank Drive, formerly known as Butler Drive; THENCE by the division line between Lot NO. 6 and Lot No. 7 North 15 degrees of 01 minute West 501.05 feet to a point at the right of way line of Route I-81, L.R. 1105; THENCE by the same North 74 degrees 40 minutes 30 seconds East 294.43 feet to a point at a curve; THENCE by same and a curve to the right having a radius of 11,359.20 feet, an arc length of 289.95 feet to a point at line of Lot No. 8; THENCE by same South 15 degrees 01 minute East 303.52 feet to a point on the north side of Flank Drive, formerly known as Butler Drive; THENCE by same and a curve to the left having a radius of 800.00 feet, an arc length of 193.90 feet to a point; THENCE by same South 53 degrees 59 minutes West 376.08 feet to a point; THENCE by same and a curve to the right having a radius of 540.00 feet, an arc length of 48.11 feet to a point, the place of BEGINNING.

PARCEL 2:

Easement for Common Areas as granted in the Declaration of Protective Covenants Heatherwood Commercial Park recorded in Book 257 page 525.

B-1-3

LEGAL DESCRIPTION

6380 FLANK DRIVE
LOWER PAXTON TOWNSHIP
HARRISBURG, PENNSYLVANIA

PARCEL 1:

ALL THAT CERTAIN piece or parcel of land, situate in the Township of Lower Paxton, County of Dauphin, Commonwealth of Pennsylvania, known as Lot No. 6 of Heatherwood Commercial Park, as shown on the Plan recorded in the Office of the

Recorder of Deeds in and for the County of Dauphin, in Plan Book "M", Volume 3, Page 84, more particularly bounded and described as follow:

BEGINNING at a point on the north side of Flank Drive, formerly known as Butler Drive, at the division line between Lot No. 5 and Lot No. 6, said point being also a distance of 299.00 feet east of the intersection of the east side of Aster Drive and the north side of Flank Drive, formerly known as Butler Drive; THENCE by the line of Lots No. 5, 4 and 3 North 15 degrees 01 minutes west 518.68 feet to a point at the right of way line of Route I-81, L.R. 1005; THENCE by same North 74 degrees 40 minutes 30 seconds East 560.00 feet to a point at line of Lot No. 7; THENCE by same South 15 degrees 01 minutes East 501.05 feet to a point on the north side of Flank Drive, formerly known as Butler Drive; THENCE by the same and a curve to the right having a radius of 540.00 feet, an arc length of 149.81 feet to a point; THENCE by the same South 74 degrees 59 minutes West 412.09 feet to the point and place of BEGINNING.

BEING the same premises which Bedford Associates, a New York limited partnership by deed dated June 30, 1987 and recorded in the Recorder of Deeds Office in and for Dauphin County, in Record Book 967, page 246 granted and conveyed to Rouse & Associates - 6340 Flank Drive Limited Partnership, a Pennsylvania limited partnership.

PARCEL 2:

Easement for "Common Areas" as granted in the Declaration of Protective Covenants Heatherwood Commercial Park recorded at Book 257, page 525.

B-1-4

LEGAL DESCRIPTION

6400 FLANK DRIVE
LOWER PAXTON TOWNSHIP
HARRISBURG, PENNSYLVANIA

PARCEL 1:

ALL THAT CERTAIN lot or parcel of land situate in Lower Paxton Township, Dauphin County, Pennsylvania, bounded and described according to a Subdivision Plan for Gateway Corporate Center by Kidde Consultants, Inc. dated July 18, 1990 recorded November 19, 1990 in Plan Book "D", Volume 5, page 19, as follows:

BEGINNING at a point on the northern right of way of Flank Drive, at the division line between Lot No. 8 and No. 9, said point being a distance of 1,973.69 feet East of the intersection of the eastern right of way of Aster Drive and the northern right of way of Flank Drive; THENCE by the division line between Lot No. 8 and Lot No. 9 North 10 degrees 22 minutes 18 seconds West, 345.09 feet to a point at the right of way line of Route I-81 S.R. 0081; THENCE by the same and a curve to the right having a radius of 11,359.20 feet, an arc length of 523.45 feet to a point; THENCE by the same South 8 degrees 37 minutes East 10.00 feet to a point; THENCE by the same along a curve to the right having a radius of 11,349.20 feet, an arc length of 106.61 feet to a point; THENCE along the lands N/F of B.&K, Inc., South 23 degrees 42 minutes 30 seconds West 249.68 feet to a point; THENCE along the same South 37 degrees 36 minutes East, 242.00 feet to a point, said point being the northeast corner of Lot No. 10; THENCE along the same, South 79 degrees 37 minutes 42 seconds West, 451.38 feet to a point; THENCE by the same north 69 degrees 26 minutes 23 seconds West, 44.74 feet to a point on the right of way of Flank Drive; THENCE by the same and a curve to the left having a radius of 60.00 feet, an arc length of 133.89 feet to a point; THENCE by the same and a curve to the right having a radius of 30.00 feet, an arc length of 22.30 feet to a point; THENCE by the same and a curve to the left having a radius of 330.00 feet, an arc length of 7.40 feet to a point and the place of BEGINNING.

BEING DESIGNATED at Lot No. 9 on the above captioned plan.

PARCEL 2:

Easement to "Common Areas" as granted in the Declaration of Protective Covenants Heatherwood Commercial Park recorded in Book 257, page 525.

B-1-5

LEGAL DESCRIPTION

6405 FLANK DRIVE
HARRISBURG, PENNSYLVANIA

PARCEL 1:

ALL THAT CERTAIN lot or parcel of land situate in Lower Paxton Township, Dauphin County, Pennsylvania, bounded and described according to Subdivision Plan for Gateway Corporate Center by Kidde Consultants, Inc., dated July 18, 1990 and recorded November 19, 1990 in Plan Book "D", Volume 5, page 19, as follows, to wit:

BEGINNING at a point on the East end of the Flank Drive Cul-de-sac, at the division line between Lot No. 9 and Lot No. 10, said point being a distance of 2,137.28 feet East of the intersection of the eastern right-of-way of Aster Drive and the northern right-of-way of Flank Drive; THENCE by the division line between Lot No. 9 and Lot No. 10 South 69 degrees 26 minutes 23 seconds East, 44.74 feet to a point; THENCE by the same North 79 degrees 37 minutes 42 seconds East, 451.38 feet to a point; THENCE along the lands N/F of B & K, Inc., South 37 degrees 36 minutes East, 89.46 feet to a point; THENCE along the lands N/F of Dauphin Management Corp. South 14 degrees 09 minutes 15 seconds East, 484.65 feet to a point along the northern right of way of Allentown Boulevard, S.R. 0022; THENCE by the same, South 74 degrees 59 minutes West, 100.00 feet to a point; THENCE by the line between Lot No. 10 and Lot No. 16 North 15 degrees 01 minute West, 38.17 feet to a point; THENCE along the same, North 84 degrees 09 minutes 05 seconds West, 474.01 feet to a point; THENCE by the line between Lot No. 10 and Lot No. 11, North 10 degrees 22 minutes 18 seconds West, 381.35 feet to a point; THENCE by the same North 69 degrees 26 minutes 23 seconds West, 25.93 feet to a point on the right of way of the Flank Drive Cul-de-sac; THENCE by the same and a curve to the left having a radius of 60.00 feet, an arc length of 34.47 feet to a point and the place of BEGINNING.

BEING designated as Lot No. 10 on the above captioned plan.

PARCEL 2:

Easement for "Common Areas: as granted in the Declaration of Protective Covenants Heatherwood Commercial Park recorded in Book 257, page 525.

B-1-6

LEGAL DESCRIPTION

5035 RITTER ROAD
LOWER ALLEN TOWNSHIP
MECHANICSBURG, PENNSYLVANIA

PARCEL 1:

ALL THAT CERTAIN tract or parcel of land situate in Lower Allen Township, Cumberland County, Pennsylvania, more particularly bounded and described according to a Final Subdivision Plan of Tract "B" of a portion of "Rossmoyne Industrial Park" for Smith Land & Improvement Corporation, by Robert E. Hartman, Jr., P.E. and R.S. dated May 8, 1987 and revised June 17, 1987, recorded August 24, 1987 in Plan Book 53, page 122, and being designated as Lot B-2 thereon, as follows:

BEGINNING at a point on the southern right of way line of "Ritter Road" (a 60 foot right of way) said point being located and referenced in a northwesterly direction from the center line intersection of "Louise Drive" and "Ritter Road" the following four (4) courses and distances:

1. from said intersection along the center line of "Ritter Road" north 38 degrees 09 minutes 37 seconds west, a distance of 735.96 feet to a point; thence
2. along the same on the arc of a curve, curving to the left, having a radius of 250.00 feet, an arc length of 392.70 feet to a point; thence
3. along the same north 51 degrees 50 minutes 23 seconds west, a distance of 586.85 feet to a point; thence
4. south 40 degrees 42 minutes 20 seconds east, a distance of 30.03 feet to a point on the southern right-of-way line of "Ritter Road" the point of BEGINNING.

THENCE from said point of BEGINNING along lands of Smith Land & Improvement Corporation south 40 degrees 42 minutes 20 seconds east, a distance of 460.45 feet to a point; THENCE along the same south 51 degrees 50 minutes 23 seconds west, a distance of 534.93 feet to a point;

THENCE along the same North 38 degrees 09 minutes 37 seconds West, a distance of 460.00 feet to a point on the southern right-of-way line of "Ritter Road";

THENCE along the southern right-of-way line of "Ritter Road" north 51 degrees 50 minutes 23 seconds east, a distance of 514.48 feet to a point, the place of BEGINNING.

BEING Lot No. B-2 on Plan of Rossmoyne Industrial Park.

PARCEL 2:

TOGETHER with easements in and to the "Common Areas" as granted in the Declaration of Protective Covenants recorded at Book 354, page 570.

B-1-7

LEGAL DESCRIPTION

5070 RITTER ROAD
MECHANICSBURG, PENNSYLVANIA

PARCEL 1:

ALL that certain land and premises situate in Upper Allen Township, Cumberland County, Pennsylvania being Lot #D-2 in Final Subdivision Plan of Tracts "D" and "F" Lots D-2 and F-3 a portion of "Rossmoyne Industrial Park" for Smith Land & Improvement Corporation by J. Michael Brill & Associates, Inc., J. Michael Brill, P.E. dated May 9, 1988 and recorded in Cumberland County Courthouse on June 23, 1988 in Plan Book 55, page 114, as follows:

BEGINNING at a point on the northern right-of-way line of "Ritter Road" (a 60 foot right-of-way) said point being located and referenced from the centerline intersection of "Ritter Road" and "Scott Street" the following two (2) courses and distances:

1. From said intersection along the centerline of "Ritter Road" south 51 degrees 50 minutes 23 seconds West, a distance of 526.35 feet to a point;
2. Thence north 38 degrees 09 minutes 37 seconds west, a distance of 30.00 feet to a point on the northern right-of-way line of Ritter Road, the point of BEGINNING.

THENCE from said point of beginning, along the northern right-of-way line of "Ritter Road" south 51 degrees 50 minutes 23 second west, a distance of 515.29 feet to a point; THENCE along other lands now or formerly of Smith Land & Improvement Corporation, North 38 degrees 09 minutes 37 seconds West, a distance of 423.38 feet to a point on the southern right-of-way line of U.S. Route #15 (L.R. #123); THENCE along the southern right-of-way line of U.S. Route #15 on an arc of a curve curving to the right having a radius of 2789.79 and an arc length of 312.85 feet to a point; THENCE along the same north 51 degrees 04 minutes 37 seconds east, a distance of 203.38 feet to a point; THENCE along Lot #D-1 south 38 degrees 09 minutes 37 seconds east, a distance of 447.77 feet to a point on the northern right-of-way line of "Ritter Road", being the point of BEGINNING.

PARCEL 2:

Easement in and to the "Common Area" contained in the Declaration of Protective Covenants for Rossmoyne Business Center recorded at Book 354, page 570.

B-1-8

EXHIBIT C

EARNEST MONEY ESCROW INSTRUCTIONS

These Earnest Money Escrow Instructions ("INSTRUCTIONS") are entered into as of this _____ day of _____, 199__ by and among First Industrial FINANCING PARTNERSHIP, L.P. ("SELLER"), ("PURCHASER"), and COMMONWEALTH LAND TITLE INSURANCE COMPANY ("ESCROWEE").

WHEREAS, Purchaser and Seller entered into an Agreement of Purchase and Sale, dated _____, 199__ (the "AGREEMENT"), for the purchase and sale of the Project (as defined in the Agreement and hereinafter collectively

referred to as the "PROPERTY"); and

WHEREAS, the parties desire to enter into escrow instructions with Escrowee pursuant to which Purchaser shall deposit earnest money, as required under the Agreement (the "ESCROW").

NOW THEREFORE, in consideration of the mutual covenants contained in these Instructions, and other good and valuable consideration, the receipt and legal sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Deposit.

1.1. INITIAL EARNEST MONEY. Pursuant to the terms and provisions of the Agreement, and simultaneously with the execution hereof, Purchaser has deposited with Escrowee earnest money in the sum of _____ (\$ _____) [the "EARNEST MONEY"].

1.2. ADDITIONAL EARNEST MONEY. Pursuant to the terms and provisions of the Agreement, simultaneously with its delivery of the Closing Date Extension Notice, Purchaser has deposited with Escrowee earnest money in the sum of (\$ _____) (the "ADDITIONAL EARNEST MONEY"). The Initial Earnest Money and the Additional Earnest Money shall hereinafter collectively be referred to as the "EARNEST MONEY".

1.3. INVESTMENT OF EARNEST MONEY. Escrowee shall invest the Earnest Money in interest-bearing securities, bank deposits and/or so-called "money market funds" established and managed by nationally recognized firms, as selected by Purchaser. All interest earned on the Earnest Money shall be paid as specifically provided in these Instructions.

2. APPLICATION OF EARNEST MONEY AT CLOSING AND UPON TERMINATION OF AGREEMENT.

2.1. AT CLOSING. At Closing (as defined in the Agreement), (i) the Earnest Money shall be delivered by Escrowee to Seller and credited against the payment of the Purchase Price, and (ii) all interest earned thereon shall be delivered by Escrowee to Purchaser, whereupon the Escrow shall terminate.

2.2. UPON TERMINATION OF CONTRACT. Notwithstanding the foregoing, the Agreement provides certain circumstances in which Purchaser shall have the unilateral right to terminate the Agreement on or before _____, 199__ (the "APPROVAL DATE"), by delivery of written notice to Seller and Escrowee (the "TERMINATION NOTICE"). Upon Escrowee's receipt of the Termination Notice (provided Escrowee receives such Termination Notice on or before _____, Escrowee shall immediately and simultaneously (x) deliver a copy of the Termination Notice to Seller, in the manner provided in SECTION 5 below, and (y) disburse the full amount of the Earnest Money, together with any and all interest earned thereon, to Purchaser.

3. DEFAULT.

3.1. PURCHASER'S DEFAULT. In the event that after the Approval Date Purchaser breaches or defaults under the obligations imposed on it under the Agreement, and Seller desires

C-1

to obtain the Earnest Money from Escrowee (pursuant to the terms of the Agreement), Seller shall be required to present to Escrowee: Seller's affidavit of default (the "DEFAULT AFFIDAVIT"), executed under penalty of perjury by an authorized representative of Seller, certifying to Purchaser and Escrowee that Purchaser is in default under the Agreement and, therefore, Seller is entitled to the Earnest Money proceeds. Upon receipt of the Default Affidavit from Seller, Escrowee shall (i) deliver a copy of the Default Affidavit to Purchaser, in the manner as provided in SECTION 5 below and (ii) if, within four (4) business days after the date on which the Default Affidavit is deemed to be delivered to Purchaser (pursuant to SECTION 5 below), Escrowee has not received from Purchaser a notice ("OBJECTION NOTICE") objecting to Escrowee's compliance with the Default Affidavit, Escrowee shall deliver the Earnest Money, together with all interest earned thereon, to Seller.

3.2. SELLER'S DEFAULT. In the event that after the Approval Date, Seller breaches or defaults under the obligations imposed on it under the Agreement, and Purchaser desires the return of the Earnest Money from Escrowee (pursuant to the terms of the Agreement), Purchaser shall be required to present to Escrowee: its own Default Affidavit executed under penalty of perjury by an authorized representative of Purchaser certifying to Seller and Escrowee that Seller is in default under the Agreement and, therefore, Purchaser is entitled to return of the Earnest Money proceeds. Upon receipt of the Default Affidavit from Purchaser, Escrowee shall (i) deliver a copy of the Default Affidavit to Seller as provided in SECTION 5 below, and (ii) if, within four (4) business days after the date on which the Default Affidavit is deemed to be delivered to

Seller (pursuant to SECTION 5 below), Escrowee has not received from Seller an Objection Notice, objecting to Escrowee's compliance with the Default Affidavit, Escrowee shall deliver the Earnest Money, together with all interest earned thereon, to Purchaser.

4. OBJECTION NOTICES. If Escrowee receives an Objection Notice from either Seller or Purchaser within the time period set forth in SECTION 3 above, then Escrowee shall refuse to comply with the Default Affidavit then in question ("OBJECTIONABLE DEFAULT AFFIDAVIT") until Escrowee receives (a) joint written instructions executed by both Purchaser and Seller, or (b) a final non-appealable order with respect to the disposition of the Earnest Money from a federal or state court of competent jurisdiction ("COURT ORDER"), in either of which events Escrowee shall then disburse the Earnest Money and all interest earned thereon, in accordance with such direction or order, as the case may be. Notwithstanding the immediately preceding sentence, if the party that delivers the Objection Notice does not (i) commence litigation with respect to the Earnest Money by filing a complaint or action for a declaratory judgment in an appropriate court of competent jurisdiction ("LITIGATION"), and (ii) provide notice and a copy of such complaint or action for declaratory judgment to Escrowee and the other party to these Instructions within thirty (30) days after delivery of the then-applicable Objection Notice, then Escrowee shall disburse the Earnest Money in accordance with the Objectionable Default Affidavit.

Notwithstanding anything to the contrary in the Agreement or these Instructions, Seller and Purchaser hereby agree that in the event that (A) either or both of them delivers a Default Affidavit pursuant to SECTION 3; (B) the recipient of a Default Affidavit delivers an Objection Notice in response thereto; (C) the party delivering an Objection Notice commences Litigation; (D) the Litigation is ultimately resolved by the issuance of a Court Order; and (E) the Court Order authorizes the disbursement of the Earnest Money to the party that delivered the Default Affidavit that gave rise to the Objection Notice and ensuing Litigation (the "INITIATING PARTY"), then the party that delivered such Objection Notice shall be required to pay to the Initiating Party interest on the Earnest Money, from the date on which the Initiating Party delivered its Default Affidavit through the date on which the Escrowee disburses the Earnest Money (and all interest accrued thereon) to the Initiating Party, which interest shall be at the per annum rate of five percent (5.0%) in excess of the per annum rate publicly announced, from time to time, by The First National Bank of Chicago as its "prime" or "base" or "reference" rate of interest.

C-2

5. NOTICES. Notices hereunder shall be deemed properly delivered when and if either (i) personally delivered; or (ii) one (1) business day after deposit with Federal Express or other commercial overnight courier; or (iii) two (2) business days after deposit in the U.S. Mail, by registered or certified mail, return receipt requested, postage prepaid, to the parties as set forth below:

Seller: First Industrial Financing Partnership, L.P.
440 Commercial Street, 5th Floor
Boston, MA 02109
Attn: James D. Carpenter

With a copy to
its attorneys: Barack Ferrazzano Kirschbaum Perlman & Nagelberg
333 W. Wacker Drive
27th Floor
Chicago, Illinois 60606
Attn: Mark J. Beaubien

Purchaser: COPT Acquisitions, Inc.
401 City Avenue, Suite 615
Bala Cynwyd, Pennsylvania 19004
Attn: Jim Davis

With a copy to
its attorneys: Corporate Office Properties Trust
8815 Center Park Drive, Suite 400
Columbia, Maryland 21045
Attn: John Gurley, Esq.

- and -

Morgan, Lewis & Bockius, LLP
1701 Market Street
Philadelphia, Pennsylvania 19103-2921
Attn: Eric L. Stern, Esq.

Escrowee: Commonwealth Land Title Insurance Company

6. ESCROWEE OBLIGATIONS. The parties agree that, except as otherwise expressly provided in SECTION 4, the actions of, and the relationship between, Purchaser and Seller shall be governed by the terms of the Agreement. In all events and under all circumstances (except as otherwise expressly provided in SECTION 4), the ultimate rights and obligations of Seller and Purchaser shall be strictly governed and controlled by the terms and provisions of the Agreement, rather than these Instructions. In the event of any conflict between the terms and provisions of the Agreement and these Instructions, the terms and provisions of the Agreement shall control in all events and circumstances except as otherwise expressly provided in SECTION 4. Notwithstanding the existence of the Agreement or any references herein to the Agreement, the parties agree that Escrowee (but not Seller and Purchaser) shall be governed solely by the terms and provisions of these Instructions. The parties furthermore agree that, except as otherwise specifically provided in SECTION 4 above, Escrowee is hereby expressly authorized to regard, comply with, and obey any and all orders, judgments or decrees entered or issued by any court, and, in case Escrowee obeys and complies with any such order, judgment or decree of any court, it shall not be liable to either of the parties hereto or to any other person, firm or corporation by reason of such compliance. Notwithstanding any such order, judgment or decree entered without jurisdiction or subsequently reversed, modified, annulled, set aside or vacated in case of any suit or proceeding regarding this escrow to which Escrowee is or may be at any time a party,

C-3

Escrowee shall have a lien on the contents hereof for any or all costs, attorneys' fees (whether such attorneys shall be regularly retained or specially employed) and other expenses that have been incurred by Escrowee or for which Escrowee becomes liable for on account, and Escrowee shall be entitled to reimburse itself therefor out of the Earnest Money deposit and the undersigned jointly and severally agree to pay Escrowee, upon demand, all such costs and expenses so incurred.

7. LITIGATION. In the event of litigation between the parties with respect to these Instructions, the performance of their respective obligations hereunder, or the effect of a termination under the Agreement or these Instructions, the losing party shall pay all costs and expenses incurred by the prevailing party in connection with such litigation, including, but not limited to, court costs and reasonable fees of counsel selected by the prevailing party. Notwithstanding any provision of the Agreement or these Instructions to the contrary, the obligations of the parties under this SECTION 7 shall survive a termination of either or both of the Agreement and these Instructions.

8. COUNTERPART. These Instructions may be executed in counterparts, each of which shall constitute an original but all of which together shall constitute one and the same instrument.

SELLER:

FIRST INDUSTRIAL FINANCING
PARTNERSHIP, L.P., a Delaware limited
partnership

By: First Industrial Finance Corporation,
its sole general partner

By: -----

Its: -----

PURCHASER:

By: -----

Its: -----

ACCEPTED BY ESCROWEE:

Commonwealth Land Title Insurance Company

By: _____
Its _____

C-4

EXHIBIT D

DOCUMENTS

(a) ENVIRONMENTAL REPORTS. Copies of all final, written third party reports, issued to Seller regarding soil conditions, ground water, wetlands, underground tanks, subsurface conditions and/or other environmental conditions concerning the Project.

(b) LEASES. A copy of all Leases covering all or any portion of the Project (including all amendments and modifications thereto), together with copies of all other underlying agreements and work letters, side letters, guaranties and amendments, and copies of any agreements with respect to any commissions due or to become due from Seller in connection with any such existing Leases. Seller shall provide Purchaser with access to Seller's tenant files with respect to the Project. In addition, a copy of the rent roll (the "RENT ROLL") prepared by Seller in the ordinary course of Seller's business.

(c) BOOKS AND RECORDS. Copies of the income and expense statements for the Project prepared by Seller in the ordinary course of Seller's business for the last three (3) years of Seller's ownership of the Project (the "OPERATING STATEMENTS"), including the Operating Statement to the extent prepared for the current year to date, together with access to those supporting materials in Seller's possession or reasonable control.

(d) APPROVALS. Copies of all, if any, of the following in Seller's possession: any development approvals which have been obtained or which have been applied for by Seller or on behalf of Seller and are pending in connection with the Project; reports, licenses and permits for the Project required by any zoning or environmental laws; copies of any subdivision plans or plats, and certifications, rezonings, general plan amendments, parcel maps and development agreements; and copies of all other permits, licenses, franchises, certifications, authorizations, approvals and permits issued by any governmental or quasi-governmental authorities to or for Seller for the construction, ownership, operation, use and occupancy of the Project, or any part thereof (all of the foregoing, are collectively herein referred to as "APPROVALS").

(e) EXISTING TITLE POLICIES AND SURVEYS. A copy of the most recent owner's title insurance policy issued to Seller for the Project, and a copy of the Surveys.

(f) INSURANCE CERTIFICATES. Copies of current insurance certificates evidencing the insurance required to be maintained by any tenants under any of the Leases to the extent in Seller's possession.

(g) EXISTING CONTRACTS. Copies of all of the following written items in Seller's possession: (i) brokerage, service, maintenance, operating, repair, supply, purchase, and other contracts and commitments relating to the operation, construction or management of the Project (excluding any recorded documents); (ii) equipment leases relating to equipment or property leased by Seller and located in or upon the Project or used in connection therewith; and (iii) guaranties and warranties issued to Seller in effect with respect to the Project or Personal Property or any portion thereof, and all amendments and modifications to any of the foregoing (the documents described in items (i) and (ii), the "EXISTING CONTRACTS").

D-1

EXHIBIT D-1

SCHEDULED DOCUMENTS

(a) Environmental Reports (see attached)

- (b) Leases (see attached)
- (c) Books and Records (see attached)
- (d) Approvals (see attached)
- (e) Existing Title Policies and Surveys (see attached)
- (f) Insurance Certificates (see attached)
- (g) Existing Contracts (see attached)

D-1-1

Exhibit D-1(e)

EXITING TITLE POLICIES AND SURVEYS

TITLE POLICIES

Title Policy issued by First American Title Insurance Company dated July 6, 1994 for 6340 Flank Drive

Title Policy issued by First American Title Insurance Company dated July 6, 1994 for 6345 Flank Drive

Title Policy issued by First American Title Insurance Company dated July 6, 1994 for 6360 Flank Drive

Title Policy issued by First American Title Insurance Company dated July 6, 1994 for 6380 Flank Drive

Title Policy issued by First American Title Insurance Company dated July 6, 1994 for 6400 Flank Drive

Title Policy issued by First American Title Insurance Company dated July 6, 1994 for 6405 Flank Drive

Title Policy issued by First American Title Insurance Company dated July 6, 1994 for 5035 Ritter Road

Title Policy issued by First American Title Insurance Company dated July 6, 1994 for 5070 Ritter Road

SURVEYS

<TABLE>

<CAPTION>

Property Address	Revised Date	Surveyor Name	Description
-----	-----	-----	-----
<S>	<C>	<C>	<C>
5035 Ritter Road	5/25/94	KCI Technologies, Inc.	As-Built Survey
5070 Ritter Road	5/25/94	KCI Technologies, Inc.	As-Built Survey
6340 Flank Drive	5/25/94	KCI Technologies, Inc.	As-Built Survey
6345 Flank Drive	5/25/94	KCI Technologies, Inc.	As-Built Survey
6360 Flank Drive	4/26/94	KCI Technologies, Inc.	As-Built Survey
6380 Flank Drive	5/25/94	KCI Technologies, Inc.	As-Built Survey
6400 Flank Drive	5/25/94	KCI Technologies, Inc.	As-Built Survey
6405 Flank Drive	5/25/94	KCI Technologies, Inc.	As-Built Survey

</TABLE>

D-1(e)-1

EXHIBIT E

RENT ROLL

EXHIBIT F
ESTOPPEL CERTIFICATE

F-1

SCHEDULE 7.3

SURVEYS

See Schedule D-1 (e)

S-7.3-1

SCHEDULE 8.1.14

RIGHTS TO PURCHASE

None

S-8.1.14-1

SCHEDULE 8.2.1

LEASE AMENDMENT OR NEW LEASE TERMS

S-8.2.1-1

SCHEDULE 11.3

CRITICAL TENANTS

<TABLE>
<CAPTION>

STREET ADDRESS -----	TENANT NAME -----	SQUARE FEET -----
<S>	<C>	<C>
6340 Flank Drive	Lancaster/Lebanon	29,700
	Merkert Enterprises	18,500
6345 Flank Drive	Allstate Insurance	20,600
6360 Flank Drive	Ikon Office Solutions	9,394
6400 Flank Drive	PA Coalition Against Domestic Violence	26,859
	REM Hagerty/Schwartz & Dixon	14,340
6405 Flank Drive	Cowles Magazine	32,000
5035 Ritter Road	AOPC	41,676
5070 Ritter Road	Maryland Group Insurance	32,000
	Vale National Training Center	17,600

</TABLE>

S-11.3-1

SCHEDULE 12.8

LEASING COMMISSIONS AND TENANT IMPROVEMENTS

S-12.8-1

PROMISSORY NOTE

\$60,000,000

Columbia, Maryland
Dated: September 30, 1999

FOR VALUE RECEIVED, CORPORATE OFFICE PROPERTIES, L.P. ("BORROWER"), a Delaware limited partnership, having its principal place of business at 8815 Centre Park Drive, Suite 400, Columbia, Maryland 21045, promises to pay to TEACHERS INSURANCE AND ANNUITY ASSOCIATION OF AMERICA ("LENDER"), a New York corporation, or order, at Lender's offices at 730 Third Avenue, New York, New York 10017 or at such other place as Lender designates in writing, the principal sum of SIXTY MILLION DOLLARS (\$60,000,000) (the principal sum or so much of the principal sum as may be advanced and outstanding from time to time, the "PRINCIPAL"), in lawful money of the United States of America, with interest on the Principal from the date of this Promissory Note (this "NOTE") through and including the date of repayment in full of the Principal at the fixed rate of seven and 72/100ths percent (7.72%) per annum (the "FIXED INTEREST RATE").

This Note is guaranteed by, INTER ALIA, a Conditional Payment Guaranty (the "Conditional Guaranty") from Airport Square II, LLC, Airport Square IV, LLC, Airport Square V, LLC, Airport Square X, LLC, Airport Square XI, LLC, Airport Square XIII, LLC, Airport Square XIV, LLC, Airport Square XIX, LLC, Airport Square XX, LLC, Airport Square XXI, LLC, Tech Park I, LLC, Tech Park II, LLC, and Tech Park IV, LLC, jointly and severally (collectively, the "Conditional Guarantors") dated of even date herewith. The Conditional Guaranty is secured by, among other things, the Indemnity Deed of Trust, Assignment of Leases and Rents and Security Agreement (the "Deed of Trust") also dated as of the date of this Note, but made by the Conditional Guarantors for the benefit of the Lender as security for the Conditional Guaranty. All capitalized terms not expressly defined in this note will have the definitions set forth in the Deed of Trust.

Section 1. Payments of Principal and Fixed Interest.

(a) "ADVANCE OF PRINCIPAL" shall mean the one advance of Principal funded by the Lender under this Note in the full Principal amount on the date of this Note.

(b) Borrower will make monthly installment payments ("DEBT SERVICE PAYMENTS") as follows:

(i) On October 1, 1999, a payment of accrued interest on the Advance of Principal made hereunder at the Fixed Interest Rate; and

(ii) On November 1, 1999, and on the first day of each succeeding calendar

month through and including September 1, 2006, payments in the amount of Four Hundred Fifty Two Thousand Sixteen and 16/100 Dollars (\$452,016.16), each of which will be applied first to interest on the Principal at the Fixed Interest Rate and then to the Principal.

(c) On October 1, 2006 (the "MATURITY DATE"), Borrower will pay the Principal in full together with accrued interest at the Fixed Interest Rate and all other amounts due under the Loan Documents.

Borrower acknowledges that the monthly payment provided for in clause (b) (ii), above, will not fully repay the Principal and that a balloon payment of the entire unpaid, Principal balance, together with accrued interest and other amounts due, will be due on the Maturity Date.

Section 2. Prepayment Provisions.

(a) The following definitions apply:

"DISCOUNT RATE" means the yield on a U.S. Treasury issue selected by Lender, as published in THE WALL STREET JOURNAL, two weeks prior to prepayment, having a maturity date corresponding (or most closely corresponding, if not identical) to the Maturity Date, and, if applicable, a coupon rate corresponding (or most closely corresponding, if not identical) to the Fixed Interest Rate.

"DEFAULT DISCOUNT RATE" means the Discount Rate less 300 basis points until April 1, 2003, and thereafter means the Discount Rate.

"DISCOUNTED VALUE" means the Discounted Value of a Note Payment based on the following formula:

NP

(1 + R/12) to the power of n = Discounted Value

NP = Amount of Note Payment

R = Discount Rate or Default Discount Rate as the case may be.

n = The number of months between the date of prepayment and the scheduled date of the Note Payment being discounted rounded to the nearest integer.

"EVASION PERCENTAGE" = four percent (4%), until April 1, 2003, and thereafter means one percent (1%).

2

"NOTE PAYMENTS" means (i) the scheduled Debt Service Payments for the period from the date of prepayment through the Maturity Date and (ii) the scheduled repayment of Principal, if any, on the Maturity Date.

"PREPAYMENT DATE PRINCIPAL" means the Principal on the date of prepayment, prior to prepayment.

(b) This Note may not be prepaid in full or in part before March 30, 2003. Commencing on April 1, 2003, provided there is no Event of Default, Borrower may prepay this Note in full, but not in part (except pursuant to Section 12.4(b) of the Deed of Trust), on the first day of any calendar month, upon 90 days' prior notice to Lender and upon payment in full of the Debt which will include a payment (the "PREPAYMENT PREMIUM") equal to the greater of (i) an amount equal to the product of one percent (1%) times the Prepayment Date Principal or (ii) the amount by which the sum of the Discounted Values of Note Payments, calculated at the Discount Rate, exceeds the Prepayment Date Principal. Provided there is no Event of Default, this Note may be prepaid in full without payment of the Prepayment Premium during the last 90 days of the Term.

(c) After an Acceleration or upon any other prepayment not permitted by the Loan Documents, any tender of payment of the amount necessary to satisfy the Debt accelerated, any decree of foreclosure, any statement of the amount due at the time of foreclosure (including foreclosure by power of sale) and any tender of payment made during any redemption period after foreclosure, will include, in lieu of the Prepayment Premium, a payment (the "EVASION PREMIUM") equal to the greater of (i) an amount equal to the product of the Evasion Percentage times the Prepayment Date Principal, and (ii) the amount by which the sum of the Discounted Values of the Note Payments, calculated at the Default Discount Rate, exceeds the Prepayment Date Principal.

(d) Borrower acknowledges that:

(i) a prepayment will cause damage to Lender;

(ii) the Evasion Premium is intended to compensate Lender for the loss of its investment and the expense incurred and time and effort associated with making the Loan, which will not be fully repaid if the Loan is prepaid;

(iii) it will be extremely difficult and impractical to ascertain the extent of Lender's damages caused by a prepayment after an Event of Default or any other prepayment not permitted by the Loan Documents; and

(iv) the Evasion Premium represents Lender and Borrower's reasonable estimate of Lender's damages for the prepayment and is not a penalty.

Section 3. Guaranty; Security for Guaranty. Borrower's obligations under this Note and the other Loan Documents (the "BORROWER'S OBLIGATIONS") are guaranteed pursuant to the

3

Conditional Guaranty by the Conditional Guarantors. The obligations of the Conditional Guarantors under the Guaranty are secured by the Deed of Trust by the Conditional Guarantor to William H. Goebel and Matthew T. Murphy, as trustees, for the benefit of the Lender encumbering certain real properties located in Anne Arundel County, Maryland, and other property of the Conditional

Guarantors as more particularly described therein (the "PROPERTY"), and by an Indemnity Assignment of Leases and Rents (the "ASSIGNMENT") of even date herewith by the Conditional Guarantors for the benefit of the Lender. The Deed of Trust and the Assignment contain terms and provisions which provide grounds for acceleration of the Debt together with additional remedies in the event of default thereunder. Failure on the part of Lender to exercise any right granted herein or in the aforesaid Deed of Trust or Assignment shall not constitute a waiver of such right or preclude the subsequent exercise and enforcement thereof. This Note, the Conditional Guaranty, the Deed of Trust and all documents now or hereafter executed by Borrower or Conditional Guarantors or held by Lender or Trustees relating to the Loan, including all amendments, are herein collectively referred to as the "LOAN DOCUMENTS".

Section 4. Events of Default.

(a) It is an "EVENT OF DEFAULT" under this Note:

(i) if Borrower fails to pay any amount due, as and when required, under this Note or any other Loan Document and the failure continues for a period of 5 days; or

(ii) if an Event of Default occurs under any other Loan Document.

(b) If an Event of Default occurs, Lender may declare all or any portion of the Debt immediately due and payable ("ACCELERATION") and exercise any of the other Remedies.

Section 5. Default Rate. Interest on the Principal will accrue at the rate of 12.72% per annum ("Default Interest Rate") from the date an Event of Default occurs.

Section 6. Late Charges.

(a) If Borrower fails to pay any Debt Service Payment when due and the failure continues for a period of 5 days or more or fails to pay any amount due under the Loan Documents on the Maturity Date, Borrower agrees to pay to Lender an amount (a "LATE CHARGE") equal to five cents (\$.05) for each one dollar (\$1.00) of the delinquent payment.

(b) Borrower acknowledges that:

(i) a delinquent payment will cause damage to Lender;

(ii) the Late Charge is intended to compensate Lender for loss of use of the delinquent payment and the expense incurred and time and effort associated with recovering the delinquent payment;

4

(iii) it will be extremely difficult and impractical to ascertain the extent of Lender's damages caused by the delinquency; and

(iv) the Late Charge represents Lender and Borrower's reasonable estimate of Lender's damages from the delinquency and is not a penalty.

Section 7. Limitation of Liability. (a) Notwithstanding any provision in this Note to the contrary, except as set forth in subsections (b) through (e) below, if Lender seeks to enforce the collection of the Principal, the Interest, the Late Charges, the Prepayment Premiums, the Expenses, any additional advances made by Lender in connection with the Loan and all other amounts payable under the Loan Documents (the "DEBT"), Lender will first declare a default under this Note and exercise its remedies under the Conditional Guaranty and under the Deed of Trust instead of instituting suit on this Note. If following a sale of all of the parcels comprising the Property under the Deed of Trust a lesser sum is realized therefrom than that due under the then outstanding Debt, Lender will not institute any Proceeding against Borrower or Borrower's general partners or principals, if any, for or on account of the deficiency, and Lender shall not have recourse against Borrower or Borrower's general partner for any portion of the Debt, except in each instance as set forth in subsections (b) through (e) below.

(b) The limitation of liability in subsection (a) will not affect or impair (i) Lender's rights and remedies under the other Loan Documents, including Lender's right as mortgagee or secured party to commence an action to foreclose any lien or security interest Lender has under the Loan Documents against any parcel remaining encumbered thereby or any additional collateral held; (ii) the validity of the Loan Documents, the Borrower's Obligations, the obligations of the Conditional Guarantors under the Loan Documents to which they are a party (the "GUARANTORS' OBLIGATIONS"); or (iii) Lender's right to present and collect on any letter of credit or other credit enhancement document held by Lender in connection with the Borrower's

(c) The following are excluded and excepted from the limitation of liability in subsection (a) and Lender may recover personally against Borrower and its general partners, for the following:

(i) all losses suffered and liabilities and expenses incurred by Lender relating to any fraud or intentional misrepresentation or omission by Borrower or Conditional Guarantors or any of their partners, members, officers, directors, shareholders or principals in connection with (A) the performance of any of the conditions to Lender making the loan evidenced hereby (the "LOAN"); (B) any inducements to Lender to make the Loan; (C) the execution and delivery of the Loan Documents; (D) any certificates, representations or warranties given in connection with the Loan; or (E) Borrower's performance of the Borrower's Obligations or Guarantors' performance of the Guarantors' Obligations;

5

(ii) all Rents derived from the Property after a default under the Loan Documents which default is a basis of a Proceeding by Lender to enforce collection of the Debt and all moneys that, on the date such a default occurs, are on deposit in one or more accounts used by or on behalf of Conditional Guarantors (or any of them) relating to the operation of the Property, except to the extent properly applied to payment of Debt Service Payments, Impositions, Insurance Premiums and any reasonable and customary expenses incurred by Conditional Guarantors in the operation, maintenance and leasing of the Property or delivered to Lender;

(iii) the cost of remediation of any Environmental Activity affecting the Property and any other losses suffered and liabilities and expenses incurred by Lender relating to a default under the Article of the Deed of Trust entitled "ENVIRONMENTAL";

(iv) all security deposits collected by Conditional Guarantors or any of Conditional Guarantors' predecessors and not refunded to Tenants in accordance with their respective Leases, applied in accordance with the Leases or Law or delivered to Lender, and all advance rents (more than thirty (30) days in advance) collected by Conditional Guarantors or any of Conditional Guarantors' predecessors and not applied in accordance with the Leases or delivered to Lender;

(v) the replacement cost of any Fixtures or Personal Property removed from the Property after an Event of Default occurs;

(vi) all losses suffered and liabilities and expenses incurred by Lender relating to any acts or omissions by Conditional Guarantors that result in waste (including economic and non-physical waste) on the Property;

(vii) all protective advances and other payments made by Lender pursuant to express provisions of the Loan Documents to protect Lender's security interest in the Property or to protect the assignment of the property described in and effected by the Assignment, but only to the extent that the Rents would have been sufficient to permit Conditional Guarantors to make the payment and Conditional Guarantors failed to do so;

(viii) any misappropriation of the proceeds of the Loan, to the extent the proceeds of the Loan are not used to repay prior liens, including mechanics' liens affecting the Property as of the date hereof, and all mechanics' or similar liens relating to work performed on or materials delivered to the Property prior to Lender exercising its Remedies, but only to the extent Lender had advanced funds to pay for the work or materials;

(ix) all Proceeds that are not applied in accordance with the Deed of Trust or

6

not paid to Lender as required under the Deed of Trust; and

(x) all losses suffered and liabilities and expenses incurred by Lender or Trustees in connection with the imposition or collection by any Government or any person, at any time, of any recordation tax, transfer tax or any other charge relating to or on account of the recordation of the Deed of Trust or Lender's lien thereunder.

(d) Nothing under subparagraph (a) above will be deemed to be a waiver of any right which Lender may have under Section 506(a), 506(b), 1111(b) or any other provisions of the Bankruptcy Code or under any other Law relating to bankruptcy or insolvency to file a claim for the full amount of the Debt or to require that any collateral securing any or all of the Borrower's Obligations and the Guarantors' Obligations will continue to secure such obligations in accordance with the Loan Documents.

(e) Notwithstanding the foregoing, it is expressly understood and agreed that the aforesaid limitation of liability will in no way affect or apply to Borrower, and Borrower will be liable for the Debt, if Borrower or any of Conditional Guarantors, or any of their general partners, members or officers, as the case may be, or any person, seeks to set aside the Guaranty as a preference in any bankruptcy or similar proceeding.

Section 8. WAIVERS. BORROWER WAIVES PRESENTMENT FOR PAYMENT, DEMAND, DISHONOR AND NOTICE OF ANY OF THE FOREGOING. BORROWER FURTHER WAIVES ANY PROTEST, LACK OF DILIGENCE OR DELAY IN COLLECTION OF THE DEBT OR ENFORCEMENT OF THE LOAN DOCUMENTS. BORROWER AND ALL ENDORSERS, SURETIES AND GUARANTORS OF THE BORROWER'S OBLIGATIONS CONSENT TO ANY EXTENSIONS OF TIME, RENEWALS, WAIVERS AND MODIFICATIONS THAT LENDER MAY GRANT WITH RESPECT TO THE BORROWER'S OBLIGATIONS AND TO THE RELEASE OF ANY SECURITY FOR THE CONDITIONAL GUARANTY AND AGREE THAT ADDITIONAL MAKERS MAY BECOME PARTIES TO THIS NOTE AND ADDITIONAL ENDORSERS, GUARANTORS OR SURETIES MAY BE ADDED WITHOUT NOTICE AND WITHOUT AFFECTING THE LIABILITY OF THE ORIGINAL MAKER OR ANY ORIGINAL ENDORSER, SURETY OR GUARANTOR. BORROWER, BY ITS EXECUTION OF THIS NOTE, AND LENDER, BY ITS ACCEPTANCE HEREOF, EACH HEREBY VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHT EACH MAY HAVE TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER, OR IN CONNECTION WITH THIS NOTE. IN ADDITION:

SECTION 8.1. WAIVER OF STATUTE OF LIMITATIONS. BORROWER WAIVES THE RIGHT TO CLAIM ANY STATUTE OF LIMITATIONS AS A DEFENSE TO BORROWER'S PAYMENT AND PERFORMANCE OF THE BORROWER'S OBLIGATIONS.

7

SECTION 8.2. WAIVER OF NOTICE. BORROWER WAIVES THE RIGHT TO RECEIVE ANY NOTICE FROM LENDER WITH RESPECT TO THE LOAN DOCUMENTS EXCEPT FOR THOSE NOTICES THAT LENDER IS EXPRESSLY REQUIRED TO DELIVER PURSUANT TO THE LOAN DOCUMENTS.

SECTION 8.3. [INTENTIONALLY DELETED]

SECTION 8.4. GENERAL WAIVER. BORROWER ACKNOWLEDGES THAT (A) BORROWER AND BORROWER'S PARTNERS, MEMBERS OR PRINCIPALS, AS THE CASE MAY BE, ARE KNOWLEDGEABLE BORROWERS OF COMMERCIAL FUNDS AND EXPERIENCED REAL ESTATE DEVELOPERS OR INVESTORS WHO UNDERSTAND FULLY THE EFFECT OF THE ABOVE PROVISIONS; (B) LENDER WOULD NOT MAKE THE LOAN WITHOUT THE PROVISIONS OF THIS SECTION; (C) THE LOAN IS A COMMERCIAL OR BUSINESS LOAN UNDER THE LAWS OF THE STATE OR COMMONWEALTH WHERE THE PROPERTY IS LOCATED NEGOTIATED BY LENDER AND BORROWER AND THEIR RESPECTIVE ATTORNEYS AT ARMS LENGTH; AND (D) ALL WAIVERS BY BORROWER IN THIS SECTION HAVE BEEN MADE VOLUNTARILY, INTELLIGENTLY AND KNOWINGLY, AFTER BORROWER FIRST HAS BEEN INFORMED BY COUNSEL OF BORROWER'S OWN CHOOSING AS TO POSSIBLE ALTERNATIVE RIGHTS, AND HAS BEEN MADE AS AN INTENTIONAL RELINQUISHMENT AND ABANDONMENT OF A KNOWN RIGHT AND PRIVILEGE. THE FOREGOING ACKNOWLEDGMENT IS MADE WITH THE INTENT THAT LENDER AND ANY SUBSEQUENT HOLDER OF THE NOTE WILL RELY ON THE ACKNOWLEDGMENT.

Section 9. Commercial Loan. Borrower warrants that the Loan is a commercial loan within the meanings of Section 12-101 ET SEQ. of the Commercial Law Article of the Annotated Code of Maryland (1990 Repl. Vol., as amended).

Section 10. Usury Limitations. Borrower and Lender intend to comply with all Laws with respect to the charging and receiving of interest. Any amounts charged or received by Lender for the use or forbearance of the Principal to the extent permitted by Law, will be amortized and spread throughout the Term until payment in full so that the rate or amount of interest charged or received by Lender on account of the Principal does not exceed the Maximum Interest Rate. If any amount charged or received under the Loan Documents that is deemed to be interest is determined to be in excess of the amount permitted to be charged or received at the Maximum Interest Rate, the

excess will be deemed to be a prepayment of Principal when paid, without premium, and any portion of the excess not capable of being so applied will be refunded to Borrower. If during the Term the Maximum Interest Rate, if any, is eliminated, then for purposes of the Loan, there will be no Maximum Interest Rate.

Section 11. Applicable Law. This Note is governed by and will be construed in accordance with the Laws of the State of Maryland.

8

Section 12. Time of the Essence. Time is of the essence with respect to the payment and performance of the Borrower's Obligations.

Section 13. Cross-default. A default under any other note now or hereafter secured by the Loan Documents or under any loan document related to such other note constitutes a default under this Note and under the other Loan Documents. When the default under the other note constitutes an Event of Default under that note or the related loan document, an Event of Default also will exist under this Note and the other Loan Documents.

Section 14. [INTENTIONALLY DELETED]

Section 15. Construction. Unless expressly provided otherwise in this Note, this Note will be construed in accordance with the Exhibit attached to this Note entitled "RULES OF CONSTRUCTION".

Section 16. Miscellaneous Provisions.

(a) Payment of Expenses. Borrower is obligated to pay all fees and expenses (the "Expenses") incurred by Lender that are otherwise payable in connection with the Loan or Borrower, including reasonable attorneys' fees and expenses and any fees and expenses relating to the (i) the preparation, execution, acknowledgment, delivery and recording or filing the Loan Documents; (ii) any Proceeding or other claim asserted against Lender; (iii) any inspection, assessment, survey and tests permitted under the Loan Documents; (iv) any destruction event under the Deed of Trust; (v) the preservation of Lender's security and exercise of any rights or Remedies available at Law, in equity or otherwise; and (vi) the Leases and the Property Documents. Borrower will pay the Expenses immediately on demand, together with any applicable interest, Premiums or penalties. If Lender pays any of the Expenses, Borrower will reimburse Lender the amount paid by Lender immediately upon demand, together with interest on such amount at the Default Interest Rate from the date which is five (5) days after the date of which Lender demanded payment through and including the date Borrower reimburses Lender. The Expenses together with any applicable interest, Premiums or penalties constitute a portion of the Debt.

(b) Duty to Defend. If Lender or any of its trustees, officers, participants, employees or affiliates is a party in any Proceeding relating to the Borrower or the Loan, Borrower will indemnify and hold harmless the party and will defend the party and attorneys and other professionals retained by Borrower and approved by Lender. Lender may elect to engage its own attorneys and other professionals, at Borrower's expense, to defend or to assist in the defense of the party. In all events, case strategy will be determined by Lender if Lender so elects and no Proceeding will be settled without Lender's prior approval which may be withheld in its sole discretion.

(c) Notices. Notices shall be given as provided in the Deed of Trust, except that any notice made to Borrower shall be made at the address set forth above.

9

(d) Lender's Discretion. Whenever under this Note any matter is required to be satisfactory to Lender, Lender's approval, determination or election will be made in Lender's reasonable discretion unless expressly provided to the contrary.

(e) Unenforceable Provisions. If any provision of this Note is found to be illegal or unenforceable or would operate to invalidate any other part of this Note, then the provision will be deemed expunged and this Note will be construed as though the provision was not contained herein, and the remainder of the Note shall remain in full force and effect.

(f) Relationship Between Borrower and Lender.

(i) Lender is not a partner of or joint venturer with Borrower or any other entity as a result of the Loan; the relationship between Lender and

Borrower is strictly that of creditor and debtor. Each Loan Document is an agreement between the parties to that Loan Document for the mutual benefit of those parties, and no entities other than the parties to that Loan Document will be a third party beneficiary or will have any claim against Lender or Borrower by virtue of the Loan Document. As between Lender and Borrower, any actions taken by Lender under the Loan Documents will be taken for Lender's protection only, and Lender has not and will not be deemed to have assumed any responsibility to Borrower or to any other entity by virtue of Lender's actions.

(ii) All conditions to Borrower's performance of its Obligations under the Loan Documents are imposed solely for the benefit of Lender. No entity other than Lender will have standing to require satisfaction of the conditions in accordance with the provisions or will be entitled to assume that Borrower will refuse to perform its Obligations in the absence of strict compliance with any of the conditions.

(g) Service of Process. Borrower irrevocably consents to service of process by registered or certified mail, postage prepaid, return receipt requested, to Borrower at its address set forth above.

(h) Entire Agreement. Oral agreements or commitments between Borrower and Lender to lend money, to extend credit or to forbear from enforcing repayment of the Debt, including promises to extend or renew the Debt, are not enforceable. Any agreements between Borrower and Lender relating to the Loan are contained in the Loan Documents, which contain the complete and exclusive statement of the agreements between Borrower and Lender, and except as Borrower and Lender may later agree in writing to amend the Loan Documents. The language of each Loan Document will be construed as a whole according to its fair meaning and will not be construed against the draftsman.

(i) No Oral Amendment. The Loan Documents may not be amended, waived or terminated orally or by any act or omission made individually by Borrower or Lender but may be amended, waived or terminated only by a written document signed by a party against which enforcement of the amendment, waiver or termination is sought.

(j) Time of the Essence. Time is of the essence with respect to Borrower's payment

10

and performance of the Obligations.

(k) Successors and Assigns. This Note binds the parties hereto and their respective successors, assigns, heirs, administrators, executors, agents and representatives and inure to the benefit of Lender and its successors, assigns, heirs, administrators, executors, agents and representatives.

Section 17. Joint and Several Liability; Successors and Assigns. If Borrower consists of more than one entity, the obligations and liabilities of each such entity will be joint and several. This Note binds Borrower and its successors, assigns, heirs, administrators, executors, agents and representatives and inures to the benefit of Lender and its successors, assigns, heirs, administrators, executors, agents and representatives.

Section 18. Absolute Obligation. Except for the Section of this Note entitled "LIMITATION OF LIABILITY", no reference in this Note to the other Loan Documents and no other provision of this Note or of the other Loan Documents will impair or alter the obligation of Borrower, which is absolute and unconditional, to pay the Principal, interest at the Fixed Interest Rate and any other amounts due and payable under this Note, as and when required.

IN WITNESS WHEREOF, Borrower has executed and delivered this Note as of the date first set forth above.

WITNESS/ATTEST:

CORPORATE OFFICE PROPERTIES, L.P.

By: Corporate Office Properties Trust,
its general partner

by: _____ (SEAL)

Name: Roger A. Waesche, Jr.

Title: Senior Vice President

EXHIBIT A

RULES OF CONSTRUCTION

(a) References in any Loan Document to numbered Articles or Sections are references to the Articles and Sections of that Loan Document. References in any Loan Document to lettered Exhibits are references to the Exhibits attached to that Loan Document, all of which are incorporated in and constitute a part of that Loan Document. Article, Section and Exhibit captions used in any Loan Document are for reference only and do not describe or limit the substance, scope or intent of that Loan Document or the individual Articles, Sections or Exhibits of that Loan Document.

(b) The terms "include", "including" and similar terms are construed as if followed by the phrase "without limitation".

(c) The terms "Land", "Improvements", "Fixtures and Personal Property", "Condemnation Awards", "Insurance Proceeds" and "Property" are construed as if followed by the phrase "or any part thereof".

(d) Any agreement by or duty imposed on Borrower or a Conditional Guarantor in any Loan Document to perform any obligation or to refrain from any act or omission constitutes a covenant running with the ownership or occupancy of the Land and the Improvements, which will bind all parties hereto and their respective successors and assigns, and all lessees, subtenants and assigns of same, and all occupants and subsequent owners of the Property, and will inure to the benefit of Lender and all subsequent holders of the Note and the Deed of Trust and includes a covenant by Borrower and the Conditional Guarantors to cause their respective partners, members, principals, agents, representatives and employees to perform the obligation or to refrain from the act or omission in accordance with the Loan Documents. Any statement or disclosure contained in any Loan Document about facts or circumstances relating to the Property, Borrower, Conditional Guarantors, or the Loan constitutes a representation and warranty by Borrower and the Conditional Guarantors made as of the date of the Loan Document in which the statement or disclosure is contained.

(e) The term "to Borrower's knowledge" is construed as meaning to the best of Borrower's knowledge after diligent inquiry.

(f) The singular of any word includes the plural and the plural includes the singular. The use of any gender includes all genders.

(g) The terms "person", "party" and "entity" include natural persons, firms, partnerships, limited liability companies and partnerships, corporations and any other public or private legal entity.

(h) The term "provisions" includes terms, covenants, conditions, agreements and requirements.

(i) The term "amend" includes modify, supplement, extend, replace or substitute and the term "amendment" includes modification, supplement, extension, replacement and substitution.

(j) Reference to any specific Law or to any document or agreement, including the Note, the Conditional Guaranty, the Deed of Trust, any of the other Loan Documents, and any Property Documents includes any future amendments to the same, as the case may be.

(k) No inference in favor of or against a party with respect to any provision in any Loan Document may be drawn from the fact that the party drafted the Loan Document.

(l) The term "certificate" means the sworn, notarized statement of the entity giving the certificate, made by a duly authorized person satisfactory to Lender affirming the truth and accuracy of every statement in the certificate. Any document that is "certified" means the document has been appended to a certificate of the entity certifying the document that affirms the truth and accuracy of everything in the document being certified. In all instances the entity issuing a certificate must be satisfactory to Lender.

(m) Any appointment of Lender as Borrower's attorney-in-fact is

irrevocable and coupled with an interest. Lender may appoint a substitute attorney-in-fact. Borrower ratifies all actions taken by the attorney-in-fact but, nevertheless, if Lender requests, Borrower will specifically ratify any action taken by the attorney-in-fact by executing and delivering to the attorney-in-fact or to any entity designated by the attorney-in-fact all documents necessary to effect the ratification.

(n) Any document, instrument or agreement to be delivered by Borrower will be in form and content satisfactory to Lender.

(o) All obligations, rights, remedies and waivers contained in the Loan Documents will be construed as being limited only to the extent required to be enforceable under the Law.

(p) The unmodified word "days" means calendar days.

INDEMNITY DEED OF TRUST, ASSIGNMENT OF LEASES AND RENTS
AND SECURITY AGREEMENT

by and between

AIRPORT SQUARE II, LLC
AIRPORT SQUARE IV, LLC

AIRPORT SQUARE V, LLC
AIRPORT SQUARE X, LLC

AIRPORT SQUARE XI, LLC
AIRPORT SQUARE XIII, LLC

AIRPORT SQUARE XIV, LLC
AIRPORT SQUARE XIX, LLC
AIRPORT SQUARE XX, LLC
AIRPORT SQUARE XXI, LLC

TECH PARK I, LLC
TECH PARK II, LLC

and

TECH PARK IV, LLC

as Grantor

and

WILLIAM H. GOEBEL and MATTHEW T. MURPHY,

as Trustees
for the benefit of

TEACHERS INSURANCE AND ANNUITY ASSOCIATION
OF AMERICA,

As Lender

Property Known As
Airport Square II
Airport Square IV
Airport Square V
Airport Square X
Airport Square XI

Airport Square XIII
Airport Square XIV
Airport Square XIX

Airport Square XX
Airport Square XXI

Tech Park I
Tech Park II
Tech Park IV

This Indemnity Deed of Trust Was Prepared By
And After Recordation This Indemnity Deed of Trust Should be
Returned To:

William H. Goebel, Esquire
c/o Teachers Insurance and Annuity

Association of America
730 Third Avenue

New York, New York 10017

INDEMNITY DEED OF TRUST, ASSIGNMENT OF LEASES AND RENTS
AND SECURITY AGREEMENT

THIS INDEMNITY DEED OF TRUST, ASSIGNMENT OF LEASES AND RENTS AND
SECURITY AGREEMENT (this "DEED OF TRUST") made this 30 day of September, 1999,
by Airport Square II, LLC, Airport Square IV, LLC, Airport Square V, LLC,
Airport Square X, LLC, Airport Square XI, LLC, Airport Square XIII, LLC, Airport
Square XIV, LLC, Airport Square XIX, LLC, Airport Square XX, LLC, Airport Square
XXI, LLC, Tech Park I, LLC, Tech Park II, LLC, and Tech Park IV, LLC
(collectively, "GRANTOR"), each, a Maryland limited liability company, having
their principal place of business at 8815 Centre Park Drive, Suite 400,

Columbia, Maryland 21045 to WILLIAM H. GOEBEL and MATTHEW T. MURPHY having an office at c/o 730 Third Avenue, New York, New York 1007 ("TRUSTEES"), for the benefit of TEACHERS INSURANCE AND ANNUITY ASSOCIATION OF AMERICA ("LENDER"), a New York corporation, having an address at 730 Third Avenue, New York, New York 10017.

RECITALS:

A. Lender agreed to make a loan to Corporate Office Properties, L.P. a Delaware limited partnership (the "BORROWER") and Borrower has agreed to accept a loan (the "LOAN") in the maximum principal amount of \$60,000,000.

B. To evidence the Loan, Borrower executed and delivered to Lender Borrower's promissory note (the "NOTE"), dated of even date herewith, in the principal amount of Sixty Million Dollars (\$60,000,000) (that amount or so much as is outstanding from time to time is referred to as the "PRINCIPAL"). Pursuant to the Note, Borrower promises to pay the Principal with interest thereon to the order of Lender as set forth in the Note and with the balance, if any, of the Debt being due and payable on October 1, 2006 (the "MATURITY DATE").

C. Grantor has executed a Conditional Guaranty Agreement of even date herewith, to and for the benefit of Lender (the "GUARANTY"), pursuant to which Grantor has, jointly and severally, conditionally guaranteed to Lender the Borrower's obligations under the Note. The Guarantor is not primarily obligated under the Loan.

D. To secure the Grantor's obligations under the Guaranty, this Deed of Trust conveys, among other things, Grantor's fee interest in the certain real property located in the County of Anne Arundel, State of Maryland more particularly described in EXHIBIT A as Parcels 1 through 13 (the "LAND").

E. As a condition precedent to making the Loan to Borrower, Lender required Grantor to execute and deliver this Deed of Trust to secure the Guarantor's Obligations under the Guaranty. As used herein, "OBLIGATIONS" means and includes: (a) all present and future liabilities and obligations of Grantor under the Guaranty, this Deed of Trust and the other Financing Documents, including principal, interest and all other amounts due or to become due

under the Guaranty, this Deed of Trust and the other Financing Documents, and (b) all present and future liabilities and obligations of Grantor under the provisions of this Deed of Trust including (i) all Expenses, and (ii) any and all other amounts and indemnifications which are included as a part of the Obligations pursuant to the provisions of this Deed of Trust. The Guaranty, this Deed of Trust, and any other agreements or documents both now and hereafter furnished or executed by Grantor or any other person or persons to evidence, secure, guaranty or in connection with the Obligations are hereinafter collectively referred to as the "FINANCING DOCUMENTS".

ARTICLE I

DEFINITIONS AND RULES OF CONSTRUCTION

SECTION 1.1. DEFINITIONS. Capitalized terms used in this Deed of Trust are defined in EXHIBIT B or in the text with a cross-reference in EXHIBIT B.

SECTION 1.2. RULES OF CONSTRUCTION. This Deed of Trust will be interpreted in accordance with the rules of construction set forth in EXHIBIT C.

ARTICLE II

GRANTING CLAUSES

SECTION 2.1. ENCUMBERED PROPERTY. Grantor irrevocably grants, mortgages, warrants, conveys, assigns and pledges to Trustees, in trust, WITH POWER OF SALE and the right of entry and possession, and grants to Trustees a security interest in, the following property, rights, interests and estates now or in the future owned or held by Grantor (the "PROPERTY") for the uses and purposes set forth in this Deed of Trust forever:

(i) the Land;

(ii) all buildings and improvements located on the Land (the "IMPROVEMENTS");

(iii) all easements; rights of way or use, including any rights of ingress and egress; streets, roads, ways, sidewalks, alleys and passages; strips and gores; sewer rights; water, water rights, water courses, riparian rights and drainage rights; air rights and development rights; oil and mineral rights; and tenements, hereditaments and appurtenances, in each instance adjoining or otherwise appurtenant to or benefitting the Land or the Improvements;

(iv) all materials intended for construction, re-construction, alteration or repair of the Improvements, such materials to be deemed included in the

immediately on delivery to the Land; all fixtures and personal property that are attached to, contained in or used in connection with the Land or the Improvements (excluding personal property owned by tenants and excluding removable fixtures and appurtenances), including: furniture; furnishings; machinery; motors; elevators; fittings; microwave ovens; refrigerators; office systems and equipment; plumbing, heating, ventilating and air conditioning systems and equipment; maintenance and landscaping equipment; lighting, cooking, laundry, dry cleaning, refrigerating, incinerating and sprinkler systems and equipment; telecommunications systems and equipment; computer or word processing systems and equipment; security systems and equipment; and equipment leases for any of the property described in this subsection (the "FIXTURES AND PERSONAL PROPERTY");

(v) all agreements, ground leases, grants of easements or rights-of-way, permits, declarations of covenants, conditions and restrictions, disposition and development agreements, planned unit development agreements, cooperative, condominium or similar ownership or conversion plans, management, leasing, brokerage or parking agreements or other material documents affecting Borrower of the Land, the Improvements or the Fixtures and Personal Property, including the documents described in EXHIBIT D but expressly excluding the Leases (the "PROPERTY DOCUMENTS");

(vi) all inventory (including all goods, merchandise, raw materials, incidentals, office supplies and packaging materials) held for sale, lease or resale or furnished or to be furnished under contracts of service, or used or consumed in the ownership, use or operation of the Land, the Improvements or the Fixtures and Personal Property, all documents of title evidencing any part of any of the foregoing and all returned or repossessed goods arising from or relating to any sale or disposition of inventory;

(vii) all intangible personal property relating to the Land, the Improvements or the Fixtures and Personal Property, including choses in action and causes of action (except those personal to Grantor), corporate and other business records, inventions, designs, promotional materials, blueprints, plans, specifications, patents, patent applications, trademarks, trade names, trade secrets, goodwill, copyrights, registrations, licenses, franchises, claims for refunds or rebates of taxes, insurance surpluses, refunds or rebates of taxes and any letter of credit, guarantee, claim, security interest or other security held by or granted to Grantor to secure payment by an account debtor of any of the accounts of Grantor arising out of the ownership, use or operation of the Land, the Improvements or the Fixtures and Personal Property, and documents covering all of the foregoing; all accounts, accounts receivable, documents, instruments, money, deposit accounts, funds deposited in accounts established with a bank, savings and loan association, trust company or other financial institution in connection with the ownership, use or operation of the Property, including any reserve accounts or escrow accounts, and all investments of the funds and all other general intangibles;

(viii) all awards and other compensation paid after the date of this Deed of Trust for any Condemnation (the "CONDEMNATION AWARDS");

(ix) all proceeds of and all unearned premiums on the Policies (the "INSURANCE PROCEEDS");

(x) all licenses, certificates of occupancy, contracts, management agreements, operating agreements, operating covenants, franchise agreements, permits and variances relating to the Land, the Improvements or the Fixtures and Personal Property;

(xi) all books, records and other information, wherever located, which are in Borrower's possession, custody or control or to which Grantor is entitled at law or in equity and which are related to the Property, including all computer or other equipment used to record, store, manage, manipulate or access the information;

(xii) all deposits held from time to time by the Accumulations Depository to provide reserves for Taxes and Assessments together with interest thereon, if any (the "ACCUMULATIONS");

(xiii) all after-acquired title to or remainder or reversion in any of the property described in this Section; all additions, accessions and extensions to, improvements of and substitutions or replacements for any of such property; all products and all cash and non-cash proceeds,

immediate or remote, of any sale or other disposition of any of such property, excluding sales or other dispositions of inventory in the ordinary course of the business of operating the Land or the Improvements; and all additional lands, estates, interests, rights or other property acquired by Grantor after the date of this Deed of Trust for use in connection with the Land and Improvements, all without the need for any additional mortgage, assignment, pledge or conveyance to Lender but Grantor will execute and deliver to Lender, upon Lender's request, any documents reasonably requested by Lender to further evidence the foregoing; and

(xiv) all deposits for reserves held from time to time by an escrow holder in accordance with the Pledge and Security Agreement described in the Section entitled "RESERVES" and all accounts established to maintain the deposits together with investments thereof and interest thereon.

SECTION 2.2. HABENDUM CLAUSE. The Property is conveyed to Trustees, and the Trustees' successors and assigns, to have and to hold forever in fee simple, but subject, however, to defeasance as described in Section 2.4 of this Deed of Trust.

SECTION 2.3. SECURITY AGREEMENT.

The Property includes both real and personal property and this Deed of Trust is a real property mortgage and also a "security agreement" and a "financing statement" within the meaning of the Maryland Uniform Commercial Code. By executing and delivering this Deed of Trust, Grantor grants to Lender, as security for the Obligations, a security interest in the Property to the full extent that any of the Property may be subject to the Uniform Commercial Code.

SECTION 2.4. CONDITIONS TO GRANT. This Deed of Trust is made on the express condition

4

that if Grantor pays and performs the Obligations in full in accordance with the Loan Documents, whether such obligations are now existing or hereafter arising, then, the lien of this Deed of Trust will be released at Grantor's expense. Any contractual provisions of a Loan Document that expressly provides in such Loan Document to continue beyond the repayment of the Loan and release of lien of the Deed of Trust shall continue in accordance with their terms.

ARTICLE III

OBLIGATIONS SECURED

SECTION 3.1. THE OBLIGATIONS. This Deed of Trust secures the Obligations, PROVIDED that the foregoing does not limit, qualify or affect in any way the present, absolute nature of the Assignment.

ARTICLE IV

TITLE AND AUTHORITY

SECTION 4.1. TITLE TO THE PROPERTY.

(a) Subject to the conveyance effectuated by this Deed of Trust, Grantor has and will continue to have good and marketable title in fee simple absolute to the Land and the Improvements and good and marketable title to the Fixtures and Personal Property, all free and clear of liens, encumbrances and charges except the Permitted Exceptions, and has the right to mortgage, give, grant, bargain, sell, lien, setoff, convey, confirm, pledge, assign and hypothecate the same. To Grantor's knowledge, there are no facts or circumstances that might give rise to a lien, encumbrance or charge on the Property. Subject to the Permitted Exceptions, Grantor shall forever specially warrant, defend and preserve such title and the validity and priority of the lien of this Deed of Trust and shall forever warrant and defend the same to Lender against the claims of all persons whomsoever.

(b) Grantor owns and will continue to own all of the other Property free and clear of all liens, encumbrances and charges except the Permitted Exceptions.

(c) This Deed of Trust is and will remain a valid and enforceable first lien on and security interest in the Property, subject only to the Permitted Exceptions.

SECTION 4.2. AUTHORITY.

(a) Grantor is and will continue to be (i) duly organized, validly existing and in good standing under the Laws of the state or commonwealth in which it was organized or incorporated and (ii) duly qualified to conduct business, in good standing, in the state or commonwealth where the Property is located.

(b) Grantor has and will continue to have all approvals required by Law or otherwise and full right, power and authority to (i) own and operate the Property and carry on Grantor's business as now conducted or as proposed to be conducted; (ii) execute and deliver those of the Financing Documents to which it is a party; (iii) grant, mortgage, warrant the title to, convey, assign and pledge the Property to Lender pursuant to the provisions of this Deed of Trust; and (iv) perform the Obligations.

(c) The execution and delivery of the Financing Documents and the performance of the Obligations do not and will not conflict with or result in a default under any Laws or any Leases or Property Documents and do not and will not conflict with or result in a default under any agreement binding upon any party to the Financing Documents.

(d) The Financing Documents constitute and will continue to constitute legal, valid and binding obligations of all parties to the Financing Documents enforceable in accordance with their respective terms.

SECTION 4.3. NO FOREIGN PERSON. Grantor is not a "foreign person" within the meaning of Section 1445(f)(3) of the Code. Borrower is not a "foreign person" within the meaning of Section 1445(f)(3) of the Code.

SECTION 4.4. LITIGATION. There are no Proceedings or, to Grantor's knowledge, investigations against or affecting Grantor or the Property and, to Grantor's knowledge, there are no facts or circumstances that might give rise to a Proceeding or an investigation against or affecting Grantor or the Property. Grantor will give Lender prompt notice of the commencement of any Proceeding or investigation against or affecting the Property or Grantor which could have a material adverse effect on the Property or on Lender's interests in the Property or under the Financing Documents. Grantor also will deliver to Lender such additional information relating to the Proceeding or investigation as Lender may request from time to time.

ARTICLE V

PROPERTY STATUS, MAINTENANCE AND LEASES

SECTION 5.1. STATUS OF THE PROPERTY.

(a) Grantor has obtained and will maintain in full force and effect all certificates, licenses, permits and approvals that are issued or required by Law or by any entity having jurisdiction over the Property or over Grantor or that are necessary for the Permitted Use, for occupancy and operation of the Property for the conveyance described in this Deed of Trust and for the conduct of Grantor's business on the Property in accordance with the Permitted Use.

(b) The Property is and will continue to be serviced by all public utilities required for the Permitted Use of the Property.

(c) All roads and streets necessary for service of and access to the Property for the current or contemplated use of the Property have been completed and are and will continue to be

serviceable, physically open and dedicated to and accepted by the Government for use by the public.

(d) The Property is free from damage caused by a Casualty.

(e) All costs and expenses of labor, materials, supplies and equipment used in the construction of the Improvements have been paid in full.

SECTION 5.2. MAINTENANCE OF THE PROPERTY. Grantor will maintain the Property in thorough repair and good and safe condition, suitable for the Permitted Use, including, to the extent necessary, replacing the Fixtures and Personal Property with property at least equal in quality and condition to that being replaced. Grantor will not erect any new buildings, building additions or other structures on the Land or otherwise materially alter the Improvements without Lender's prior consent which may be withheld in Lender's sole discretion. The Property will be managed by a property manager satisfactory to Lender pursuant to a management agreement satisfactory to Lender and terminable by Grantor upon 30 days notice to the property manager.

SECTION 5.3. CHANGE IN USE. Grantor will use and permit the use of the Property for the Permitted Use and for no other purpose.

SECTION 5.4. WASTE. Grantor will not commit or permit any waste (including economic and non-physical waste), impairment or deterioration of the Property or any alteration, demolition or removal of any of the Property without Lender's

prior consent which may be withheld in Lender's sole discretion.

SECTION 5.5. INSPECTION OF THE PROPERTY. Subject to the rights of tenants having a highly restrictive entry provision under the Leases in GSA or other United States government leases in Airport Square IV, X, XI, XIV, XIX, XX and XXI, Lender has the right to enter and inspect the Property on reasonable prior notice, except during the existence of an Event of Default, when no prior notice is necessary. Lender has the right to engage an independent expert to review and report on Grantor's compliance with Grantor's obligations under this Deed of Trust to maintain the Property, comply with Law and refrain from waste, impairment or deterioration of the Property and the alteration, demolition or removal of any of the Property except as may be permitted by the provisions of this Deed of Trust. If the independent expert's report discloses material failure to comply with such obligations or if Lender engages the independent expert after the occurrence of an Event of Default, then the independent expert's review and report will be at Grantor's expense, payable on demand.

SECTION 5.6. LEASES AND RENTS.

Grantor assigns the Leases and the Rents to Lender absolutely and not merely as additional collateral or security for the payment and performance of the Obligations, but subject to a license back to Grantor of the right to collect the Rents unless and until an Event of Default occurs at which time the license will terminate automatically, all as more particularly set forth in the Assignment, the provisions of which are incorporated in this Deed of Trust by reference.

7

SECTION 5.7. PARKING. Grantor will provide, maintain, police and light parking areas within the Property, including any sidewalks, aisles, streets, driveways, sidewalk cuts and rights-of-way to and from the adjacent public streets, in a manner consistent with the Permitted Use and sufficient to accommodate the greatest of: (i) the number of parking spaces required by Law; (ii) the number of parking spaces required by the Leases and the Property Documents; or (iii) for each of the parcels constituting the Property, the following number of spaces: (A) Parcel 1 - 435 spaces, (B) Parcel 2 - 212 spaces, (C) Parcel 3 - 353 spaces, (D) Parcel 4 - 263 spaces, (E) Parcel 5 - 242 spaces, (F) Parcel 6 - 250 spaces, (G) Parcel 7 - 260 spaces, (H) Parcel 8 - 286 spaces, (I) Parcel 9 - 374 spaces, (J) Parcel 10 - 278 spaces, (K) Parcel 11 - 198 spaces, (L) Parcel 12 - 187 spaces; and (M) Parcel 13 - 206 spaces; subject, however, in each instance to temporary reduction resulting from repairs or alterations at the Property. The parking areas will be reserved and used exclusively for ingress, egress and parking for Grantor and the tenants under the Leases and their respective employees, customers and invitees and in accordance with the Leases and the Property Documents.

SECTION 5.8. SEPARATE TAX LOT. Each of the Parcels constituting the Property is and will remain assessed for real estate tax purposes as one or more wholly independent tax lots, separate from any property that is not part of the Property.

SECTION 5.9. CHANGES IN ZONING OR RESTRICTIVE COVENANTS. Grantor will not (i) initiate, join in or consent to any change in any Laws pertaining to zoning, any restrictive covenant or other restriction which would restrict the Permitted Uses for the Property; (ii) permit the Property to be used to fulfill any requirements of Law for the construction or maintenance of any improvements on property that is not part of the Property; (iii) permit the Property to be used for any purpose not included in the Permitted Use; or (iv) impair the integrity of each of the Parcels of the Property as a single, legally subdivided zoning lot separate from all other property.

SECTION 5.10. LENDER'S RIGHT TO APPEAR. Lender has the right to appear in and defend any Proceeding brought regarding the Property and to bring any Proceeding, in the name and on behalf of Borrower or Grantor or in Lender's name, which Lender, in its sole but reasonable discretion, determines should be brought to protect Lender's interest in the Property.

ARTICLE VI

IMPOSITIONS AND ACCUMULATIONS

SECTION 6.1. IMPOSITIONS. Subject to the requirements of any separate agreement between Grantor and Lender as described in Sections 6.2 and 6.4:

(a) Grantor will pay each Imposition at least 5 days before the date (the "IMPOSITION PENALTY DATE") that is the earlier of (i) the date on which the Imposition becomes delinquent and (ii) the date on which any penalty, interest or charge for non-payment of the Imposition accrues.

(b) Before each Imposition Penalty Date, Grantor will deliver to Lender a receipted bill

or other evidence of payment.

(c) Grantor, at its own expense, may contest any Taxes or Assessments, PROVIDED that the following conditions are met:

- (i) not less than 15 days prior to the Imposition Penalty Date, Grantor delivers to Lender notice of the proposed contest;
- (ii) the contest is by a Proceeding promptly initiated and conducted diligently and in good faith;
- (iii) there is no Event of Default;
- (iv) the Proceeding suspends the collection of the contested Taxes or Assessments or Grantor otherwise secures assurances reasonably satisfactory to Lender from the taxing authority that the taxation will be stayed pending such proceeding;
- (v) the Proceeding is permitted under and is conducted in accordance with the Leases and the Property Documents;
- (vi) the Proceeding precludes imposition of criminal or civil penalties and sale or forfeiture of the Property and Lender will not be subject to any civil suit; and
- (vii) Grantor either deposits with the Accumulations Depository reserves or furnishes a bond or other security satisfactory to Lender, in either case in an amount sufficient to pay the contested Taxes or Assessments, together with all interest and penalties or Grantor pays all of the contested Taxes or Assessments under protest.

(d) INSTALLMENT PAYMENTS. If any Assessment is payable in installments, Grantor will nevertheless pay the Assessment in its entirety on the day the first installment becomes due and payable or a lien, unless Lender, in its sole discretion, approves payment of the Assessment in installments.

SECTION 6.2. ACCUMULATIONS.

(a) Grantor made an initial deposit with either Lender or a mortgage servicer or financial institution designated or approved by Lender from time to time to receive, hold and disburse the Accumulations in accordance with this Section (the "ACCUMULATIONS DEPOSITORY") and in accordance with the Pledge and Security Agreement (the "Pledge and Security Agreement") to be entered into among Grantor, Lender and a pledge agent for the Accumulations Depository. On the first day of each calendar month during the Term Grantor will deposit with the Accumulations Depository an amount equal to one-twelfth (1/12) of the annual Taxes and Assessments as determined by Lender or its designee. At least 30 days before each Imposition Penalty Date, Grantor will deliver to the Accumulations Depository any bills and other documents that are necessary to pay the Taxes and Assessments.

(b) The Accumulations will be applied to the payment of Taxes and Assessments. Any excess Accumulations after payment of Taxes and Assessments will be returned to Grantor or credited against future payments of the Accumulations, at Lender's election or as required by Law. If the Accumulations are not sufficient to pay Taxes and Assessments, Grantor will pay the deficiency to the Accumulations Depository within 5 days of demand. At any time after an Event of Default occurs, Lender may apply the Accumulations as a credit against any portion of the Obligations selected by Lender in its sole discretion.

(c) The Accumulations Depository will hold the Accumulations as additional security for the Obligations until applied in accordance with the provisions of this Deed of Trust. If Lender is not the Accumulations Depository, the Accumulations Depository will deliver the Accumulations to Lender upon Lender's demand at any time after an Event of Default.

(d) If the Property is sold or conveyed other than by foreclosure or transfer in lieu of foreclosure, all right, title and interest of Grantor to the Accumulations will automatically, and without necessity of further assignment, be held for the account of the new owner, subject to the provisions of this Section and Grantor will have no further interest in the Accumulations.

(e) The Accumulations Depository has deposited the initial deposit and will deposit the monthly deposits into a separate interest bearing account in the name of Borrower, as pledged to the Lender as secured party, all in accordance with the Pledge and Security Agreement.

(f) Lender has the right to pay, or to direct the Accumulations Depository to pay, any Taxes or Assessments unless Grantor is contesting the Taxes or

Assessments in accordance with the provisions of this Deed of Trust, in which event any payment of the contested Taxes or Assessments will be made under protest in the manner prescribed by Law or, at Lender's election, will be withheld.

(g) If Lender assigns this Deed of Trust, Lender will pay, or cause the Accumulations Depository to pay, the unapplied balance of the Accumulations to or at the direction of the assignee. Simultaneously with the payment, Lender and the Accumulations Depository will be released from all liability with respect to the Accumulations and Grantor will look solely to the assignee with respect to the Accumulations. When the Obligations have been fully satisfied, any unapplied balance of the Accumulations will be returned to Grantor.

SECTION 6.3. CHANGES IN TAX LAWS. If a Law requires the deduction of the Obligations from the value of the Property for the purpose of taxation or imposes a tax, either directly or indirectly, on the Obligations, any Financing Document or Lender's interest in the Property, Grantor will pay the tax with interest and penalties, if any. If Lender determines that Grantor's payment of the tax may be unlawful, unenforceable, usurious or taxable to Lender, the Obligations will become immediately due and payable on 90 days' prior notice unless the tax must be paid within the 120-day period, in which case, the Obligations will be due and payable within the lesser period, but in such latter event, without the payment of the Prepayment Premium or the Evasion Premium, if then applicable.

SECTION 6.4. RESERVES. Grantor made an initial deposit and will make periodic deposits

10

into an account established as additional security for the payment and performance of the Obligations and further deposits towards potential obligations of capital improvement costs at the Property, each to be held and disbursed in accordance with the Pledge and Security Agreement.

ARTICLE VII

INSURANCE, CASUALTY, CONDEMNATION AND RESTORATION

SECTION 7.1. INSURANCE COVERAGES.

(a) Borrower and Grantor will maintain such insurance coverages and endorsements in form and substance and in amounts as Lender may require in its sole reasonable discretion, from time to time. Until Lender notifies Borrower or Grantor of changes in Lender's requirements, Borrower and Grantor will maintain not less than the insurance coverages and endorsements Lender required for closing of the Loan.

(b) The insurance, including renewals, required under this Section will be issued on valid and enforceable policies and endorsements reasonably satisfactory to Lender (the "POLICIES").

Each Policy will contain a standard waiver of subrogation and a replacement cost endorsement and will provide that Lender will receive not less than 30 days' prior written notice of any cancellation, termination or non-renewal of a Policy or any material change other than an increase in coverage and that Lender will be named under a standard mortgage endorsement as loss payee.

(c) The insurance companies issuing the Policies (the "INSURERS") must be authorized to do business in the State or Commonwealth where the Property is located, must have been in business for at least 5 years, must carry an A.M. Best Company, Inc. policy holder rating of A or better and an A.M. Best Company, Inc. financial category rating of Class X or better and must be otherwise satisfactory to Lender. Lender may select an alternative credit rating agency and may impose different credit rating standards for the Insurers. Notwithstanding Lender's right to approve the Insurers and to establish credit rating standards for the Insurers, Lender will not be responsible for the solvency of any Insurer.

(d) Notwithstanding Lender's rights under this Article, Lender will not be liable for any loss, damage or injury resulting from the inadequacy or lack of any insurance coverage.

(e) Grantor and Borrower will each comply with the provisions of the Policies and with the requirements, notices and demands imposed by the Insurers and applicable to Grantor, Borrower or the Property.

(f) Grantor and Borrower will pay the Insurance Premiums for each Policy not less than 30 days before the expiration date of the Policy being replaced or renewed and will deliver to Lender a certified copy of each Policy (for the initial closing or any replacements of the original policy, with an ACORD 27 certificate for any renewals thereafter) marked "Paid" not less than

10 days prior to the expiration date of the Policy being replaced or renewed.

(g) Neither Grantor nor Borrower will carry separate insurance concurrent in kind or form or contributing in the event of loss with any other insurance carried by Grantor or Borrower.

(h) If Grantor and/or Borrower carries any insurance under a blanket policy, it will deliver to Lender prior to the date hereof or for any replacement policy a certified duplicate copy of the blanket policy (and certificates as described in paragraph (f), above, for renewals) which will allocate to the Property the amount of coverage required under this Section and otherwise will provide the same coverage and protection as would a separate policy insuring only the Property.

(i) Grantor will give the Insurers prompt notice of any change in ownership or use of the Property. This subsection does not abrogate the prohibitions on transfers set forth in this Deed of Trust.

(j) If the Property is sold at a foreclosure sale or otherwise is transferred so as to extinguish the Obligations, all of Grantor's right, title and interest in and to the Policies then in force will be transferred automatically to the purchaser or transferee.

SECTION 7.2. CASUALTY AND CONDEMNATION.

(a) Grantor will give Lender notice of any Casualty immediately after it occurs and will give Lender notice of any Proceeding in Condemnation immediately after Grantor receives notice of commencement or notice that such a Proceeding will be commencing. Grantor immediately will deliver to Lender copies of all documents Grantor delivers or receives relating to the Casualty or the Proceeding, as the case may be.

(b) If the amount of any Insurance Proceeds or Condemnation Awards, as estimated by Lender in its sole but reasonable discretion, is equal to or less than Five Hundred Thousand Dollars (\$500,000), and if Grantor is not at the date of the Casualty subject of an Event of Default beyond any applicable notice and cure period, then in the event of both such instances Grantor shall be authorized to act without Lender's review or consent in collecting, adjusting and compromising any claims for loss, damage or destruction under the Policies or with any Condemnation Proceeding, as may be applicable. If Grantor is entitled to settle such claims without Lender's review or consent, Grantor shall still be required to have the Insurance proceeds or Condemnation Awards, as the case may be, held and applied in accordance with the terms of this Section 7.2

(c) If the amount of any Insurance Proceeds or Condemnation Award exceeds \$500,000, in Lender's sole but reasonable estimation, or if any Event of Default under any Loan Document then remains uncured beyond any applicable notice or cure period (each such event, a "Consent Trigger"), then Grantor authorizes Lender, at Lender's option, to act on Grantor's behalf to collect, adjust and compromise any claims for loss, damage or destruction under the Policies on such terms as Lender determines in Lender's sole discretion. Further, in the event of any

Consent Trigger, Grantor authorizes Lender to act, at Lender's option, on Grantor's behalf in connection with any Condemnation Proceeding. Grantor will execute and deliver to Lender all documents requested by Lender and all documents as may be required by Law to confirm such authorizations. Nothing in this Section will be construed to limit or prevent Lender from joining with Grantor either as a co-defendant or as a co-plaintiff in any Condemnation Proceeding.

(c) If a Consent Trigger occurs but Lender elects not to act on Grantor's behalf as provided in this Section, then Grantor promptly will file and prosecute all claims (including Lender's claims) relating to the Casualty and will prosecute or defend (including defense of Lender's interest) any Condemnation Proceeding. Grantor will have the authority to settle or compromise the claims or Proceeding, as the case may be, PROVIDED that Lender has approved in Lender's sole discretion any compromise or settlement that exceeds \$500,000.00. Any check for Insurance Proceeds or Condemnation Awards, as the case may be (the "PROCEEDS") will be made payable to Lender and Grantor. Grantor will endorse the check to Lender immediately upon Lender presenting the check to Grantor for endorsement or if Grantor receives the check first, will endorse the check immediately upon receipt and forward it to Lender. If any Proceeds are paid to Grantor, Grantor immediately will deposit the Proceeds with Lender, to be applied or disbursed in accordance with the provisions of this Deed of Trust. Lender will be responsible for only the Proceeds actually received by Lender.

SECTION 7.3. APPLICATION OF PROCEEDS. After deducting the costs incurred

by Lender in collecting the Proceeds, Lender may, in its sole discretion, (i) apply the Proceeds as a credit against any portion of the Debt selected by Lender in its sole discretion of the Debt (in which event neither the Prepayment Premium nor the Evasion Premium, if any, shall apply); (ii) apply the Proceeds to restore the Improvements, PROVIDED that Lender will not be obligated to see to the proper application of the Proceeds and PROVIDED FURTHER that any amounts released for Restoration will not be deemed a payment on the Debt; or (iii) deliver the Proceeds to Grantor.

SECTION 7.4. CONDITIONS TO AVAILABILITY OF PROCEEDS FOR RESTORATION.

Notwithstanding the preceding Section, after a Casualty or a Condemnation (a "DESTRUCTION EVENT"), Lender will make the Proceeds (less any costs incurred by Lender in collecting the Proceeds) available for Restoration in accordance with the conditions for disbursements set forth in the Section entitled "RESTORATION", PROVIDED that the following conditions are met:

(i) Each of the entities described above as an original Grantor hereunder, or the transferee under a Permitted Transfer, if any, continues to be Grantor at the time of the Destruction Event and at all times thereafter until the Proceeds have been fully disbursed;

(ii) no default under the Financing Documents exists at the time of the Destruction Event;

(iii) all Leases in effect immediately prior to the Destruction Event and all Property Documents in effect immediately prior to the Destruction Event that are essential to the use and operation of the Property continue in full force and effect, subject to any rental

13

abatements provided in the leases, notwithstanding the Destruction Event;

(iv) the annual Rents (excluding security deposits) under Leases in effect on the date of the Destruction Event, plus any rental insurance proceeds paid or to be paid to Grantor, plus any additional collateral satisfactory to Lender in its sole but reasonable discretion, are providing debt service coverage for the annual Debt Service Payments of 1.40 after payment of annual Insurance Premiums, Impositions and operating expenses of the Property (including ground rent, if any), PROVIDED that, if the combined Rents, rental insurance and other approved collateral, if any, do not provide such debt service coverage, then Grantor expressly authorizes and directs Lender to apply an amount from the Proceeds to reduction of Principal in order to reduce the annual Debt Service Payments sufficiently for such debt service coverage to be achieved (in which event neither the Prepayment Premium nor the Evasion Premium, if any, shall apply). The reduced debt service payments will be calculated using the Fixed Interest Rate and an amortization schedule that will achieve the same proportionate amortization of the reduced Principal over the then remaining Term as would have been achieved if the Principal and the originally scheduled Debt Service Payments had not been reduced. Grantor will execute any documentation that Lender deems reasonably necessary to evidence the reduced Principal and debt service payments.

SECTION 7.5. RESTORATION.

(a) If the total Proceeds for any Destruction Event are \$500,000.00 or less and Lender elects or is obligated by Law or under this Article to make the Proceeds available for Restoration, Lender will disburse to Grantor the entire amount received by Lender and Grantor will commence Restoration promptly after the Destruction Event and complete Restoration not later than the Restoration Completion Date.

(b) If the Proceeds for any Destruction Event exceed \$500,000.00 and Lender elects or is obligated by Law or under this Article to make the Proceeds available for Restoration, Lender will disburse the Proceeds and any Additional Funds (the "RESTORATION FUNDS") upon Grantor's request as Restoration progresses, generally in accordance with normal construction lending practices for disbursing funds for construction costs, PROVIDED that the following conditions are met:

(i) Grantor commences Restoration promptly after the Destruction Event and completes Restoration on or before the Restoration Completion Date;

(ii) if Lender requests, Grantor delivers to Lender prior to commencing Restoration, for Lender's approval, plans and specifications and a detailed budget for the Restoration;

(iii) Grantor delivers to Lender satisfactory evidence of the costs of Restoration incurred prior to the date of the request, and such other documents as Lender may request including mechanics' lien waivers and title insurance endorsements;

- (iv) Grantor pays all costs of Restoration whether or not the Restoration Funds are sufficient and, if at any time during Restoration, Lender determines that the undisbursed balance of the Restoration Funds is insufficient to complete Restoration, Grantor deposits with Lender, as part of the Restoration Funds, an amount equal to the deficiency (or a guaranty or other collateral reasonably satisfactory to Lender in its sole but reasonable discretion) within 30 days of receiving notice of the deficiency from Lender; and
- (v) there is no default under the Financing Documents at the time Grantor requests funds or at the time Lender disburses funds.

(c) If an Event of Default occurs at any time after the Destruction Event, then Lender will have no further obligation to make any remaining Proceeds available for Restoration and may apply any remaining Proceeds as a credit against any portion of the Debt selected by Lender in its sole discretion.

(d) Lender may elect at any time prior to commencement of Restoration or while work is in progress to retain, at Grantor's expense, an independent engineer or other consultant to review the plans and specifications, to inspect the work as it progresses and to provide reports. If any matter included in a report by the engineer or consultant is unsatisfactory to Lender, Lender may suspend disbursement of the Restoration Funds until the unsatisfactory matters contained in the report are resolved to Lender's satisfaction.

(e) If Grantor fails to commence and complete Restoration in accordance with the terms of this Article, then in addition to the Remedies, Lender may elect to restore the Improvements on Grantor's behalf and reimburse itself out of the Restoration Funds for costs and expenses incurred by Lender in restoring the Improvements, or Lender may apply the Restoration Funds as a credit against any portion of the Debt selected by Lender in its sole discretion.

(f) Lender may commingle the Restoration Funds with its general assets but shall assure that any Restoration Funds so commingled shall nonetheless be made available by Lender for application under this Section 7.5; and Lender will not be liable to pay any interest or other return on the Restoration Funds unless otherwise required by Law. Lender will not hold any Restoration Funds in trust. Lender may elect to deposit the Restoration Funds with a depository satisfactory to Lender under a disbursement and security agreement satisfactory to Lender, which Agreement shall provide for a segregation of funds and obligation to pay interest.

(g) Grantor will pay all of Lender's expenses incurred in connection with a Destruction Event or Restoration. If Grantor fails to do so, then in addition to the Remedies, Lender may from time to time reimburse itself out of the Restoration Funds.

(h) If any excess Proceeds remains after Restoration, Lender may elect, in its sole discretion either to apply the excess as a credit against any portion of the Debt as selected by Lender in its sole discretion or to deliver the excess to Grantor.

ARTICLE VIII

COMPLIANCE WITH LAW AND AGREEMENTS

SECTION 8.1. COMPLIANCE WITH LAW. Grantor, the Property and the use of the Property complies and will continue to comply with Law and with all agreements and conditions necessary to preserve and extend all rights, licenses, permits, privileges, franchises and concessions (including zoning variances, special exceptions and non-conforming uses) relating to the Property or Grantor. Grantor will notify Lender of the commencement of any investigation or Proceeding relating to a possible violation of Law promptly (but in no event beyond five (5) business days) after Grantor receives notice thereof and, will deliver promptly to Lender copies of all documents Grantor receives or delivers in connection with the investigation or Proceeding. Grantor will not alter the Property in any manner that would increase Grantor's responsibilities for compliance with Law.

SECTION 8.2. COMPLIANCE WITH AGREEMENTS. There are no defaults, events of defaults or events which, with the passage of time or the giving of notice, would constitute an event of default under the Property Documents. Grantor will pay and perform all of its obligations under the Property Documents as and when required by the Property Documents. Grantor will cause all other parties to the Property Documents to pay and perform their obligations under the Property Documents as and when required by the Property Documents. Grantor will not amend or waive any provisions of the Property Documents; exercise any options under the Property Documents; give any approval required or permitted under the

Property Documents that would adversely affect the Property or Lender's rights and interests under the Financing Documents; cancel or surrender any of the Property Documents; or release or discharge or permit the release or discharge of any party to or entity bound by any of the Property Documents, without, in each instance, Lender's prior approval (excepting therefrom all service contracts or other agreements entered into in the normal course of business that are cancelable upon not more than 30 days notice). Grantor promptly will deliver to Lender copies of any notices of default or of termination that Grantor receives or delivers relating to any Property Document.

SECTION 8.3. ERISA COMPLIANCE.

(a) Neither Grantor nor any of its constituent entities is or will be an "employee benefit plan" as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974 ("ERISA") that is subject to Title I of ERISA or a "plan" as defined in Section 4975(e)(1) of the Code that is subject to Section 4975 of the Code, and neither the assets of Borrower, Grantor or of any of their constituent entities are or will constitute "plan assets" of one or more such plans for purposes of Title I of ERISA or Section 4975 of the Code.

(b) Grantor is not and will continue to not be a "GOVERNMENTAL PLAN" within the meaning of Section 3(32) of ERISA and transactions by or with Grantor or Borrower are not and will not be subject to any Laws regulating investments of and fiduciary obligations with respect to governmental plans.

16

(c) Grantor will not engage in any transaction which would cause any obligation or any action under the Financing Documents or the Loan Documents, including Lender's exercise of the Remedies, to be a non-exempt prohibited transaction under ERISA.

SECTION 8.4. SECTION 6045(e) FILING. Grantor will supply or cause to be supplied to Lender either (i) a copy of a completed Form 1099-S, Statement for Recipients of Proceeds from Real Estate, Broker and Barter Exchange Proceeds prepared by Grantor's attorney or other person responsible for the preparation of the form, together with a certificate from the person who prepared the form to the effect that the form has, to the best of the preparer's knowledge, been accurately prepared and that the preparer will timely file the form; or (ii) a certification from Grantor that the Loan is a refinancing of the Property or is otherwise not required to be reported to the Internal Revenue Service pursuant to Section 6045(e) of the Code. Under no circumstances will Lender or Lender's counsel be obligated to file the reports or returns.

ARTICLE IX

ENVIRONMENTAL

SECTION 9.1. ENVIRONMENTAL REPRESENTATIONS AND WARRANTIES.

Except as disclosed in the Environmental Report and to Grantor's knowledge as of the date of this Deed of Trust:

- (i) no Environmental Activity has occurred or is occurring on the Property other than the use, storage, and disposal of Hazardous Materials which (A) is in the ordinary course of business consistent with the Permitted Use; (B) is in compliance with all Environmental Laws and (C) has not resulted in Material Environmental Contamination of the Property; and
- (ii) no Environmental Activity has occurred or is occurring on any property in the vicinity of the Property which has resulted in Material Environmental Contamination of the Property.

SECTION 9.2. ENVIRONMENTAL COVENANTS.

(a) Grantor will not cause or permit any Material Environmental Contamination of the Property.

(b) No Environmental Activity will occur on the Property other than the use, storage and disposal of Hazardous Materials which (A) is in the ordinary course of business consistent with the Permitted Use; (B) is in compliance with all Environmental Laws; and (C) does not create a risk of Material Environmental Contamination of the Property.

(c) Grantor will notify Lender immediately upon Grantor becoming aware of (i) any Material Environmental Contamination of the Property or (ii) any Environmental Activity with

17

respect to the Property that is not in accordance with the preceding subsection (b). Grantor promptly will deliver to Lender copies of all documents delivered

to or received by Grantor regarding the matters set forth in this subsection, including notices of Proceedings or investigations concerning any Material Environmental Contamination of the Property or Environmental Activity or concerning Grantor's status as a potentially responsible party (as defined in the Environmental Laws). Grantor's notification of Lender in accordance with the provisions of this subsection will not be deemed to excuse any default under the Financing Documents resulting from the violation of Environmental Laws or the Material Environmental Contamination of the Property or Environmental Activity that is the subject of the notice. If Grantor receives notice of a suspected violation of Environmental Laws in the vicinity of the Property that poses a risk of Material Environmental Contamination of the Property, Grantor will give Lender notice and copies of any documents received relating to such suspected violation.

(d) From time to time at Lender's request, Grantor will deliver to Lender any information known and documents available to Grantor relating to the environmental condition of the Property.

(e) Lender may perform or engage an independent consultant to perform an assessment of the environmental condition of the Property and of Grantor's compliance with this Section at any time for reasonable cause or after an Event of Default (if, in both instances, Lender has reasonable suspicion to believe that an Environmental Activity has occurred which could result in a Material Environmental Contamination). In connection with the assessment: (i) Lender or consultant may enter and inspect the Property and perform tests of the air, soil, ground water and building materials; (ii) Grantor will cooperate and use best efforts to cause tenants and other occupants of the Property to cooperate with Lender or consultant; (iii) Grantor will receive a copy of any final report prepared after the assessment, to be delivered to Grantor not more than 10 days after Grantor requests a copy and executes Lender's standard confidentiality and waiver of liability letter; (iv) Grantor will accept custody of and arrange for lawful disposal of any Hazardous Materials required to be disposed of as a result of the tests; (v) Lender will not have liability to Grantor with respect to the results of the assessment; and (vi) Lender will not be responsible for any damage to the Property resulting from the tests described in this subsection and Grantor will look solely to the consultants to reimburse Grantor for any such damage. The consultant's assessment and reports will be at Grantor's expense (i) if the reports disclose any material adverse change in the environmental condition of the Property from that disclosed in the Environmental Report; (ii) if Lender engaged the consultant when Lender had reasonable cause to believe Grantor was not in compliance with the terms of this Article and, after written notice from Lender, Grantor failed to provide promptly reasonable evidence that Grantor is in compliance; or (iii) if Lender engaged the consultant or after the occurrence of an Event of Default.

(f) If Lender has reasonable cause to believe that there is Environmental Activity at the Property, Lender may elect in its sole discretion to direct the Trustees to Reconvey any portion of the Property affected by the Environmental Activity and Grantor will accept the reconveyance.

18

ARTICLE X

FINANCIAL REPORTING

SECTION 10.1. FINANCIAL REPORTING.

(a) Grantor will deliver to Lender within 90 days after the close of each Fiscal Year an annual financial statement (the "ANNUAL FINANCIAL STATEMENT") for the Property and for Corporate Office Properties Trust, upon request of Lender, for the Fiscal Year, which will include a comparative balance sheet, a cash flow statement, an income and expense statement, a detailed breakdown of all receipts and expenses and all supporting schedules. The Annual Financial Statement will be:

(i) unaudited, but certified by the Chief Financial Officer of Corporate Office Properties Trust, on a GAAP basis;

(ii) accompanied by an opinion of such Chief Financial Officer that, in all material respects, the Annual Financial Statement fairly presents the financial position of the Property; and

(iii) separate and distinct from any consolidated statement or report for Grantor, Borrower or any other entity or any other property.

(b) Grantor will keep full and accurate Financial Books and Records for each Fiscal Year. Grantor will permit Lender or Lender's accountants or auditors to inspect or audit the Financial Books and Records from time to time and without notice. Grantor will maintain the Financial Books and Records for each Fiscal Year for not less than 3 years after the date Grantor delivers to Lender the Annual Financial Statement and the other financial certificates, statements and information to be delivered to Lender for the Fiscal Year. Financial Books and Records will be maintained at Grantor's (as applicable) address set forth in

the section entitled "NOTICES" or at any other location as may be approved by Lender.

ARTICLE XI

EXPENSES AND DUTY TO DEFEND

SECTION 11.1. PAYMENT OF EXPENSES.

(a) Grantor is obligated to pay all fees and expenses (the "EXPENSES") incurred by Lender, Trustees or that are otherwise payable in connection with the Loan, the Property or Grantor, including attorneys' fees and expenses and any fees and expenses relating to (i) the preparation, execution, acknowledgment, delivery and recording or filing of the Loan Documents; (ii) any Proceeding or other claim asserted against Lender; (iii) any inspection,

19

assessment, survey and test permitted under the Financing Documents; (iv) any Destruction Event; (v) the preservation of Trustees' title, Lender's security and the exercise of any rights or remedies available at Law, in equity or otherwise; and (vi) the Leases and the Property Documents.

(b) Grantor will pay the Expenses immediately on demand, together with any applicable interest, premiums or penalties. If Lender pays any of the Expenses, Grantor will reimburse Lender the amount paid by Lender immediately upon demand, together with interest on such amount at the Default Interest Rate from the date Lender paid the Expenses through and including the date Grantor reimburses Lender. The Expenses together with any applicable interest, premiums or penalties constitute a portion of the Obligations secured by this Deed of Trust.

SECTION 11.2. DUTY TO DEFEND. If Lender or any of its trustees, officers, participants, employees or affiliates is a party in any Proceeding relating to the Property, Grantor, Borrower or the Loan, Grantor will indemnify and hold harmless the party and will defend the party with attorneys and other professionals retained by Grantor and approved by Lender. Lender may elect to engage its own attorneys and other professionals, at Grantor's expense, to defend or to assist in the defense of the party. In all events, case strategy will be determined by Lender if Lender so elects and no Proceeding will be settled without Lender's prior approval which may be withheld in its sole discretion.

SECTION 11.3. FUTURE ADVANCES. Lender may make future advances to Grantor or to Borrower under the Loan guaranteed by Grantor, and all such future advances and readvances shall be fully secured by the lien and security interest of this Deed of Trust.

ARTICLE XII

TRANSFERS LIENS AND ENCUMBRANCES

SECTION 12.1. PROHIBITIONS ON TRANSFERS, LIENS AND ENCUMBRANCES.

(a) Grantor acknowledges that in making the Loan, Lender is relying to a material extent on the business expertise and net worth of Grantor and its general partners, members or principals and on the continuing interest that it has, directly or indirectly, in the Property. Accordingly, except as specifically set forth in this Deed of Trust, Grantor (i) will not, and will not permit its partners or members to, effect a Transfer without Lender's prior approval, which may be withheld in Lender's sole discretion and (ii) will keep the Property free from all liens and encumbrances other than the lien of this Deed of Trust and the Permitted Exceptions. A "TRANSFER" is defined as any sale, grant, lease (other than bona fide third-party space leases with tenants), conveyance, assignment or other transfer of, or any encumbrance or pledge against, the Property, any interest in the Property, any interest of Grantor's partners, members or principals in the Property, or any change in Grantor's composition, in each instance whether voluntary or involuntary, direct or indirect, by operation of law or otherwise and including the grant of an option or the execution of an agreement relating to any of the foregoing matters.

20

(b) Grantor represents, warrants and covenants that:

(i) Each entity constituting Grantor is a Maryland limited liability company whose managing member is the Borrower, a Delaware limited partnership owning 100% of the of the interests in Grantor.

(ii) If Grantor's member is in turn a partnership, corporation or limited liability company, the general partner, principal or member thereof and the percentage of partnership interest, stock or membership interest held by each (and so on at each level) are as follows: the sole general partner of the Borrower is COPT (defined below); the percentage of interest in the

Borrower currently held by COPT varies because its shares are traded due to its "upreit" structure.

SECTION 12.2. PERMITTED TRANSFERS.

(a) Notwithstanding the prohibitions regarding Transfers, transfer of shares in Corporate Office Properties Trust ("COPT"), an affiliate of Grantor and the Borrower, and transfers of limited partnership interests and pledges of both general and limited partnership interests in the Borrower, (each, a "Permitted Transfer") may occur without Lender's prior consent, PROVIDED that the following conditions are met:

(i) at all times COPT remains the sole general partner in the Borrower and Borrower delivers to Lender on a quarterly basis notices of changes in the ownership interests of limited partners owning one percent (1%) or more of the Borrower; and

(ii) a Permitted Transfer does not permit a disposition in a single transfer or a series of related transfers of all or substantially all of the shares of COPT or of all of the limited partnership interests in the Borrower and does not permit a merger of COPT with one or more entities without Lender's prior written consent unless COPT is the surviving and controlling entity or unless such successor is a real estate company having the same standards of professional expertise and net worth as that of COPT as of the date of this Deed of Trust or as of the date immediately prior to the Transfer, whichever is greater;

(iii) at least 30 days prior to the proposed Permitted Transfer (other than transfers of shares of COPT on the open market or of any limited partnership interests in the Borrower), Grantor or Borrower delivers to Lender a notice that is sufficiently detailed to enable Lender to determine that the proposed Permitted Transfer complies with the terms of this Section;

(iv) there is no default under the Financing Documents either when Lender receives the notice or when the proposed Permitted Transfer occurs;

(v) the proposed Permitted Transfer (other than transfers of shares of COPT on the open market or of any limited partnership interests in the Borrower) will not result in a violation of any of the covenants contained in the Section entitled, "ERISA

21

COMPLIANCE" and Grantor or Borrower will deliver to Lender such documentation of compliance as Lender requests in its sole discretion;

(vi) other than in instances of transfers of shares in COPT or of transfers of any limited partnership interests in the Borrower, when Lender receives the notice and when the proposed Permitted Transfer occurs, the transferee (other than a transferee that is a publicly traded entity) has never been an adverse party to Lender in any litigation to which Lender was a party; the transferee has never defaulted on a loan from Lender or on any contract or other agreement with Lender; and the transferee has never threatened litigation against Lender (for purposes of this subsection "transferee" includes the transferee's constituent entities at all levels and "Lender" includes Lender's subsidiaries);

(vii) Grantor or Borrower pays all of Lender's expenses relating to the Transfer including Lender's attorneys' fees; and

(viii) Lender is satisfied that the Property will continue to be managed by a manager satisfactory to Lender.

SECTION 12.3. RIGHT TO CONTEST LIENS. Grantor, at its own expense, may contest the amount, validity or application, in whole or in part, of any mechanic's, materialmen's or environmental liens in which event Lender will refrain from exercising any of the Remedies, PROVIDED that the following conditions are met:

(i) Grantor delivers to Lender notice of the proposed contest not more than 30 days after the lien is filed;

(ii) the contest is by a Proceeding promptly initiated and conducted in good faith and with due diligence;

(iii) there is no Event of Default other than the Event of Default arising from the filing of the lien;

(iv) the Proceeding suspends enforcement of collection of the lien, imposition of criminal or civil penalties and sale or forfeiture of the Property and Lender will not be subject to any civil suit;

(v) the Proceeding is permitted under and is conducted in accordance with

the Leases and the Property Document;

(vi) Grantor furnishes a bond or other security satisfactory to Lender, in either case in an amount sufficient to pay the claim giving rise to the lien, together with all interest and penalties, and secures an endorsement to Lender's policy of title insurance insuring against sale of the Property by the lienor to collect its lien, or Grantor pays the contested lien under protest; and

(vii) with respect to an environmental lien, Grantor is using best efforts to mitigate or

22

prevent any deterioration of the Property resulting from the alleged violation of any Environmental Laws or the alleged Environmental Activity.

SECTION 12.4. SUBSTITUTE COLLATERAL.

Upon request from Grantor, and at Grantor's expense, Trustees shall release from the lien of this Deed of Trust any one or more of the parcels constituting the Property, upon conveyance by Grantor and/or its affiliates of substitute collateral property (the "Substitute Collateral") from time to time, but not more than one time for each parcel, and not more than four times during the duration the lien of this Deed of Trust, upon the following terms and subject to the following conditions:

(i) the quality of the Substitute Collateral shall be comparable to or greater than that of the parcel of Property for which the Substitute Collateral is replacing the current-to-be-released Property;

(ii) No Event of Default shall exist under this Deed of Trust or any other Loan Document;

(iii) The appraised value of the Substitute Collateral shall be equal to or greater than the greater of (A) the appraised value of current-to-be-released Property, as determined at the time of the closing of the substitution of collateral, or (B) the appraised value of the current-to-be released Property at the time of such substitution;

(iv) the Debt Service Coverage Ratio (as defined below) for the aggregate Property (inclusive of the Substitute Collateral) shall be greater than or equal to the actual Debt Service Coverage Ratio for the aggregate Property (inclusive of the current-to-be released Property), for the one year prior to the substitution, and Grantor shall execute and deliver appropriate amendments to this Deed of Trust and Loan Documents making the Substitute Collateral part of the security for the Guaranty, and Lender shall have received such title assurances and endorsements to its then-existing policies confirming the priority of its lien under this Deed of Trust on the Substitute Collateral, consenting to the release of the released Property, and otherwise confirming no adverse changes in title coverage or the amount thereof.

(v) the Substitute Collateral shall satisfy each of the covenants and conditions to closing set forth in the commitment letter with the Lender for the Loan guaranteed under the Guaranty, that would have been applicable had such Substitute Collateral been an original parcel of the Property;

(vi) the Substitute Collateral shall conform in all respects to such other underwriting standards and criteria of the Lender and criteria such as other appraisal, legal, business, environmental, engineering, diversification, leasing or title requirements, all as Lender may determine in its sole discretion.

As used herein, the following defined term shall apply:

23

"DEBT SERVICE COVERAGE RATIO" means the Net Operating Income of the Property divided by the amount of scheduled annual payments of Debt Service on the Loan guaranteed by the Guaranty.

"NET OPERATING INCOME" means the total gross rental income received in the most recent twelve month period, plus other income received during the most recent twelve month period, less actual operating expenses for the most recent twelve month period.

ARTICLE XIII

ADDITIONAL REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 13.1. FURTHER ASSURANCES.

(a) Grantor will execute, acknowledge and deliver to Lender or to any

other entity Lender designates any additional or replacement documents and perform any additional actions that Lender determines are reasonably necessary to evidence, perfect or protect Lender's first lien on and prior security interest in the Property or to carry out the intent or facilitate the performance of the provisions of the Financing Documents and the Note.

(b) Grantor appoints Lender as Grantor's attorney-in-fact to perform, at Lender's election, any actions and to execute and record any of the additional or replacement documents referred to in this Section, in each instance only at Lender's election and only to the extent Grantor or Borrower has failed to comply with the terms of this Section.

(c) Grantor shall pay upon demand of Lender all costs of, and incidental to, the recording of this Deed of Trust and any such documents described above, whether now or hereafter due and payable, including, without limitation, the Maryland recordation tax and any other tax required to be paid at any time with respect to such recording. The Grantor hereby agrees to indemnify and hold the Trustees and Lender harmless from and against any liability or loss incurred by the Trustees or Lender resulting from the failure of the Grantor to pay when due and payable any such amounts. The foregoing indemnity will survive the payment of the Obligations and the Guaranty and the release of this Deed of Trust. The obligations of the Grantor pursuant to such indemnity will bear interest payable upon demand of Lender from the date due until paid in full at the Default Interest Rate and such obligations with interest thereon as aforesaid shall be a part of the Obligations secured hereby.

Section 13.2. ESTOPPEL CERTIFICATES.

(a) Within 10 days of Lender's request, Grantor will deliver to Lender or to any entity Lender designates a certificate certifying (i) the original principal amount of the Note; (ii) the unpaid principal amount of the Note; (iii) the Fixed Interest Rate; (iv) the amount of the then current Debt Service Payments; (v) the Maturity Date; (vi) the date a Debt Service Payment was last made; (vii) that, except as may be disclosed in the statement, there are no defaults or events which, with the passage of time or the giving of notice, would constitute an Event of Default; and (viii) there are no offsets or defenses against any portion of the Obligations except as may be disclosed in the statement.

24

(b) If Lender requests, Grantor promptly will deliver to Lender or to any entity Lender designates a certificate from each party to any Property Document, certifying that the Property Document is in full force and effect with no defaults or events which, with the passage of time or the giving of notice, would constitute an event of default under the Property Document and that there are no defenses or offsets against the performance of its obligations under the Property Document.

(c) If Lender requests, Grantor promptly will use its commercially reasonable efforts to obtain and deliver to Lender, or to any entity Lender designates, a certificate from each tenant under a Lease then affecting the Property, certifying to any facts regarding the Lease as Lender may require, including that the Lease is in full force and effect with no defaults or events which, with the passage of time or the giving of notice, would constitute an event of default under the Lease by any party, that the rent has not been paid more than one month in advance and that the tenant claims no defense or offset against the performance of its obligations under the Lease; provided, that Lender shall not request such certificates more often than one time in any two calendar year period except for the purpose of a sale of the Loan.

ARTICLE XIV

DEFAULTS AND REMEDIES

Section 14.1. EVENTS OF DEFAULT. The term "EVENT OF DEFAULT" means the occurrence of any of the following events:

- (i) if Grantor fails to pay any amount due, as and when required, under any Financing Document and the failure continues for a period of 5 days;
- (ii) if Grantor makes a general assignment for the benefit of creditors or generally is not paying, or is unable to pay, or admits in writing its inability to pay, its debts as they become due; or if Grantor or any other party commences any Proceeding (A) relating to bankruptcy, insolvency, reorganization, conservatorship or relief of debtors, in each instance with respect to Grantor; (B) seeking to have an order for relief entered with respect to Grantor; (C) seeking attachment, distraint or execution of a judgment with respect to Grantor; (D) seeking to adjudicate Grantor as bankrupt or insolvent; (E) seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to Grantor or Grantor's debts; or (F) seeking appointment of a Receiver, trustee, custodian, conservator or other similar official for Grantor or for all or any substantial part of

Grantor's assets, PROVIDED that if the Proceeding is commenced by a party other than Grantor or any of Grantor's general partners or members, Grantor will have 120 days to have the Proceeding dismissed or discharged before an Event of Default occurs;

(iii) if Grantor is in default beyond any applicable grace and cure period under any other

25

mortgage, deed of trust, deed to secure debt or other security agreement encumbering the Property whether junior or senior to the lien of this Deed of Trust;

(iv) if a Transfer occurs except in accordance with the provisions of this Deed of Trust;

(v) if Grantor abandons the Property or ceases to conduct its business at the Property; or

(vi) if Grantor fails to deposit either the letter of credit required under the letter agreement of even date herewith between Grantor and Lender, or fails to make the deposits required or otherwise defaults under the Pledge and Security Agreement of even date among, INTER ALIA, Grantor and Lender; or

(vii) if there is a default in the performance of any other provision of any Financing Document or if there is any inaccuracy or falsehood in any representation or warranty contained in any Financing Document which is not remedied within 15 days after Grantor receives notice thereof, PROVIDED that if the default, inaccuracy or falsehood is of a nature that it cannot be cured within the 15-day period and during that period Grantor commences to cure, and thereafter diligently continues to cure, the default, inaccuracy or falsehood, then the 15-day period will be extended for a reasonable period not to exceed 120 days after the notice to Grantor.

SECTION 14.2. Remedies.

(a) If an Event of Default occurs, Lender may take any of the following actions (the "REMEDIES") without notice to Grantor or Borrower:

(i) declare all or any portion of the Obligations immediately due and payable ("ACCELERATION");

(ii) pay or perform any Obligation;

(iii) institute a Proceeding for the specific performance of any Obligation;

(iv) apply for the appointment of a Receiver to be vested with the fullest powers permitted by Law, without bond being required, which appointment may be made EX PARTE, as a matter of right and without regard to the value of the Property, the amount of the Debt or the solvency of Grantor or Borrower or any other person liable for the payment or performance of any portion of the Obligations;

(v) directly, by its agents or representatives or through a Receiver appointed by a court of competent jurisdiction, enter on the Land and Improvements, take possession of the Property, dispossess Grantor and exercise Grantor's rights with respect to the Property, either in Grantor's name or otherwise;

(vi) institute a Proceeding for the foreclosure of this Deed of Trust or, if applicable, sell by power of sale all or any portion of the Property;

26

(vii) institute proceedings for the partial foreclosure of this Deed of Trust for the portion of the Obligations then due and payable, subject to the continuing lien of this Deed of Trust for the balance of the Obligations not then due;

(viii) deliver to Trustees a declaration of default and demand for sale and a notice of default and election to cause Grantor's interest in the Property or any portion of the Property to be sold, which notice Trustees or Lender will file in the official records of the county in which the Property is located or any parcel comprising the same is located;

(ix) exercise any and all rights and remedies granted to a secured party under the Uniform Commercial Code; and

(x) pursue any other right or remedy available to Lender at Law, in equity

or otherwise.

(b) If an Event of Default occurs, the license granted to Grantor in the Financing Documents to collect Rents will terminate automatically without any action required of Lender.

SECTION 14.3. GENERAL PROVISIONS PERTAINING TO REMEDIES.

(a) The Remedies are cumulative and may be pursued by Lender or Trustees concurrently or otherwise, at such time and in such order as Lender or Trustees may determine in their sole discretion and without presentment, demand, protest or further notice of any kind, all of which are expressly waived by Grantor.

(b) The enumeration in the Financing Documents of specific rights or powers will not be construed to limit any general rights or powers or impair Lender's or Trustees' rights with respect to the Remedies.

(c) If Lender or Trustees exercise any of the Remedies, Lender will not be deemed a mortgagee-in-possession unless Lender has elected affirmatively to be a mortgagee-in-possession.

(d) Lender and Trustees will not be liable for any act or omission of Lender or Trustee in connection with the exercise of the Remedies.

(e) Lender's and Trustees' right to exercise any Remedy will not be impaired by any delay in exercising or failure to exercise the Remedy and the delay or failure will not be construed as extending any cure period or constitute a waiver of the default or Event of Default.

(f) If an Event of Default occurs, Lender's payment or performance or acceptance of payment or performance will not be deemed a waiver or cure of the Event of Default.

(g) Lender's acceptance of partial payment or receipt of Rents will not extend or affect any grace period or constitute a waiver of a default or Event of Default or constitute a rescission of Acceleration.

27

SECTION 14.4. FORECLOSURE; ASSENT TO DECREE AND POWER OF SALE.

In the event the Trustee or Lender elects to institute foreclosure proceedings upon the occurrence of an Event of Default, the Grantor and Acquisition Grantors each assent to the passage of a decree for the sale of the Property and any or all of the parcels comprising the same and further authorizes the Trustee to sell the Property. Any sale of the Property or any of the parcels so being sold, whether by way of the assent to decree or power of sale, shall be made in accordance with the provisions of Section 7-105, REAL PROPERTY ARTICLE, ANNOTATED CODE OF MARYLAND, as amended, and Section 14-200 ET SEQ. of the MARYLAND RULES OF PROCEDURE, as amended, or other applicable Laws. The terms of the sale may be cash upon settlement of the sale or upon such other and additional terms as the Trustee deems necessary, proper or convenient, except as specifically limited by applicable law or court rule. Such sale may be of the entire Property as a unit or of such parts or parcels of the entire Property as the Trustee, in its sole and absolute discretion, deems necessary, proper, or convenient.

(a) APPLICATION OF PROCEEDS. Upon the sale of the Property, the proceeds shall be applied as follows:

(i) To the payment of all expenses incident to the sale, including reasonable and necessary counsel fees and expenses; and a commission to the Trustee equal to the commission allowed the Trustee for making sales of property by virtue of a decree of a court of equity in the State of Maryland. As used herein, expenses of sale shall specifically include auctioneer's fees at the auctioneer's customary rate, which shall be in addition to the Trustee's commission, and the costs of a preforeclosure appraisal;

(ii) To the payment of the Obligations other than those owed with respect to the Guaranty and then to the payment of those Obligations owed with respect to the Guaranty, if such Obligations have matured and are due under the terms of the Guaranty, and including without limitation the payment of any Evasion Premium, or if not, to be held in a demand account as a pledged fund (which shall be interest bearing for the benefit of the Grantor) up to the maximum sum, as determined by Lender, which could be due under the Guaranty by the Grantor as security for the Obligations owed with respect to the Guaranty, and to be applied to the Obligations owed with respect to the Guaranty after a default under the Guaranty;

(iii) And the balance remaining, if any, shall be paid to the Grantor, or to whomsoever shall be judicially determined to be entitled to the same.

(b) PAYMENT BEFORE SALE. In the event the Obligations shall be paid after

the filing of a foreclosure proceeding, but before sale of the Property, the Grantor shall also be required to pay all of the expenses of any advertisement or notice, all court costs, and all other expenses incident to or resulting from the foreclosure proceedings under this Deed of Trust, and a commission on the total amount of the indebtedness owed with respect to the Loan, both principal and interest, remaining unpaid, equal to one-half (1/2) of the percentage allowed as commission to trustees making a sale under a decree of a court of equity in Maryland and such reasonable and necessary counsel fees and expenses as the Trustee or Lender may have incurred; provided, however, that the sale may be proceeded with unless, prior to the date on which the sale is scheduled, payment is made by Grantor of the Obligations then due (including payment of all costs, expenses, commissions and fees, as provided herein).

28

(c) LENDER MAY BID. Upon any sale made under this Section 14, whether made under the power of sale or by virtue of judicial proceedings or a judgment of foreclosure, Lender may bid for and acquire the Property. If the Obligations owed with respect to the Guaranty are then due, in lieu of paying cash therefor the Lender may make settlement for the purchase price by crediting the Obligations of Grantor secured by this Deed of Trust against the net sales price, after deducting the expenses and costs of the sale and any other sums which Lender is authorized to deduct under this Deed of Trust.

(d) LEASES. In the event of a sale of the Property under either the power of sale or assent to decree, such sale may be made, at the option of Lender, subject to one or more of the tenancies entered into subsequent to the recording of this Deed of Trust, in accordance with the provisions of Section 7-105(f)(2), REAL PROPERTY ARTICLE, ANNOTATED CODE OF MARYLAND, as amended.

(e) RIGHT TO MAINTAIN SEPARATE ACTION. In the event Grantor shall fail to pay the Obligations, Trustee and Lender shall be empowered to institute Proceedings as may be advised by its counsel for the collection of the sums so due and unpaid, and may prosecute any Proceedings to judgment or final decree, and may enforce any judgments or final decree against Grantor and collect, out of the Property in any manner provided by law, monies adjudged to be payable. Lender shall be entitled to recover judgment before, after, or during the pendency of any Proceedings, or the foreclosure of the lien of this Deed of Trust. In the event of a sale of all or any parcel of the Property, and of the application of the proceeds of sale as provided in this Deed of Trust to the payment of the Obligations, Lender and the Trustee shall be entitled to enforce payment of and to receive all amounts then remaining due upon the Obligations, and shall be entitled to recover judgment for any portion of the Obligations remaining unpaid, with interest as provided in the Guaranty. The recovery of any judgment by Lender, and the levy of an execution under any judgment upon all or any parcel of the Property, shall not affect in any manner the lien of this Deed of Trust upon the Property, or any Remedies of the Trustee or of the Lender, and the Remedies shall continue unimpaired. Any monies collected by the Trustee or Lender under this Section 14.4(e) shall be applied in accordance with the provisions of Section 14.4(a).

(f) WAIVERS OF STAY, EXEMPTIONS. Grantor shall not claim or take any advantage of any stay or extension or moratorium law, or any exemption from execution of sale of all or any parcels of the Property, wherever enacted, which may affect the covenants of this Deed of Trust, nor claim or insist upon any advantage of any Law providing for the valuation or appraisal of all or any parcels of the Property prior to any sale or pursuant to the order of any court; nor after any sale, claim or any right under any Law to redeem the property so sold. Grantor expressly waives all benefit or advantage of any such Law and covenants not to impede the execution of any power herein granted or delegated to the Trustee, but to suffer the execution of every power as though no Law had been enacted.

SECTION 14.5. GENERAL PROVISIONS PERTAINING TO MORTGAGEE-IN-POSSESSION OR RECEIVER.

(a) If an Event of Default occurs, any court of competent jurisdiction will, upon application by Lender, appoint a Receiver as designated in the application and issue an injunction prohibiting Grantor from interfering with the Receiver, collecting Rents, disposing of any Rents or all of or any parcel of the Property, committing waste or doing any other act that will tend to affect the preservation of the Leases, the Rents and the Property and Grantor

29

approves the appointment of the designated Receiver or any other Receiver appointed by the court. Grantor agrees that the appointment may be made EX PARTE and as a matter of right to Lender or Trustees, either before or after sale of all or any parcels of the Property, without further notice, and without regard to the solvency or insolvency, at the time of application for the Receiver, of the person or persons, if any, liable for the payment of any portion of the Obligations and the performance of any portion of the Obligations and without regard to the value of the Property or whether the Property is occupied as a

homestead and without bond being required of the applicant.

(b) The Receiver will be vested with the fullest powers permitted by Law including all powers necessary or usual in similar cases for the protection, possession and operation of all or any parcels of the Property and all the powers and duties of Lender as a mortgagee-in-possession as provided in this Deed of Trust and may continue to exercise all the usual powers and duties until the Receiver is discharged by the court.

(c) In addition to the Remedies and all other available rights, Lender or the Receiver may take any of the following actions:

(i) take exclusive possession, custody and control of all or any parcels of the Property and manage the same so as to prevent waste;

(ii) require Grantor to deliver to Lender or the Receiver all keys, security deposits, operating accounts, prepaid Rents, past due Rents, the Books and Records and all original counterparts of the Leases and the Property Documents;

(iii) collect, sue for and give receipts for the Rents and, after paying all expenses of collection, including reasonable receiver's, broker's and attorney's fees, apply the net collections to any portion of the Obligations selected by Lender in its sole discretion,

(iv) enter into, modify, extend, enforce, terminate, renew or accept surrender of Leases and evict tenants except that in the case of a Receiver, such actions may be taken only with the written consent of Lender as provided in this Deed of Trust and in the Assignment;

(v) enter into, modify, extend, enforce, terminate or renew Property Documents except that in the case of a Receiver, such actions may be taken only with the written consent of Lender as provided in this Deed of Trust and in the Assignment;

(vi) appear in and defend any Proceeding brought in connection with the Property and bring any Proceeding to protect all or any parcels of the Property as well as Grantor's and Lender's respective interests in all or any parcels of the Property (unless any such Proceeding has been assigned previously to Lender in the Assignment, or if so assigned, Lender has not expressly assigned such Proceeding to the Receiver and consented to such appearance or defense by Receiver); and

(vii) perform any act in the place of Grantor that Lender or the Receiver deems necessary

30

(A) to preserve the value, marketability or rentability of all or any parcels of the Property; (B) upon consent by Lender, to increase the gross receipts from all or any parcels of the Property; or (C) otherwise to protect Grantor's and Lender's respective interests in all or any parcels of the Property.

(d) Grantor appoints Lender as Grantor's attorney-in-fact, at Lender's election, to perform any actions and to execute and record any instruments necessary to effectuate the actions described in this Section, in each instance only at Lender's election and only to the extent Grantor has failed to comply with the provisions of this Section.

SECTION 14.6. GENERAL PROVISIONS PERTAINING TO FORECLOSURES AND THE POWER OF SALE. The following provisions will apply to any Proceeding to foreclose and to any sale of the Property by power of sale or pursuant to a judgment of foreclosure and sale:

(i) Lender's or Trustees' right to institute a Proceeding to foreclose or to sell by power of sale will not be exhausted by a Proceeding or a sale that is defective or not completed;

(ii) a sale pursuant to a judgment of foreclosure and sale may be held at such time or times and such place or places and upon such terms and conditions or after such previous public announcement as required by Law and as Trustees may deem appropriate;

(iii) with respect to sale pursuant to a judgment of foreclosure and sale, the Property may be sold as an entirety or in parcels, at one or more sales, at the time and place, on terms and in the order that Trustees deem expedient in its sole discretion with such postponement of any such sale as Trustees may deem appropriate without regard to any right of Grantor or any other person to the marshalling of assets and Grantor hereby waives all right to have the Property marshalled upon any foreclosure under this Deed of Trust;

(iv) if a portion of the Property is sold pursuant to this Article, the

Financing Documents will remain in full force and effect with respect to any portion of the Obligations and this Deed of Trust will continue as a valid and enforceable first lien on and security interest in the remaining portion of the Property, subject only to the Permitted Exceptions, without loss of priority and without impairment of any of Lender's or Trustees' rights and remedies with respect to the unmatured portion of the Obligations;

(v) Lender may bid and become the purchaser at any such sale, and will, upon presentation of the Guaranty or a true copy thereof at such sale, be credited for the unpaid balance due under the Guaranty and any interest accrued and unpaid thereon, or such portion of such unpaid balance or interest as Lender may specify, against any price bid by Lender at such sale. The terms of sale being complied with, Trustees will convey to and at the cost of the purchaser at such sale Grantor's interest in, so much of the Property as is so sold, free of and discharged from all estate, right, title or interest of Grantor at law or in equity. Lender's receipt of the proceeds of a sale will be sufficient consideration for the portion of the Property sold and Lender will apply the proceeds set forth in the Deed of Trust; and

31

(vi) Upon any sale of Grantor's interest in any or all of the Property, whether under the assent to a decree or power of sale herein granted, or by other foreclosure or judicial proceedings, Trustees will apply the proceeds of such sale, together with any other sum then held as security hereunder or due under any of the provisions of the Financing Documents as part of the Property (after paying all expenses of sale, including reasonable attorneys' fees and a commission to the party making the sale equal to the commission allowed to trustees for making sales of property under orders or decrees of a court having competent jurisdiction, and all Impositions which either Trustees or Lender deem it advisable or expedient to pay and all sums advanced, with interest thereon, as herein provided) to the payment of the aggregate Obligations and interest thereon to the date of payment and prepayment fees, if any, paying over the surplus, if any, less the expense, if any, of obtaining possession, to Grantor or any person entitled thereto upon the surrender and delivery to the purchaser of possession of the Property.

SECTION 14.7. UNIFORM COMMERCIAL CODE. Lender, or the Trustee acting on behalf of Lender, may exercise all rights and remedies of a secured creditor under the MARYLAND UNIFORM COMMERCIAL CODE, as amended, with respect to any part of the Property constituting personal property and subject to the security interest created by this Deed of Trust. These rights include the right to take possession of the personal property without the use of judicial process (Grantor hereby waiving all right to prior notice and a judicial hearing) and the right to require Grantor to assemble the same at the Property or such other place as Lender or Trustee may notify the Grantor. Any disposition of the personal property shall be considered commercially reasonable if made pursuant to a public sale which is advertised at least twice in a newspaper of local circulation in Anne Arundel County, Maryland. Any notice required by Section 9-504 of the MARYLAND UNIFORM COMMERCIAL CODE to be given to Grantor shall be considered reasonable and properly given if given in the manner and at the address provided in the notice provisions of this Deed of Trust at least five (5) business days prior to the date of any scheduled public sale.

SECTION 14.8. POWER OF ATTORNEY. Grantor appoints Lender as Grantor's attorney-in-fact to perform any actions necessary and incidental to exercising the Remedies.

SECTION 14.9. TENANT AT SUFFERANCE. If Lender, Trustees, or a Receiver enters the Property in the exercise of the Remedies and Grantor is allowed to remain in occupancy of the Property, Grantor will pay to Lender, Trustees, or the Receiver, as the case may be, in advance, a reasonable rent for the Property occupied by Grantor. If Grantor fails to pay the rent, Grantor may be dispossessed by the usual Proceedings available against defaulting tenants.

ARTICLE XV

LIMITATION OF LIABILITY

SECTION 15.1. LIMITATION OF LIABILITY.

(a) Notwithstanding any provision in the Financing Documents to the contrary, except as

32

set forth in subsections (b) and (e), if Lender seeks to enforce the collection of the Obligations, Lender will foreclose this Deed of Trust instead of instituting suit on the Guaranty. If following a foreclosure and sale of all parcels comprising the Property under this Deed of Trust a lesser sum is

realized therefrom than that due under the Obligations, Lender will not institute any Proceeding against Grantor or Grantor's general partners, if any, for or on account of the deficiency, and Lender shall not have recourse against any entity constituting Grantor for any portion of the Obligations, except in each instance as set forth in subsections (b) through (e).

(b) The limitation of liability in subsection (a) will not affect or impair (i) the lien of this Deed of Trust or Lender's other rights and Remedies under the Financing Documents, including Lender's right as mortgagee or secured party to commence an action to foreclose any lien or security interest Lender has under the Financing Documents against any parcel remaining encumbered by this Deed of Trust and against any additional collateral held; (ii) the validity of the Financing Documents or the Obligations; or (iii) Lender's right to present and collect on any letter of credit or other credit enhancement document held by Lender in connection with the Obligations.

(c) The following are excluded and excepted from the limitation of liability in subsection (a) and Lender may recover personally against Grantor for the following:

(i) all losses suffered and liabilities and expenses incurred by Lender relating to any fraud or intentional misrepresentation or omission by Grantor or Borrower or any of their partners, members, officers, directors, shareholders or principals in connection with (A) the performance of any of the conditions to Lender making the Loan; (B) any inducements to Lender to make the Loan; (C) the execution and delivery of the Financing Documents; (D) any certificates, representations or warranties given in connection with the Loan; or (E) Grantor's performance of the Obligations;

(ii) all Rents derived from the Property after a default under the Financing Documents which default is a basis of a Proceeding by Lender to enforce collection of the Obligations and all moneys that, on the date such a default occurs, are on deposit in one or more accounts used by or on behalf of Grantor relating to the operation of the Property, except to the extent properly applied to payment of Debt Service Payments, Impositions, Insurance Premiums and any reasonable and customary expenses incurred by Grantor in the operation, maintenance and leasing of the Property or delivered to Lender;

(iii) the cost of remediation of any Environmental Activity affecting the Property and any other losses suffered and liabilities and expenses incurred by Lender relating to a default under the Article entitled "ENVIRONMENTAL";

(iv) all security deposits collected by Grantor or any of Grantor's predecessors and not refunded to Tenants in accordance with their respective Leases, applied in accordance with the Leases or Law or delivered to Lender, and all advance rents (more than thirty (30) days in advance) collected by Grantor or any of Grantor's predecessors and not applied in accordance with the Leases or delivered to Lender;

33

(v) the replacement cost of any Fixtures or Personal Property removed from the Property after a default occurs;

(vi) all losses suffered and liabilities and expenses incurred by Lender relating to any acts or omissions by Grantor that result in waste (including economic and non-physical waste) on the Property;

(vii) all protective advances and other payments made by Lender pursuant to express provisions of the Financing Documents to protect Lender's security interest in the Property or to protect the assignment of the property described in and effected by the Assignment, but only to the extent that the Rents would have been sufficient to permit Grantor to make the payment and Grantor failed to do so;

(viii) all mechanics' or similar liens relating to work performed on or materials delivered to the Property prior to Lender exercising its Remedies, but only to the extent Lender had advanced funds to pay for the work or materials;

(ix) all Proceeds that are not applied in accordance with this Deed of Trust or not paid to Lender as required under this Deed of Trust; and

(x) all losses suffered and liabilities and expenses incurred by Lender or Trustees in connection with the imposition or collection by any Government or any person, at any time, of any recordation tax, transfer tax or any other charge relating to or on account of the recordation of this Deed of Trust or Lender's lien hereunder.

(d) Nothing under subparagraph (a) above will be deemed to be a waiver of any right which Lender may have under Section 506(a), 506(b), 1111(b) or any

other provisions of the Bankruptcy Code or under any other Law relating to bankruptcy or insolvency to file a claim for the full amount of the Obligations or to require that all collateral will continue to secure all of the Obligations in accordance with the Financing Documents.

(e) Notwithstanding the foregoing, it is expressly understood and agreed that the aforesaid limitation of liability shall in no way affect or apply to Grantor, and Grantor shall be liable for the entire indebtedness evidenced hereby (including all principal, interest, prepayment charges and other charges), if Grantor, or any of its general partners, members or officers, as the case may be, or any person, seeks to set aside the Guaranty as a preference in any bankruptcy or similar proceeding.

ARTICLE XVI

WAIVERS

SECTION 16.1. WAIVER OF STATUTE OF LIMITATIONS. GRANTOR WAIVES THE RIGHT TO CLAIM ANY STATUTE OF LIMITATIONS AS A DEFENSE

34

TO GRANTOR'S PAYMENT AND PERFORMANCE OF THE OBLIGATIONS.

SECTION 16.2. WAIVER OF NOTICE. GRANTOR WAIVES THE RIGHT TO RECEIVE ANY NOTICE FROM LENDER OR TRUSTEES WITH RESPECT TO THE FINANCING DOCUMENTS EXCEPT FOR THOSE NOTICES THAT LENDER OR TRUSTEES ARE EXPRESSLY REQUIRED TO DELIVER PURSUANT TO THE FINANCING DOCUMENTS.

SECTION 16.3. WAIVER OF MARSHALLING AND OTHER MATTERS. GRANTOR WAIVES THE BENEFIT OF ANY RIGHTS OF MARSHALLING OR ANY OTHER RIGHT TO DIRECT THE ORDER IN WHICH ANY OF THE PROPERTY WILL BE (i) SOLD; OR (ii) MADE AVAILABLE TO ANY ENTITY IF THE PROPERTY IS SOLD BY POWER OF SALE OR PURSUANT TO A JUDGMENT OF FORECLOSURE AND SALE. GRANTOR ALSO WAIVES THE BENEFIT OF ANY LAWS RELATING TO APPRAISEMENT, VALUATION, STAY, EXTENSION, REINSTATEMENT, MORATORIUM, HOMESTEAD AND EXEMPTION RIGHTS OR A SALE IN INVERSE ORDER OF ALIENATION.

SECTION 16.4. WAIVER OF TRIAL BY JURY. GRANTOR WAIVES TRIAL BY JURY IN ANY PROCEEDING BROUGHT BY, OR AGAINST, OR COUNTERCLAIM OR CROSS-COMPLAINT ASSERTED BY OR AGAINST, LENDER OR TRUSTEES RELATING TO THE LOAN, THE PROPERTY DOCUMENTS OR THE LEASES.

SECTION 16.5. [INTENTIONALLY DELETED]

SECTION 16.6. WAIVER OF JUDICIAL NOTICE AND HEARING. GRANTOR WAIVES ANY RIGHT GRANTOR MAY HAVE UNDER LAW TO NOTICE OR TO A JUDICIAL HEARING PRIOR TO THE EXERCISE OF ANY RIGHT OR REMEDY PROVIDED BY THE FINANCING DOCUMENTS TO LENDER AND GRANTOR WAIVES THE RIGHTS, IF ANY, TO SET ASIDE OR INVALIDATE ANY SALE DULY CONSUMMATED IN ACCORDANCE WITH THE PROVISIONS OF THE FINANCING DOCUMENTS ON THE GROUND (IF SUCH BE THE CASE) THAT THE SALE WAS CONSUMMATED WITHOUT A PRIOR JUDICIAL HEARING.

SECTION 16.7. WAIVER OF SUBROGATION. GRANTOR WAIVES ALL RIGHTS OF SUBROGATION TO LENDER'S RIGHTS OR CLAIMS RELATED TO OR AFFECTING THE PROPERTY OR ANY OTHER SECURITY FOR THE LOAN UNTIL THE LOAN IS PAID IN FULL AND ALL FUNDING OBLIGATIONS UNDER THE FINANCING DOCUMENTS HAVE BEEN TERMINATED.

SECTION 16.8. GENERAL WAIVER. GRANTOR ACKNOWLEDGES THAT (A) GRANTOR AND GRANTOR'S PARTNERS, MEMBERS OR PRINCIPALS, AS THE CASE MAY BE, ARE KNOWLEDGEABLE BORROWERS OF COMMERCIAL FUNDS AND EXPERIENCED REAL ESTATE DEVELOPERS OR INVESTORS WHO

35

UNDERSTAND FULLY THE EFFECT OF THE ABOVE PROVISIONS; (B) LENDER WOULD NOT MAKE THE LOAN WITHOUT THE PROVISIONS OF THIS ARTICLE; (C) THE LOAN IS A COMMERCIAL OR BUSINESS LOAN UNDER THE LAWS OF THE STATE OR COMMONWEALTH WHERE THE PROPERTY IS LOCATED NEGOTIATED BY LENDER, GRANTOR AND BORROWER AND THEIR RESPECTIVE ATTORNEYS AT ARMS LENGTH; AND (D) ALL WAIVERS BY GRANTOR IN THIS ARTICLE HAVE BEEN MADE VOLUNTARILY, INTELLIGENTLY AND KNOWINGLY, AFTER GRANTOR FIRST HAVE BEEN INFORMED BY COUNSEL OF GRANTOR'S OWN CHOOSING AS TO POSSIBLE ALTERNATIVE RIGHTS, AND HAVE BEEN MADE AS AN INTENTIONAL RELINQUISHMENT AND ABANDONMENT OF A KNOWN RIGHT AND PRIVILEGE. THE FOREGOING ACKNOWLEDGMENT IS MADE WITH THE INTENT THAT LENDER AND ANY SUBSEQUENT HOLDER OF THE GUARANTY WILL RELY ON THE ACKNOWLEDGMENT.

ARTICLE XVII

NOTICES

SECTION 17.1. NOTICES. All acceptances, approvals, consents, demands, notices, requests, waivers and other communications (the "NOTICES") required or permitted to be given under the Financing Documents must be in writing and (a)

delivered personally by a process server providing a sworn declaration evidencing the date of service, the individual served, and the address where the service was made; (b) sent by certified mail, return receipt requested; or (c) delivered by nationally recognized overnight delivery service that provides evidence of the date of delivery, with all charges prepaid (for next morning delivery if sent by overnight delivery service), addressed to the appropriate party at its address listed below:

If to Lender: Teachers Insurance and Annuity
Association of America
730 Third Avenue
New York, New York 10017
Attention: Director Portfolio Management
Mortgage and Real Estate/Northeast
Southern Territory
Application #MD-539
Mortgage #M-000469600

with a courtesy copy to: Teachers Insurance and Annuity
Association of America
730 Third Avenue
New York, New York 10017
Attention: Vice President and Chief
Counsel--Mortgage and Real Estate Law
Application #MD-539
Mortgage #M-000469600

36

If to Grantor: Corporate Office Properties Trust
c/o Corporate Office Management, Inc.
8815 Centre Park Drive
Suite 400
Columbia, Maryland 21045
Attn: General Counsel

with a courtesy copy to: John H. Gurley, Esquire
8815 Centre Park Drive
Suite 400
Columbia, Maryland 21045

If to Trustee: William H. Goebel, Esquire
Mr. Matthew T. Murphy
c/o Teachers Insurance and Annuity
Association of America
730 Third Avenue
New York, New York 10017

Lender and Grantor each may change from time to time the address to which Notices must be sent, by notice given in accordance with the provisions of this Section. All Notices given in accordance with the provisions of this Section will be deemed to have been received on the earliest of (i) actual receipt; (ii) Grantor's and Borrower's rejection of delivery; or (iii) 3 Business Days after having been deposited in any mail depository regularly maintained by the United States postal service, if sent by certified mail, or 1 Business Day after having been deposited with a nationally recognized overnight delivery service, if sent by overnight delivery or on the date of personal service, if served by a process server.

SECTION 17.2. CHANGE IN GRANTOR'S NAME OR PLACE OF BUSINESS. Grantor will immediately notify Lender in writing of any change in Grantor's name or the place of business set forth in the beginning of this Deed of Trust.

ARTICLE XVIII

MISCELLANEOUS

SECTION 18.1. APPLICABLE LAW. The Financing Documents are governed by and will be construed in accordance with the Laws of the State of Maryland.

SECTION 18.2. USURY LIMITATIONS. Grantor and Lender intend to comply with all Laws with respect to the charging and receiving of interest. Any amounts charged or received by Lender for the use or forbearance of the Principal to the extent permitted by Law, will be amortized and spread throughout the Term until payment in full so that the rate or amount of

37

interest charged or received by Lender on account of the Principal does not exceed the Maximum Interest Rate. If any amount charged or received under the Financing Documents that is deemed to be interest is determined to be in excess of the amount permitted to be charged or received at the Maximum Interest Rate, the excess will be deemed to be a prepayment of Principal when paid, without

premium, and any portion of the excess not capable of being so applied will be refunded to Grantor. If during the Term the Maximum Interest Rate, if any, is eliminated, then for purposes of the Loan, there will be no Maximum Interest Rate.

SECTION 18.3. LENDER'S DISCRETION. Wherever under the Financing Documents any matter is required to be satisfactory to Lender, Lender has the right to approve or determine any matter or Lender has an election, Lender's approval, determination or election will be made in Lender's reasonable discretion unless expressly provided to the contrary.

SECTION 18.4. UNENFORCEABLE PROVISIONS. If any provision in the Financing Documents is found to be illegal or unenforceable or would operate to invalidate any of the Financing Documents, then the provision will be deemed expunged and the Financing Documents will be construed as though the provision was not contained in the Financing Documents and the remainder of the Financing Documents will remain in full force and effect.

SECTION 18.5. SURVIVAL OF GRANTOR'S OBLIGATIONS. Grantor's representations, warranties and covenants contained in the Financing Documents will continue in full force and effect and survive (i) satisfaction of the Obligations; (ii) reconveyance of the lien of this property by Trustees; (iii) assignment or other transfer of all or any portion of Lender's interest in the Financing Documents or the Property; (iv) Lender's or Trustees' exercise of any of the Remedies or any of Lender's or Trustees' other rights under the Financing Documents; (v) a Transfer; (vi) amendments to the Financing Documents; and (vii) any other act or omission that might otherwise be construed as a release or discharge of Grantor.

SECTION 18.6. RELATIONSHIP BETWEEN GRANTOR AND LENDER; NO THIRD PARTY BENEFICIARIES.

(a) Lender is not a partner of or joint venturer with Grantor or any other entity as a result of the Loan or Lender's rights under the Financing Documents; the relationship between Lender and Grantor is strictly that of creditor and debtor. Each Financing Document and the Note is an agreement between the parties to that Financing Document or Note for the mutual benefit of the parties and no entities other than the parties to that Financing Document or Note will be a third party beneficiary or will have any claim against Lender or Grantor by virtue of the Financing Document or the Note. As between Lender and Grantor, any actions taken by Lender under the Financing Documents and the Note will be taken for Lender's protection only, and Lender has not and will not be deemed to have assumed any responsibility to Grantor or to any other entity by virtue of Lender's actions.

(b) All conditions to Lender's performance of its obligations under the Financing Documents are imposed solely for the benefit of Lender. No entity other than Lender will have standing to require satisfaction of the conditions in accordance with their provisions or will be entitled to assume that Lender will refuse to perform its obligations in the absence of strict compliance with any of the conditions.

38

SECTION 18.7. PARTIAL RECONVEYANCES OR RELEASES, EXTENSIONS, WAIVERS. Lender may: (i) permit the reconveyance of any part of the Property or release any entity obligated for the Obligations; (ii) extend the time for payment or performance of any of the Obligations or otherwise amend the provisions for payment or performance by agreement with any entity that is obligated for the Obligations or that has an interest in the Property; (iii) accept additional security for the payment and performance of the Obligations; and (iv) waive any entity's performance of an Obligation, release any entity or individual now or in the future liable for the performance of the Obligation or waive the exercise of any Remedy or option. Lender may exercise any of the foregoing rights without notice, without regard to the amount of any consideration given, without affecting the priority of the Financing Documents, without releasing any entity not specifically released from its obligations under the Financing Documents, without releasing any guarantor(s) or surety(ies) of the Obligations, without effecting a novation of the Financing Documents and, with respect to a waiver, without waiving future performance of the Obligation or exercise of the Remedy waived.

SECTION 18.8. SERVICE OF PROCESS. Grantor irrevocably consents to service of process by registered or certified mail, postage prepaid, return receipt requested, to Grantor or at address set forth for Grantor in the Article entitled "NOTICES".

SECTION 18.9. ENTIRE AGREEMENT. Oral agreements or commitments between Grantor and/or Borrower and Lender to lend money, to extend credit or to forbear from enforcing repayment of a debt, including promises to extend or renew the debt, are not enforceable. Any agreements among Grantor, Lender and Trustee relating to the Loan are contained in the Financing Documents and the Note, which contain the complete and exclusive statement of the agreements among Grantor, Lender and Trustee, except as Grantor, Lender and, if applicable,

Trustees may later agree in writing to amend the Loan Documents. The language of each Financing Document will be construed as a whole according to its fair meaning and will not be construed against the draftsman.

SECTION 18.10. NO ORAL AMENDMENT. The Financing Documents may not be amended, waived or terminated orally or by any act or omission made individually by Grantor, Lender or Trustees but may be amended, waived or terminated only by a written document signed by the party against which enforcement of the amendment, waiver or termination is sought.

SECTION 18.11. SEVERABILITY. The invalidity, illegality or unenforceability of any provision of any of the Financing Documents will not affect any other provisions of the Financing Documents, which will be construed as if the invalid, illegal or unenforceable provision never had been included.

SECTION 18.12. COVENANTS RUN WITH THE LAND. Subject to the restrictions on transfer contained in the Article entitled "TRANSFERS, LIENS AND ENCUMBRANCES", all of the covenants of this Deed of Trust and the Assignment run with the Land, will bind all parties hereto and all tenants and subtenants of the Land or the Improvements and their respective heirs, executors, administrators, successors and assigns, and all occupants and subsequent owners of the Property, and will inure to the benefit of Lender and all subsequent holders of the Note and

39

this Deed of Trust.

SECTION 18.13. TIME OF THE ESSENCE. Time is of the essence with respect to Grantor's payment and performance of the Obligations.

SECTION 18.14. SUBROGATION. If the Principal or any other amount advanced by Lender is used directly or indirectly to pay off, discharge or satisfy all or any part of an encumbrance affecting the Property, then Lender is subrogated to the encumbrance and to any security held by the holder of the encumbrance, all of which will continue in full force and effect in favor of Lender as additional security for the Obligations.

SECTION 18.15. JOINT AND SEVERAL LIABILITY. If Grantor consists of more than one person or entity, the obligations and liabilities of each such person or entity under this Deed of Trust are joint and several.

SECTION 18.16. SUCCESSORS AND ASSIGNS. The Financing Documents bind the parties to the Financing Documents and their respective successors, assigns, heirs, administrators, executors, agents and representatives and inure to the benefit of Lender and its successors, assigns, heirs, administrators, executors, agents and representatives and to the extent applicable inure to the benefit of Trustees and their successors, assigns, heirs, administrators, executors, agents and representatives.

SECTION 18.17. DUPLICATES AND COUNTERPARTS. Duplicate counterparts of any of the Financing Documents, other than the Note, may be executed and together will constitute a single original document.

ARTICLE XIX

TRUSTEE PROVISIONS

SECTION 19.1. ACCEPTANCE BY TRUSTEES. Trustees accept this trust when this Deed of Trust, duly executed and acknowledged, is made a public record as provided by law.

SECTION 19.2. ACTION IN ACCORDANCE WITH INSTRUCTIONS. Upon receipt by Trustees of instructions from Lender at any time or from time to time, Trustees will (a) give any notice or direction or exercise any right, remedy or power hereunder or in respect of any part or all of the Property as shall be specified in such instructions and (b) approve as satisfactory all matters required by the terms hereof to be satisfactory to Trustees or to Lender. Trustees may, but need not, take any of such actions in the absence of such instructions. The powers and duties of the Trustees may be executed by either one of them with the same legal force and effect as though executed by both of them, including the right and power by either Trustees to execute and deliver a full or partial release of this Deed of Trust or an amendment or modification of this Deed of Trust. At any time or from time to time, upon request of Lender, and without affecting the liability of any person for payment of the Obligations, Trustees will reconvey all or any part of the Property, consent to the making of any map or plat thereof, join in granting any easement

40

thereon, or join in any extension agreement or any agreement subordinating the lien and estate hereof.

SECTION 19.3. RESIGNATION. Trustees may resign at any time upon giving not

by: Corporate Office Properties Trust,
its general partner

KAREN M. SINGER

by: /s/ROGER A. WAESCHE, JR. (SEAL)

Name: Roger A. Waesche, Jr.

Title: Senior Vice President

WITNESS/ATTEST:

Airport Square XI, LLC

By: Corporate Office Properties, L.P., its member

by: Corporate Office Properties Trust,
its general partner

KAREN M. SINGER

by: /s/ROGER A. WAESCHE, JR. (SEAL)

Name: Roger A. Waesche, Jr.

Title: Senior Vice President

WITNESS/ATTEST:

Airport Square XIII, LLC

By: Corporate Office Properties, L.P., its member

by: Corporate Office Properties Trust,
its general partner

KAREN M. SINGER

by: /s/ROGER A. WAESCHE, JR. (SEAL)

Name: Roger A. Waesche, Jr.

Title: Senior Vice President

43

WITNESS/ATTEST:

Airport Square XIV, LLC

By: Corporate Office Properties, L.P., its member

by: Corporate Office Properties Trust,
its general partner

KAREN M. SINGER

by: /s/ROGER A. WAESCHE, JR. (SEAL)

Name: Roger A. Waesche, Jr.

Title: Senior Vice President

WITNESS/ATTEST:

Airport Square XIX, LLC

By: Corporate Office Properties, L.P., its member

by: Corporate Office Properties Trust,
its general partner

KAREN M. SINGER

by: /s/ROGER A. WAESCHE, JR. (SEAL)

Name: Roger A. Waesche, Jr.

Title: Senior Vice President

WITNESS/ATTEST:

Airport Square XX, LLC

By: Corporate Office Properties, L.P., its member

by: Corporate Office Properties Trust,
its general partner

KAREN M. SINGER

by: /s/ROGER A. WAESCHE, JR. (SEAL)

Name: Roger A. Waesche, Jr.

Title: Senior Vice President

WITNESS/ATTEST: Airport Square XXI, LLC
By: Corporate Office Properties, L.P., its member
by: Corporate Office Properties Trust,
its general partner

KAREN M. SINGER

by: /s/ROGER A. WAESCHE, JR. (SEAL)

Name: Roger A. Waesche, Jr.

Title: Senior Vice President

WITNESS/ATTEST: Tech Park I, LLC
By: Corporate Office Properties, L.P., its member
by: Corporate Office Properties Trust,
its general partner

KAREN M. SINGER

by: /s/ROGER A. WAESCHE, JR. (SEAL)

Name: Roger A. Waesche, Jr.

Title: Senior Vice President

WITNESS/ATTEST: Tech Park II, LLC
By: Corporate Office Properties, L.P., its member
by: Corporate Office Properties Trust,
its general partner

KAREN M. SINGER

by: /s/ROGER A. WAESCHE, JR. (SEAL)

Name: Roger A. Waesche, Jr.

Title: Senior Vice President

WITNESS/ATTEST: Tech Park IV, LLC
By: Corporate Office Properties, L.P., its member
by: Corporate Office Properties Trust,
its general partner

KAREN M. SINGER

by: /s/ROGER A. WAESCHE, JR. (SEAL)

Name: Roger A. Waesche, Jr.

Title: Senior Vice President

WITNESS: TRUSTEE:

----- (SEAL)

WILLIAM H. GOEBEL

WITNESS: TRUSTEE:

----- (SEAL)

MATTHEW T. MURPHY

WITNESS/ATTEST: TEACHERS INSURANCE AND
ANNUITY ASSOCIATION OF AMERICA
By: _____ (SEAL)
Name: _____
Title: _____

WITNESS/ATTEST: Tech Park IV, LLC

By: Corporate Office Properties, L.P., its member

by: Corporate Office Properties Trust,
its general partner

by: _____ (SEAL)

Name: Roger A. Waesche, Jr.

Title: Senior Vice President

WITNESS: TRUSTEE:

/s/MARIA MCHUGH /s/WILLIAM H. GOEBEL (SEAL)

Maria McHugh WILLIAM H. GOEBEL

WITNESS: TRUSTEE:

/s/MARIA MCHUGH /s/MATTHEW T. MURPHY (SEAL)

Maria McHugh MATTHEW T. MURPHY

WITNESS/ATTEST: TEACHERS INSURANCE AND ANNUITY ASSOCIATION OF AMERICA

/s/MARIA MCHUGH By: /s/HALTON WEST (SEAL)

Maria McHugh Name: Halton West

Title: Associate Director

ACKNOWLEDGMENTS

STATE OF MARYLAND, COUNTY OF BALTIMORE, TO WIT:

I HEREBY CERTIFY, that on this 30 day of September, 1999, before me, the undersigned Notary Public of the State of Maryland, personally appeared ROGER A. WAESCHE, JR., who acknowledged himself to be the Senior Vice President of Corporate Office Properties Trust, the general partner of Corporate Office Properties, L.P., which is the member of Airport Square II, LLC, a Maryland limited liability company, known to me (or satisfactorily proven) to be the person whose name is subscribed to the within instrument, and acknowledged that he executed the same for the purposes therein contained in the capacity described above.

AS WITNESS my hand and Notarial Seal.

ZARAE PITTS /s/ZARAE PITTS
NOTARY PUBLIC STATE OF MARYLAND -----
My Commission Expires November 25, 2002 Notary Public

Commission Expires: _____

STATE OF MARYLAND, COUNTY OF BALTIMORE, TO WIT:

I HEREBY CERTIFY, that on this 30 day of September, 1999, before me, the undersigned Notary Public of the State of Maryland, personally appeared ROGER A. WAESCHE, JR., who acknowledged himself to be the Senior Vice President of Corporate Office Properties Trust, the general partner of Corporate Office Properties, L.P., which is the member of Airport Square IV, LLC, a Maryland limited liability company, known to me (or satisfactorily proven) to be the person whose name is subscribed to the within instrument, and acknowledged that he executed the same for the purposes therein contained in the capacity described above.

AS WITNESS my hand and Notarial Seal.

ZARAE PITTS /s/ZARAE PITTS
NOTARY PUBLIC STATE OF MARYLAND -----
My Commission Expires November 25, 2002 Notary Public

Commission Expires: _____

STATE OF MARYLAND, COUNTY OF BALTIMORE, TO WIT:

I HEREBY CERTIFY, that on this 30 day of September, 1999, before me, the undersigned Notary Public of the State of Maryland, personally appeared ROGER A. WAESCHE, JR., who acknowledged himself to be the Senior Vice President of Corporate Office Properties Trust, the general partner of Corporate Office Properties, L.P., which is the member of Airport Square V, LLC, a Maryland limited liability company, known to me (or satisfactorily proven) to be the person whose name is subscribed to the within instrument, and acknowledged that he executed the same for the purposes therein contained in the capacity described above.

AS WITNESS my hand and Notarial Seal.

ZARAE PITTS /s/ZARAE PITTS
NOTARY PUBLIC STATE OF MARYLAND
My Commission Expires November 25, 2002 Notary Public

Commission Expires: _____

STATE OF MARYLAND, COUNTY OF BALTIMORE, TO WIT:

I HEREBY CERTIFY, that on this 30 day of September, 1999, before me, the undersigned Notary Public of the State of Maryland, personally appeared ROGER A. WAESCHE, JR., who acknowledged himself to be the Senior Vice President of Corporate Office Properties Trust, the general partner of Corporate Office Properties, L.P., which is the member of Airport Square X, LLC, a Maryland limited liability company, known to me (or satisfactorily proven) to be the person whose name is subscribed to the within instrument, and acknowledged that he executed the same for the purposes therein contained in the capacity described above.

AS WITNESS my hand and Notarial Seal.

ZARAE PITTS /s/ZARAE PITTS
NOTARY PUBLIC STATE OF MARYLAND
My Commission Expires November 25, 2002 Notary Public

Commission Expires: _____

STATE OF MARYLAND, COUNTY OF BALTIMORE, TO WIT:

I HEREBY CERTIFY, that on this 30 day of September, 1999, before me, the undersigned Notary Public of the State of Maryland, personally appeared ROGER A. WAESCHE, JR., who acknowledged himself to be the Senior Vice President of Corporate Office Properties Trust, the general partner of Corporate Office Properties, L.P., which is the member of Airport Square XI, LLC, a Maryland limited liability company, known to me (or satisfactorily proven) to be the person whose name is subscribed to the within instrument, and acknowledged that he executed the same for the purposes therein contained in the capacity described above.

AS WITNESS my hand and Notarial Seal.

ZARAE PITTS /s/ZARAE PITTS
NOTARY PUBLIC STATE OF MARYLAND
My Commission Expires November 25, 2002 Notary Public

Commission Expires: _____

STATE OF MARYLAND, COUNTY OF BALTIMORE, TO WIT:

I HEREBY CERTIFY, that on this 30 day of September, 1999, before me, the undersigned Notary Public of the State of Maryland, personally appeared ROGER A. WAESCHE, JR., who acknowledged himself to be the Senior Vice President of Corporate Office Properties Trust, the general partner of Corporate Office Properties, L.P., which is the member of Airport Square XIII, LLC, a Maryland limited liability company, known to me (or satisfactorily proven) to be the person whose name is subscribed to the within instrument, and acknowledged that he executed the same for the purposes therein contained in the capacity described above.

AS WITNESS my hand and Notarial Seal.

ZARAE PITTS /s/ZARAE PITTS
NOTARY PUBLIC STATE OF MARYLAND -----
My Commission Expires November 25, 2002 Notary Public

Commission Expires: _____

49

STATE OF MARYLAND, COUNTY OF BALTIMORE, TO WIT:

I HEREBY CERTIFY, that on this 30 day of September, 1999, before me, the undersigned Notary Public of the State of Maryland, personally appeared ROGER A. WAESCHE, JR., who acknowledged himself to be the Senior Vice President of Corporate Office Properties Trust, the general partner of Corporate Office Properties, L.P., which is the member of Airport Square XIV, LLC, a Maryland limited liability company, known to me (or satisfactorily proven) to be the person whose name is subscribed to the within instrument, and acknowledged that he executed the same for the purposes therein contained in the capacity described above.

AS WITNESS my hand and Notarial Seal.

ZARAE PITTS /s/ZARAE PITTS
NOTARY PUBLIC STATE OF MARYLAND -----
My Commission Expires November 25, 2002 Notary Public

Commission Expires: _____

STATE OF MARYLAND, COUNTY OF BALTIMORE, TO WIT:

I HEREBY CERTIFY, that on this 30 day of September, 1999, before me, the undersigned Notary Public of the State of Maryland, personally appeared ROGER A. WAESCHE, JR., who acknowledged himself to be the Senior Vice President of Corporate Office Properties Trust, the general partner of Corporate Office Properties, L.P., which is the member of Airport Square XIX, LLC, a Maryland limited liability company, known to me (or satisfactorily proven) to be the person whose name is subscribed to the within instrument, and acknowledged that he executed the same for the purposes therein contained in the capacity described above.

AS WITNESS my hand and Notarial Seal.

ZARAE PITTS /s/ZARAE PITTS
NOTARY PUBLIC STATE OF MARYLAND -----
My Commission Expires November 25, 2002 Notary Public

Commission Expires: _____

50

STATE OF MARYLAND, COUNTY OF BALTIMORE, TO WIT:

I HEREBY CERTIFY, that on this 30 day of September, 1999, before me, the undersigned Notary Public of the State of Maryland, personally appeared ROGER A. WAESCHE, JR., who acknowledged himself to be the Senior Vice President of Corporate Office Properties Trust, the general partner of Corporate Office Properties, L.P., which is the member of Airport Square XX, LLC, a Maryland limited liability company, known to me (or satisfactorily proven) to be the person whose name is subscribed to the within instrument, and acknowledged that he executed the same for the purposes therein contained in the capacity described above.

AS WITNESS my hand and Notarial Seal.

ZARAE PITTS /s/ZARAE PITTS
NOTARY PUBLIC STATE OF MARYLAND -----
My Commission Expires November 25, 2002 Notary Public

Commission Expires: _____

STATE OF MARYLAND, COUNTY OF BALTIMORE, TO WIT:

I HEREBY CERTIFY, that on this 30 day of September, 1999, before me, the undersigned Notary Public of the State of Maryland, personally appeared ROGER A.

WAESCHE, JR., who acknowledged himself to be the Senior Vice President of Corporate Office Properties Trust, the general partner of Corporate Office Properties, L.P., which is the member of Airport Square XXI, LLC, a Maryland limited liability company, known to me (or satisfactorily proven) to be the person whose name is subscribed to the within instrument, and acknowledged that he executed the same for the purposes therein contained in the capacity described above.

AS WITNESS my hand and Notarial Seal.

ZARAE PITTS /s/ZARAE PITTS
NOTARY PUBLIC STATE OF MARYLAND -----
My Commission Expires November 25, 2002 Notary Public

Commission Expires: _____

51

STATE OF MARYLAND, COUNTY OF BALTIMORE, TO WIT:

I HEREBY CERTIFY, that on this 30 day of September, 1999, before me, the undersigned Notary Public of the State of Maryland, personally appeared ROGER A. WAESCHE, JR., who acknowledged himself to be the Senior Vice President of Corporate Office Properties Trust, the general partner of Corporate Office Properties, L.P., which is the member of Tech Park I, LLC, a Maryland limited liability company, known to me (or satisfactorily proven) to be the person whose name is subscribed to the within instrument, and acknowledged that he executed the same for the purposes therein contained in the capacity described above.

AS WITNESS my hand and Notarial Seal.

ZARAE PITTS /s/ZARAE PITTS
NOTARY PUBLIC STATE OF MARYLAND -----
My Commission Expires November 25, 2002 Notary Public

Commission Expires: _____

STATE OF MARYLAND, COUNTY OF BALTIMORE, TO WIT:

I HEREBY CERTIFY, that on this 30 day of September, 1999, before me, the undersigned Notary Public of the State of Maryland, personally appeared ROGER A. WAESCHE, JR., who acknowledged himself to be the Senior Vice President of Corporate Office Properties Trust, the general partner of Corporate Office Properties, L.P., which is the member of Tech Park II, LLC, a Maryland limited liability company, known to me (or satisfactorily proven) to be the person whose name is subscribed to the within instrument, and acknowledged that he executed the same for the purposes therein contained in the capacity described above.

AS WITNESS my hand and Notarial Seal.

ZARAE PITTS /s/ZARAE PITTS
NOTARY PUBLIC STATE OF MARYLAND -----
My Commission Expires November 25, 2002 Notary Public

Commission Expires: _____

52

STATE OF MARYLAND, COUNTY OF BALTIMORE, TO WIT:

I HEREBY CERTIFY, that on this 30 day of September, 1999, before me, the undersigned Notary Public of the State of Maryland, personally appeared ROGER A. WAESCHE, JR., who acknowledged himself to be the Senior Vice President of Corporate Office Properties Trust, the general partner of Corporate Office Properties, L.P., which is the member of Tech Park IV, LLC, a Maryland limited liability company, known to me (or satisfactorily proven) to be the person whose name is subscribed to the within instrument, and acknowledged that he executed the same for the purposes therein contained in the capacity described above.

AS WITNESS my hand and Notarial Seal.

ZARAE PITTS /s/ZARAE PITTS
NOTARY PUBLIC STATE OF MARYLAND -----
My Commission Expires November 25, 2002 Notary Public

Commission Expires: _____

STATE OF NEW YORK)

-----)

) To Wit:

CITY/COUNTY OF NEW YORK)

-----)

I HEREBY CERTIFY that on this 24TH day of September, 1999, before me, the undersigned, a Notary Public of said State aforesaid, personally appeared WILLIAM H. GOEBEL, as Trustee under this Deed of Trust, and executed the same for the purposes contained therein by signing his name, as Trustee.

WITNESS my hand and Notarial Seal.

/S/JULIA A. HATHAWAY (SEAL)

Notary Public

My Commission Expires: _____

JULIA A. HATHAWAY
Notary Public in and for
the State of New York
Commission No. 01HA5075538
My Commission Expires: April 7, 2001

STATE OF NEW YORK)

-----)

) To Wit:

CITY/COUNTY OF NEW YORK)

-----)

I HEREBY CERTIFY that on this 24TH day of September, 1999, before me, the undersigned, a Notary Public of said State aforesaid, personally appeared MATTHEW T. MURPHY, as Trustee under this Deed of Trust, and executed the same for the purposes contained therein by signing his name, as Trustee.

WITNESS my hand and Notarial Seal.

/S/JULIA A. HATHAWAY (SEAL)

Notary Public

My Commission Expires: _____

JULIA A. HATHAWAY
Notary Public in and for
the State of New York
Commission No. 01HA5075538
My Commission Expires: April 7, 2001

STATE OF NEW YORK)

-----)

) To Wit:

CITY/COUNTY OF NEW YORK)

-----)

I HEREBY CERTIFY that on this 24TH day of September, 1999, before me, the undersigned, a Notary Public of said State aforesaid, personally appeared HALTON WEST, who acknowledged himself to be the ASSOCIATE DIRECTOR of TEACHERS INSURANCE AND ANNUITY ASSOCIATION OF AMERICA, a New York corporation, and that he as ASSOC. DIRECTOR, being authorized so to do, executed the same for the purposes contained therein in the capacity described above.

WITNESS my hand and Notarial Seal.

/S/JULIA A. HATHAWAY (SEAL)

Notary Public

My Commission Expires: _____

JULIA A. HATHAWAY
Notary Public in and for
the State of New York
Commission No. 01HA5075538
My Commission Expires: April 7, 2001

ATTORNEY CERTIFICATION

The undersigned, an attorney admitted to practice before the Court of Appeals of Maryland, hereby certifies that the within instrument was prepared by

me or under my supervision.

/s/THERESA BURIAN SHEA

Theresa Burian Shea

55

EXHIBIT A

LEGAL DESCRIPTION

56

EXHIBIT B

DEFINITIONS

"ACCELERATION" is defined in Section 14.2(a) (i).

"ACCUMULATIONS" is defined in Section 2.1(xii).

"ACCUMULATIONS DEPOSITORY" is defined in Section 6.2(a).

"ADDITIONAL FUNDS" is defined in Section 7.4(v).

"ANNUAL FINANCIAL STATEMENT" is defined in Section 10.1(a).

"ASSESSMENTS" is defined as all assessments now or hereafter levied, assessed or imposed against the Property.

"ASSIGNMENT" is defined as the Assignment of Leases and Rents dated of even date with this Deed of Trust made by Grantor for the benefit of Lender.

"BANKRUPTCY CODE" means Title 11 of the United States Code.

"BORROWER" is defined in the Recitals.

"BUDGET" is defined in Section 10.2.

"BUSINESS DAYS" is defined as any day on which commercial banks are not authorized or required by Law to close in New York, New York.

"CASUALTY" is defined as damage to or destruction of the Property by fire or other casualty.

"CODE" is defined as the Internal Revenue Code of 1986 and the regulations promulgated thereunder.

"CONDEMNATION" is defined as the permanent or temporary taking of all or any portion of the Property, or any interest therein or right accruing thereto, by the exercise of the right of eminent domain (including any transfer in lieu of or in anticipation of the exercise of the right), inverse condemnation or any similar injury or damage to or decrease in the value of the Property, including severance and change in the grade of any streets

"CONDEMNATION AWARDS" is defined in Section 2.1(viii).

"CONDEMNATION PROCEEDING" is defined as a Proceeding that could result in a Condemnation.

"CPA" is defined as an independent certified public accountant satisfactory to Lender.

57

"DEBT" means the Principal, the Interest, the Late Charges, the prepayment Premiums, the Expenses, any additional advances made by Lender in connection with the Loan and all other amounts payable under the Loan Documents.

"DEBT SERVICE PAYMENTS" is defined as the monthly installments of principal and interest payable by Borrower to Lender as set forth in the Note.

"DEED OF TRUST" is defined as this Indemnity Deed of Trust, Assignment of Leases and Rents and Security Agreement.

"DESTRUCTION EVENT" is defined in Section 7.4.

"ENVIRONMENTAL ACTIVITY" is defined as any actual, suspected or threatened abatement, cleanup, disposal, generation, handling, manufacture, possession, release, remediation, removal, storage, transportation, treatment or use of any Hazardous Material. The actual, suspected or threatened presence of any

Hazardous Material, or the actual, suspected or threatened noncompliance with any Environmental Laws, will be deemed Environmental Activity.

"ENVIRONMENTAL INDEMNITY" is defined as the Environmental Indemnity Agreement of even date with this Deed of Trust by Grantor and Borrower to Lender.

"ENVIRONMENTAL LAWS" is defined as all Laws pertaining to health, safety, protection of the environment, natural resources, conservation, wildlife, waste management, Environmental Activities and pollution.

"ENVIRONMENTAL REPORT" is defined as the three reports prepared by ENSR, dated August 1999, as amended.

"ERISA" is defined in Section 8.3(a).

"EVENT OF DEFAULT" is defined in Section 14.1.

"EXISTING MEMBER" is defined in Section 12.1(b).

"EXPENSES" is defined in Section 11.1(a).

"FINANCIAL BOOKS AND RECORDS" is defined as detailed accounts of the income and expenses of the Property and of Grantor and all other data, records and information that either are specifically referred to in the Article entitled "FINANCIAL REPORTING" or are necessary to the preparation of any of the statements, reports or certificates required under such Article and includes all supporting schedules prepared or used by the CPA in auditing the Annual Financial Statement or in issuing its opinion.

"FINANCING DOCUMENTS" is defined as the Guaranty, this Deed of Trust, the Assignment and all documents now or hereafter executed by Grantor or held by Lender or Trustees relating to the

58

Guaranty, including all amendments.

"FISCAL YEAR" is defined as any calendar year or partial calendar year during the Term.

"FIXTURES AND PERSONAL PROPERTY" is defined in Section 2.1(iv).

"GOVERNMENT" is defined as any federal, state or municipal governmental or quasi-governmental authority including executive, legislative or judicial branch, division and any subdivision or agency of any of them and any entity to which any of them has delegated authority.

"GRANTOR" is defined in the introductory paragraph.

"GUARANTY" is defined in the introductory paragraph.

"HAZARDOUS MATERIALS" is defined as any by-product, chemical, compound, contaminant, pollutant, product, substance, waste or other material (i) that is hazardous or toxic or (ii) the abatement, cleanup, discharge, disposal, emission, exposure to, generation, handling, manufacture, possession, presence, release, removal, remediation, storage, transportation, treatment or use of which is controlled, prohibited or regulated by any Environmental Laws, including asbestos, petroleum and petroleum products and polychlorinated biphenyls.

"IMPOSITION PENALTY DATE" is defined in Section 6.1(a).

"IMPOSITIONS" is defined as all Taxes, Assessments, ground rent, if any, water and sewer rents, fees and charges, levies, permit, inspection and license fees and other dues, charges or impositions, including all charges and license fees for the use of vaults, chutes and similar areas adjoining the Land, maintenance and similar charges and charges for utility services, in each instance whether now or in the future, directly or indirectly, levied, assessed or imposed on the Property or Grantor and whether levied, assessed or imposed as excise, privilege or property taxes.

"IMPROVEMENTS" is defined in Section 2.1(ii).

"INSURANCE PREMIUMS" is defined as all present and future premiums and other charges due and payable on policies of fire, rental value and other insurance covering the Property and required pursuant to the provisions of this Deed of Trust.

"INSURANCE PROCEEDS" is defined in Section 2.1(ix).

"INSURERS" is defined in Section 7.1(c).

"INSTITUTIONAL INVESTOR" is defined as any bank, savings institution, charitable foundation, insurance company, real estate investment trust, pension fund or

investment advisor registered under the Investment Advisors Act of 1940, as amended, and acting as trustee or agent.

"LAND" is defined in the Recitals.

59

"LATE CHARGE" is defined in the Note.

"LAW" is defined as all present and future codes, constitutions, cases, opinions, rules, manuals, regulations, determinations, laws, orders, ordinances, requirements and statutes, as amended, of any Government that affect or that may be interpreted to affect the Property, Grantor or the Loan, including amendments and all guidance documents and publications promulgated thereunder.

"LEASES" is defined as all present and future leases, subleases, licenses and other agreements for the use and occupancy of the Land and Improvements, any related guarantees and including any use and occupancy arrangements created pursuant to Section 365 (h) of the Bankruptcy Code or otherwise in connection with the commencement or continuation of any bankruptcy, reorganization, arrangement, insolvency, dissolution, receivership or similar Proceedings, or any assignment for the benefit of creditors, in respect of any tenant or other occupant of the Land and Improvements.

"LENDER" is defined in the introductory paragraph.

"LOAN" is defined in the Recitals.

"LOAN DOCUMENTS" means the Note, the Pledge and Security Agreement, and the Financing Documents.

"MATERIAL ENVIRONMENTAL CONTAMINATION" is defined as contamination of the Property with Hazardous Materials (i) that constitutes a violation of one or more Environmental Laws; (ii) for which there is a significant possibility that remediation will be required under Environmental Laws; (iii) that results in a material risk of liability or expense to Lender; or (iv) that diminishes the value of the Property.

"MATURITY DATE" is defined in the Recitals.

"MAXIMUM INTEREST RATE" is defined as the maximum rate of interest, if any, permitted by Law as of the date of this Deed of Trust to be charged with respect to the Loan.

"NOTE" is defined in the Recitals.

"NOTE PAYMENTS" is defined in the Note.

"NOTICES" is defined in Section 17.1.

"OBLIGATIONS" is defined in the Recitals.

"PERMITTED EXCEPTIONS" is defined as the matters shown in Schedule B, Part 1 and 2 of the title insurance policy insuring the lien of this Deed of Trust.

"PERMITTED TRANSFERS" is defined in Section 12.2.

60

"PERMITTED USE" is defined as use as a first-class commercial office building consistent in character, size and age of similar buildings in the Baltimore-Washington, D.C. suburban area, and uses incidentally and directly related to such use.

"PLEDGE AND SECURITY AGREEMENT" is defined in Section 6.2.

"POLICIES" is defined in Section 7.1(b).

"PREPAYMENT PREMIUM" is defined in the Note.

"PRINCIPAL" is defined in the Recitals.

"PROCEEDING" is defined as a pending or threatened action, claim or litigation before a legal, equitable or administrative tribunal having proper jurisdiction.

"PROCEEDS" is defined in Section 7.2(c).

"PROPERTY" is defined in Section 2.1.

"PROPERTY DOCUMENTS" is defined in Section 2.1(v).

"RECEIVER" is defined as a receiver, custodian, trustee, liquidator or conservator of the Property.

"REMEDIES" is defined in Section 14.2(a).

"RENTS" is defined as all rents, prepaid rents, percentage, participation or contingent rents, issues, profits, proceeds, revenues and other consideration accruing under the Leases or otherwise derived from the use and occupancy of the Land or the Improvements, including tenant contributions to expenses, security deposits, royalties and contingent rent, if any, all other fees or payments paid to or for the benefit of Grantor and any payments received pursuant to Section 502(b) of the Bankruptcy Code or otherwise in connection with the commencement or continuance of any bankruptcy, reorganization, arrangement, insolvency, dissolution, receivership or similar proceedings, or any assignment for the benefit of creditors, in respect of any tenant or other occupant of the Land or the Improvements and all claims as a creditor in connection with any of the foregoing.

"RESTORATION" is defined as the restoration of the Property after a Destruction Event as nearly as possible to its condition immediately prior to the Destruction Event, in accordance with the plans and specifications, in a first-class workmanlike manner using materials substantially equivalent in quality and character to those used for the original improvements, in accordance with Law and free and clear of all liens, encumbrances or other charges other than this Deed of Trust and the Permitted Exceptions.

"RESTORATION COMPLETION DATE" is defined in Section 7.4(viii).

"RESTORATION FUNDS" is defined in Section 7.5(b).

61

"TAXES" is defined as all present and future real estate taxes levied, assessed or imposed against the Property.

"TERM" is defined as the scheduled term of this Deed of Trust commencing on the date Lender makes the first disbursement of the Loan and terminating on the Maturity Date.

"TRANSFER" is defined in Section 12.1(a).

"UNIFORM COMMERCIAL CODE" is defined as the Uniform Commercial Code in effect in the jurisdiction where the Land is located.

62

EXHIBIT C

RULES OF CONSTRUCTION

(a) References in any Financing Document to numbered Articles or Sections are references to the Articles and Sections of that Financing Document. References in any Financing Document to lettered Exhibits are references to the Exhibits attached to that Financing Document, all of which are incorporated in and constitute a part of that Financing Document. Article, Section and Exhibit captions used in any Financing Document are for reference only and do not describe or limit the substance, scope or intent of that Financing Document or the individual Articles, Sections or Exhibits of that Financing Document.

(b) The terms "include", "including" and similar terms are construed as if followed by the phrase "without limitation".

(c) The terms "Land", "Improvements", "Fixtures and Personal Property", "Condemnation Awards", "Insurance Proceeds" and "Property" are construed as if followed by the phrase "or any part thereof".

(d) Any agreement by or duty imposed on Grantor or Borrower in any Financing Document to perform any obligation or to refrain from any act or omission constitutes a covenant running with the ownership or occupancy of the Land and the Improvements, which will bind all parties hereto and their respective successors and assigns, and all lessees, subtenants and assigns of same, and all occupants and subsequent owners of the Property, and will inure to the benefit of Lender and all subsequent holders of the Note and this Deed of Trust and includes a covenant by Grantor and Borrower to cause its partners, members, principals, agents, representatives and employees to perform the obligation or to refrain from the act or omission in accordance with the Financing Documents. Any statement or disclosure contained in any Financing Document about facts or circumstances relating to the Property, Grantor or Borrower or the Loan constitutes a representation and warranty by Grantor and Borrower made as of the date of the Financing Document in which the statement or disclosure is contained.

(e) The term "to Grantor's knowledge" is construed as meaning to the best of Grantor's knowledge after diligent inquiry.

(f) The singular of any word includes the plural and the plural includes the singular. The use of any gender includes all genders.

(g) The terms "person", "party" and "entity" include natural persons, firms, partnerships, limited liability companies and partnerships, corporations and any other public or private legal entity.

(h) The term "provisions" includes terms, covenants, conditions, agreements and requirements.

63

(i) The term "amend" includes modify, supplement, renew, extend, replace or substitute and the term "amendment" includes modification, supplement, renewal, extension, replacement and substitution.

(j) Reference to any specific Law or to any document or agreement, including the Note, this Deed of Trust, any of the other Financing Documents, the Leases and Property Documents includes any future amendments to the Law, document or agreement, as the case may be.

(k) No inference in favor of or against a party with respect to any provision in any Financing Document may be drawn from the fact that the party drafted the Financing Document.

(l) The term "certificate" means the sworn, notarized statement of the entity giving the certificate, made by a duly authorized person satisfactory to Lender affirming the truth and accuracy of every statement in the certificate. Any document that is "certified" means the document has been appended to a certificate of the entity certifying the document that affirms the truth and accuracy of everything in the document being certified. In all instances the entity issuing a certificate must be satisfactory to Lender.

(m) Any appointment of Lender as Grantor's attorney-in-fact is irrevocable and coupled with an interest. Lender may appoint a substitute attorney-in-fact. Grantor ratifies all actions taken by the attorney-in-fact but, nevertheless, if Lender requests, Grantor will specifically ratify any action taken by the attorney-in-fact by executing and delivering to the attorney-in-fact or to any entity designated by the attorney-in-fact all documents necessary to effect the ratification.

(n) Any document, instrument or agreement to be delivered by Grantor will be in form and content satisfactory to Lender.

(o) All obligations, rights, remedies and waivers contained in the Note or the Financing Documents will be construed as being limited only to the extent required to be enforceable under the Law.

(p) The unmodified word "days" means calendar days.

64

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