

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM S-4  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

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

<TABLE>				
<S>	MARYLAND	<C>	6798	<C>
	(State or other jurisdiction of incorporation or organization)		(Primary Standard Industrial Classification Code Number)	23-2947217 (IRS Employer Identification No.)
</TABLE>				

ONE LOGAN SQUARE  
SUITE 1105  
PHILADELPHIA, PA 19103  
(215) 567-1800  
(Address, including zip code, and telephone number, including  
area code, of Registrant's principal executive offices)

CLAY W. HAMLIN, III  
CORPORATE OFFICE PROPERTIES TRUST  
ONE LOGAN SQUARE  
SUITE 1105  
PHILADELPHIA, PA 19103  
(215) 567-1800  
(Name, address, including zip code, and telephone number, including  
area code, of agent for service)

COPIES TO:

GERALD TANENBAUM, ESQ.  
CAHILL GORDON & REINDEL  
80 PINE STREET  
NEW YORK, NY 10005  
(212) 701-3000

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after this Registration Statement becomes effective and all other conditions to the merger (the "Merger") of Corporate Office Properties Trust, Inc. (the "Company"), indirectly, with and into the Registrant pursuant to the Merger Agreement described herein have been satisfied or are waived.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. / /

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /.....

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /.....

CALCULATION OF REGISTRATION FEE

<TABLE>  
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AMOUNT OF	TITLE OF EACH CLASS OF	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE (2)
REGISTRATION FEE	SECURITIES TO BE REGISTERED	(1)	PER UNIT (2)	

(3)				
<S>	<C>	<C>	<C>	<C>
Common Shares of Beneficial Interest, \$0.01 par value				
per share.....	2,341,083	\$10.00	23,410,830	
\$6,906.19				
</TABLE>				

- (1) The amount of common shares of beneficial interest, \$0.01 par value per share, of the Registrant (the "Common Shares") to be registered has been determined based on the maximum number of shares of common stock, \$0.01 par value per share, of the Company (the "Common Stock") to be exchanged in the Merger, assuming the exercise prior to the effective time of the Merger of all stock options (whether or not currently exercisable).
- (2) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(c) under the Securities Act of 1933, as amended, based on the average of the high and low last reported sale prices of the Common Stock as reported on the Nasdaq Small Cap Market tier of the Nasdaq Stock Market on February 3, 1998.
- (3) In accordance with Rule 457(b), the total registration fee of \$6,906.19 has been reduced by \$4,996.52, which was previously paid on January 22, 1998 at the time of filing under the Securities Exchange Act of 1934, as amended, of a preliminary copy of the Company's proxy materials included herein.

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 THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

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 [COPT LOGO OR LETTERHEAD]

February 11, 1998

Dear Shareholder:

You are cordially invited to attend a Special Meeting of Shareholders of Corporate Office Properties Trust, Inc., a Minnesota corporation (the "Company"), to be held at 10:30 a.m., local time, on March 12, 1998 at Room 803, Four Seasons Hotel, One Logan Square, Philadelphia, Pennsylvania.

At the Special Meeting, you will be asked to consider and vote upon a proposal to reform the Company (the "Reformation") as a Maryland real estate investment trust ("REIT"). The Company is proposing the Reformation in order to change its domicile to that of a state which is recognized by REIT analysts and investors as a domicile of choice for REITs and to achieve greater organizational and investment flexibility. The Reformation provides the structure the Company needs to execute on its growth plans. There are also certain state and local tax benefits that will also inure to the Company. As a result, management of the Company believes that this new structure will benefit all shareholders and should enhance the long-term value of their investment.

The Company will be reformed as a Maryland REIT, which will be named Corporate Office Properties Trust, pursuant to two consecutive mergers, (a) of the Company into a newly formed, wholly owned subsidiary corporation of the Company and (b) of the former subsidiary corporation into a newly formed, wholly owned subsidiary Maryland real estate investment trust (the "Trust"), and the conversion of each outstanding share of common stock of the Company into one common share of beneficial interest of the Trust. Approval of the Reformation will constitute approval of all of the provisions set forth in the Declaration of Trust and the Bylaws of the Trust, including a classified board of trustees, the members of which are the same as the current directors of the Company. The Company believes the use of staggered terms for the trustees enhances the continuity and stability of the board of trustees.

The Reformation is more fully described in the accompanying Proxy Statement/Prospectus. We urge you to review carefully the Proxy Statement/Prospectus and accompanying Appendices. A copy of the Agreement and Plan of Merger and the Declaration of Trust and the Bylaws of the Trust are attached as Appendices A, B and C, respectively, to the accompanying Proxy Statement/Prospectus.

In addition to voting on the Reformation, you will be asked to consider and vote upon the adoption of the 1998 Long Term Incentive Plan (the "Plan"). The Company believes that a long-term, equity-based incentive plan is important to the retention of its senior management team, and also aligns the economic interests of its senior management team with the economic interests of its shareholders. A copy of the Plan is attached as Appendix D to the accompanying Proxy Statement/Prospectus.

The Company's Board of Directors recommends a vote FOR the Reformation and the Plan.

Your vote is important to the Company. Failure to return your proxy card or vote would have the same effect as a vote against the Reformation. Please complete, date and sign the enclosed proxy card and return it in the accompanying postage-paid envelope.

Sincerely,

Chairman of the Board      President and Chief Executive Officer  
CORPORATE OFFICE PROPERTIES TRUST, INC.  
ONE LOGAN SQUARE, SUITE 1105  
PHILADELPHIA, PENNSYLVANIA 19103

NOTICE OF SPECIAL MEETING  
TO BE HELD MARCH 12, 1998

NOTICE IS HEREBY GIVEN that a Special Meeting of Shareholders (the "Special Meeting") of Corporate Office Properties Trust, Inc., a Minnesota corporation (the "Company"), will be held on March 12, 1998 at 10:30 a.m., local time, at Room 803, Four Seasons Hotel, One Logan Square, Philadelphia, Pennsylvania, to consider and vote upon the following matters more fully described in the accompanying Proxy Statement/Prospectus:

1. A proposal to approve the reformation of the Company as a Maryland real estate investment trust, which will be named Corporate Office Properties Trust, pursuant to two consecutive mergers, (a) of the Company into a newly formed, wholly owned subsidiary corporation of the Company and (b) of the former subsidiary corporation into a newly formed, wholly owned subsidiary Maryland real estate investment trust (the "Trust"), and the conversion of each outstanding share of common stock of the Company into one common share of beneficial interest of the Trust, which approval shall constitute approval of all the provisions set forth in the Declaration of Trust and the Bylaws of the Trust, including a classified board of trustees, the members of which are the same as the current directors of the Company, and the more flexible operational and investment policies permitted thereunder.

2. The adoption of the 1998 Long Term Incentive Plan.

3. Such other business that may properly come before the Special Meeting or any adjournment or postponement thereof.

The Board of Directors has fixed the close of business on February 11, 1998 as the record date (the "Record Date") for the determination of shareholders entitled to notice of and to vote at the Special Meeting and any adjournment or postponement thereof. A list of such shareholders will be available for inspection at the offices of the Company, One Logan Square, Suite 1105, Philadelphia, Pennsylvania, at least ten days prior to the Special Meeting.

By order of the Board of Directors.  
Secretary

WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING, PLEASE COMPLETE, SIGN AND DATE THE ENCLOSED PROXY CARD AND MAIL IT PROMPTLY IN THE ENCLOSED POSTAGE PAID ENVELOPE. IF YOU ATTEND THE SPECIAL MEETING, YOU MAY VOTE IN PERSON IF YOU WISH TO DO SO EVEN IF YOU HAVE PREVIOUSLY SENT IN YOUR PROXY.

PROXY STATEMENT/PROSPECTUS  
CORPORATE OFFICE PROPERTIES TRUST, INC.  
PROXY STATEMENT  
SPECIAL MEETING OF SHAREHOLDERS  
MARCH 12, 1998  
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CORPORATE OFFICE PROPERTIES TRUST

PROSPECTUS

UP TO 2,341,083 COMMON SHARES OF BENEFICIAL INTEREST,  
PAR VALUE \$0.01 PER SHARE, OF CORPORATE OFFICE PROPERTIES TRUST

This Proxy Statement/Prospectus is furnished to the shareholders of Corporate Office Properties Trust, Inc., a Minnesota corporation ("COPT" or the "Company"), previously named Royale Investments, Inc. ("Royale"), in connection with the solicitation of proxies on behalf of the Board of Directors (the "Board") for use at the Special Meeting of Shareholders of the Company (the "Special Meeting") to be held on March 12, 1998, at 10:30 a.m., local time, at Room 803, Four Seasons Hotel, One Logan Square, Philadelphia, Pennsylvania, and at any adjournment or postponement thereof. The approximate date on which this Proxy Statement/Prospectus and form of proxy solicited on behalf of the Board will first be sent to the Company's shareholders is on or about February 11, 1998.

At the Special Meeting, holders of record (the "Shareholders") of shares of

common stock, par value \$0.01 per share (the "Common Stock"), of the Company will consider and vote upon (i) the reformation of the Company as a Maryland real estate investment trust, which will be named Corporate Office Properties Trust, pursuant to two consecutive mergers, (a) of the Company into a newly formed, wholly owned subsidiary corporation of the Company and (b) of the former subsidiary corporation into a newly formed, wholly owned subsidiary Maryland real estate investment trust (the "Trust"), and the conversion of each outstanding share of Common Stock into one common share of beneficial interest, par value \$0.01 per share (the "Common Shares"), of the Trust (the "Reformation") pursuant to the terms of an Agreement and Plan of Merger (the "Merger Agreement"), which approval shall constitute approval of the Merger Agreement and all of the provisions set forth in the Amended and Restated Declaration of Trust (the "Declaration of Trust") and the Bylaws (the "Maryland Bylaws") of the Trust, including a classified board of trustees (the "Board of Trustees"), the members of which are the same as the current directors of the Company, and the more flexible operating and investment policies permitted thereunder, (ii) the adoption of the 1998 Long Term Incentive Plan (the "Plan") and (iii) such other business as may properly come before the Special Meeting or any adjournment or postponement thereof. A copy of the Merger Agreement, the Declaration of Trust, the Maryland Bylaws and the Plan are attached hereto as Appendices A, B, C and D, respectively. The Board recommends a vote FOR the Reformation and a vote FOR the adoption of the Plan. See "Proposal 1--Reformation of the Company" and "Proposal 2--Adoption of the Plan."

(CONTINUED ON NEXT PAGE)

SEE "RISK FACTORS" COMMENCING ON PAGE 9 OF THIS PROXY STATEMENT/PROSPECTUS FOR A DISCUSSION OF CERTAIN FACTORS THAT SHAREHOLDERS SHOULD CONSIDER WITH RESPECT TO THE REFORMATION AND THE SECURITIES BEING OFFERED HEREBY.

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This Proxy Statement/Prospectus is accompanied by a copy of Royale's Annual Report on Form 10-KSB, as amended, for the year ended December 31, 1996, Quarterly Report on Form 10-QSB for the period ended September 30, 1997 and Current Report on Form 8-K filed January 20, 1998.

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THE ATTORNEY GENERAL OF THE STATE OF NEW YORK HAS NOT PASSED UPON OR ENDORSED THE MERITS OF THIS OFFERING. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

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THE SECURITIES ISSUABLE IN THE REFORMATION HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROXY STATEMENT/PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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THE DATE OF THIS PROXY STATEMENT/PROSPECTUS IS FEBRUARY , 1998.  
(CONTINUED FROM PREVIOUS PAGE)

The close of business on February 11, 1998 has been fixed by the Board as the record date for the determination of Shareholders entitled to notice of and to vote at the Special Meeting. On February 11, 1998, the Company had outstanding 2,268,583 shares of Common Stock. The Common Stock is the Company's only class of voting securities and each share entitles the holder to one vote on all matters to come before the meeting. There is no cumulative voting. Under Minnesota law, the affirmative vote of a majority of the outstanding shares of Common Stock is required to approve the Reformation. The adoption of the Plan requires the affirmative vote of a majority of the shares of Common Stock represented and entitled to vote, in person or by proxy, at the Special Meeting. Presence at the Special Meeting, in person or by proxy, of holders of a majority of the shares of Common Stock outstanding and entitled to vote will constitute a quorum for the transaction of business at the Special Meeting.

Unless contrary instructions are indicated on the proxy, all shares of Common Stock represented by valid proxies received pursuant to this solicitation (and not revoked before they are voted) will be voted at the Special Meeting FOR the Reformation and FOR the adoption of the Plan. With respect to any other business which may properly come before the Special Meeting and be submitted to a vote of shareholders, proxies received by the Board of Directors will be voted in the discretion of the designated proxy holders. A Shareholder may revoke his or her proxy at any time before exercise by delivering to the Secretary of the Company a written notice of such revocation, by filing with the Secretary of the Company a duly executed proxy bearing a later date or by voting in person at the Special Meeting. Attendance at the Special Meeting will not by itself be sufficient to revoke a proxy.

Votes cast by proxy or in person at the Special Meeting will be tabulated by the election inspector appointed for the meeting. The election inspector will treat abstentions as shares that are present and entitled to vote for purposes of determining the presence of a quorum, but as unvoted for purposes of determining the approval of any matter upon which the Shareholder has abstained. Broker non-votes with respect to a given proposal will not be counted as either

"for" or "against" it. If a broker indicates on the proxy that it does not have discretionary authority as to certain shares to vote on a particular matter, those shares will not be considered as present and entitled to vote with respect to that matter.

If the Special Meeting is postponed or adjourned for any reason, at any subsequent reconvening of the Special Meeting all proxies will be voted in the same manner as such proxies would have been voted at the original convening of the Special Meeting (except for any proxies that have theretofore effectively been revoked or withdrawn).

The cost of preparing, assembling and mailing the Notice of Special Meeting, this Proxy Statement/ Prospectus and the form of proxy, including the reimbursement of banks, brokers and other nominees for forwarding proxy materials to beneficial owners, will be borne by the Company. Proxies may also be solicited personally or by telephone by directors and officers of the Company, who will receive no additional compensation.

This Proxy Statement/Prospectus also constitutes the prospectus of the Trust filed with the Securities and Exchange Commission (the "Commission") as a part of a Registration Statement on Form S-4 (the "Registration Statement") under the Securities Act of 1933, as amended (the "Securities Act"), relating to the Common Shares to be issued to Shareholders of the Company upon consummation of the Reformation.

The Company's Common Stock is listed for trading on the Nasdaq Small Cap Market tier of the Nasdaq Stock Market ("NASDAQ") under the symbol COPT. On February 3, 1998, the last sale price for the Company's Common Stock as reported on NASDAQ was \$10.00 per share.

No person has been authorized to give any information or to make any representations not contained in this Proxy Statement/Prospectus and, if given or made, such information or representations must not be relied upon as having been authorized by the Company or the Trust. This Proxy Statement/Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any securities, or the solicitation of a proxy, in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation. Neither the delivery of this Proxy Statement/Prospectus nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Company or the Trust subsequent to the date hereof.

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AVAILABLE INFORMATION

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports and other information with the Commission relating to its business, financial position, results of operations and other matters. Such reports, proxy statements and other information can be inspected and copied at the Public Reference Section maintained by the Commission at Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549 and at its Regional Offices

located at The Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511, and 7 World Trade Center, New York, New York 10048. Copies of such material also can be obtained from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. The Common Stock is listed for trading on the NASDAQ. Such reports, proxy statements and other information can also be inspected at the offices of the Nasdaq Stock Market, 1735 K Street, N.W., Washington, D.C. 20006. Such reports, proxy statements and other information can be reviewed through the Commission's Electronic Data Gathering Analysis and Retrieval System, which is publicly available through the Commission's web site (<http://www.sec.gov>).

The Trust has filed with the Commission the Registration Statement under the Securities Act with respect to the Common Shares offered hereby. This Proxy Statement/Prospectus does not contain all the information set forth in the Registration Statement, certain parts of which are omitted in accordance with the rules and regulations of the Commission. Reference is made to the Registration Statement and to the exhibits relating thereto for further information with respect to the Company, the Trust and the Common Shares offered hereby.

#### INCORPORATION OF DOCUMENTS BY REFERENCE

The following documents filed with the Commission by the Company (File No. 0-20047) pursuant to the Exchange Act are incorporated by reference in this Proxy Statement/Prospectus:

1. The Company's Annual Report on Form 10-KSB for the year ended December 31, 1996 (other than the audited financial information of the Company set forth therein);
2. The Company's Quarterly Reports on Form 10-QSB for the periods ended March 31, 1997, June 30, 1997 and September 30, 1997; and
3. The Company's Current Reports on Form 8-K filed October 29, 1997, November 6, 1997, December 24, 1997 and January 20, 1998.

Any statement contained in a document incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Proxy Statement/Prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Proxy Statement/Prospectus.

THIS PROXY STATEMENT/PROSPECTUS INCORPORATES DOCUMENTS BY REFERENCE WHICH ARE NOT PRESENTED HEREIN OR DELIVERED HERewith. SUCH DOCUMENTS (OTHER THAN EXHIBITS TO SUCH DOCUMENTS UNLESS SUCH EXHIBITS ARE SPECIFICALLY INCORPORATED BY REFERENCE) ARE AVAILABLE, WITHOUT CHARGE, TO ANY PERSON, INCLUDING ANY BENEFICIAL OWNER, TO WHOM THIS PROXY STATEMENT/PROSPECTUS IS DELIVERED, ON WRITTEN OR ORAL REQUEST TO CORPORATE OFFICE PROPERTIES TRUST, INC., ONE LOGAN SQUARE, SUITE 1105, PHILADELPHIA, PENNSYLVANIA 19103, ATTN: DENISE J. LISZEWSKI (TELEPHONE NUMBER (215) 567-1800). IN ORDER TO ENSURE TIMELY DELIVERY OF THE INCORPORATED DOCUMENTS, REQUESTS SHOULD BE RECEIVED PRIOR TO FEBRUARY 28, 1998.

#### SUMMARY

THE FOLLOWING IS A SUMMARY OF CERTAIN INFORMATION CONTAINED ELSEWHERE IN THIS PROXY STATEMENT/PROSPECTUS AND IS QUALIFIED IN ITS ENTIRETY BY THE MORE DETAILED INFORMATION AND FINANCIAL STATEMENTS CONTAINED AND INCORPORATED BY REFERENCE IN THIS PROXY STATEMENT/PROSPECTUS. UNLESS THE CONTEXT OTHERWISE REQUIRES, THE "COMPANY" REFERS TO ROYALE PRIOR TO OCTOBER 14, 1997, AND THEREAFTER INCLUDES ITS SUBSIDIARY CORPORATE OFFICE PROPERTIES HOLDINGS, INC., A DELAWARE CORPORATION FORMERLY NAMED FCO HOLDINGS, INC. ("HOLDINGS"), AND CORPORATE OFFICE PROPERTIES, L.P., FORMERLY NAMED FCO, L.P. (THE "OPERATING PARTNERSHIP"), TOGETHER WITH THE DELAWARE AND PENNSYLVANIA LIMITED PARTNERSHIPS IN WHICH THE COMPANY, THROUGH HOLDINGS AND THE OPERATING PARTNERSHIP, HAS INTERESTS. UNLESS THE CONTEXT OTHERWISE REQUIRES, THE DESCRIPTION OF THE TRUST ASSUMES THE REFORMATION HAS OCCURRED. CERTAIN CAPITALIZED TERMS WHICH ARE USED HEREIN BUT NOT DEFINED IN THIS SUMMARY ARE DEFINED ELSEWHERE IN THIS PROXY STATEMENT/PROSPECTUS.

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The Company.....	The Company is a self-administered real estate investment trust ("REIT") which focuses principally on the ownership, acquisition and management of suburban office properties in high growth submarkets in the United States. The Company currently owns interests in ten suburban office buildings in Pennsylvania and New Jersey containing approximately 1.5 million rentable square feet (the "Shidler Acquisition Properties") and seven retail properties located in the Midwest containing approximately 370,000 rentable square feet. As of December 31, 1997, the Company's properties were over 99% leased.
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The Company was formed in 1988 as Royale Investments, Inc.



to own and acquire retail properties and subsequently became an externally advised REIT. On October 14, 1997, the Company, as part of a series of transactions, acquired the Mid-Atlantic suburban office operations of The Shidler Group, a national real estate firm (the "Transactions"). As a result of the Transactions, the Company relocated its headquarters from Minneapolis to Philadelphia and became internally administered. Further, Jay Shidler became the Company's Chairman of the Board and Clay Hamlin became the Company's President and Chief Executive Officer. On January 1, 1998, the Company changed its name to Corporate Office Properties Trust, Inc.

The Trust.....	A newly formed Maryland REIT. The Trust expects to continue the Company's qualification as a REIT for federal income tax purposes.
The Transactions.....	On October 14, 1997, the Company completed a number of transactions in connection with the acquisition of the Mid-Atlantic suburban office operations of The Shidler Group pursuant to the Formation/Contribution Agreement dated September 7, 1997, as amended (the "Formation Agreement"). Although the Transactions involved a number of properties and partnerships and were effected by a series of intermediate steps, the Transactions, in effect, constituted the acquisition by the Company of an interest in the Operating Partnership formed to acquire (the "Acquisition") the Shidler Acquisition Properties. See "Certain Transactions--The Transactions."
The Special Meeting.....	The Special Meeting will be held on March 12, 1998 at 10:30 a.m., local time, at Room 803, Four Seasons Hotel, One Logan Square, Philadelphia, Pennsylvania. The purpose of the Special Meeting is to

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consider and vote upon (i) the Reformation, (ii) the Plan and (iii) such other business as may properly come before the Special Meeting.

Only holders of record of the Common Stock at the close of business on February 11, 1998 (the "Record Date") will be entitled to vote at the Special Meeting or any postponement or adjournment thereof. As of the Record Date, there were 2,268,583 shares of Common Stock outstanding and entitled to vote at the Special Meeting.

The directors and officers of the Company and their affiliates owned as of the Record Date 864,892 outstanding shares of Common Stock representing approximately 38% of the outstanding Common Stock entitled to vote at the Special Meeting. All such persons have indicated their present intention to vote their shares in favor of the Reformation and to adopt the Plan.

Required Vote.....	Under Minnesota law, the affirmative vote of a majority of the outstanding shares of Common Stock is required to approve the Reformation. The adoption of the Plan requires the affirmative vote of a majority of the shares of Common Stock represented and entitled to vote, in person or by proxy, at the Special Meeting.
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Recommendations of the Board.....	The Board, including the independent directors, who constitute a majority of the Board, has unanimously approved the Merger Agreement and has determined that the Reformation is fair to, and in the best interests of, the Company and its Shareholders. THE BOARD UNANIMOUSLY RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR APPROVAL OF THE REFORMATION. The Company is proposing the Reformation in order to domicile in a state which is recognized by REIT analysts and investors as a domicile of choice for REITs and to achieve organizational and investment flexibility. The Reformation provides the structure the Company needs to execute on its growth plans. There are also certain state and local tax benefits that will also inure to the Company. For a further discussion of the reasons for the Reformation and the factors considered by the Board in approving the Merger Agreement, see "Proposal 1--Reformation of the Company--Board Recommendation; Reasons for the Reformation."
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The Board also unanimously recommends that the Shareholders adopt the Plan. The Company believes that a long-term, equity-based incentive plan is important to the retention of its senior management team, and also aligns the economic interests of its senior management team with the economic interests of its shareholders. See "Proposal 2--Adoption of the Plan--Board Recommendation."

Revocability of Proxies..... A Shareholder may revoke his or her proxy at any time before exercise by delivering to the Secretary of the Company a written notice of such revocation, by filing with the Secretary of the Company a duly executed proxy bearing a later date or by voting in person at the Special Meeting.

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The Reformation..... The reformation of the Company as a Maryland real estate investment trust accomplished through the Mergers (as hereinafter defined).

The Mergers..... The merger of the Company into a newly formed Maryland corporation (the "Company Merger"), which shall be the surviving corporation, followed by the merger of the surviving corporation into the Trust with the Trust surviving (the "Trust Merger" and, together with the Company Merger, the "Mergers"), in each case pursuant to the Merger Agreement. The Reformation is taking the form of this two-step merger because Minnesota law does not permit the direct merger of a Minnesota corporation into a Maryland real estate investment trust. See "Proposal 1--Reformation of the Company-- Reformation."

Consequences of the Mergers..... As a result of the Mergers, each share of Common Stock will be converted into one Common Share. The Trust will succeed to all of the assets and liabilities of the Company. See "Proposal 1-- Reformation of the Company--Certain Consequences of the Mergers."

Effective Time of the Mergers..... If the Reformation is approved, the effective time of the Mergers will be the later of the filing of the Articles of Merger with the Secretary of State of the State of Minnesota and the acceptance for record of the Articles of Merger by the State Department of Assessments and Taxation of Maryland. See "Proposal 1--Reformation of the Company--Certain Consequences of the Mergers--Effective Time."

Conditions to the Mergers.... The Merger Agreement provides that, among others, the following are conditions to the Mergers: (i) the approval of the Merger Agreement by the Shareholders at the Special Meeting; (ii) holders of less than 5.0% of the outstanding shares of Common Stock shall have exercised their dissenter's rights; and (iii) no order to restrain or enjoin the consummation of the Mergers shall have been entered. Certain of the conditions may be waived. The Merger Agreement also provides that the parties may terminate the Merger Agreement before or after the Special Meeting. See "Proposal 1--Reformation of the Company--The Merger Agreement."

Accounting Treatment..... The Reformation will be accounted for as if it were a pooling of interests with no adjustment to the carrying value of the underlying assets and liabilities. See "Proposal 1--Reformation of the Company--Accounting Treatment of the Mergers."

Certain Federal Income Tax Consequences..... The Company believes that the Reformation will be tax-free under the Internal Revenue Code of 1986, as amended (the "Code"). Accordingly, (i) no gain or loss will be recognized under the Code by holders of shares of Common Stock who exchange such shares for Common Shares as a result of the Reformation, and (ii) no gain or loss will be recognized under the Code by the Company or the Trust as a result of the Reformation. See "Proposal 1--Reformation of the Company--Certain Consequences of the Mergers--Federal Income Tax Consequences."

</TABLE>

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## OPERATING DATA:

## Revenue:

Rental income.....	\$ 518	\$ 1,074	\$ 2,038	\$ 2,436	\$ 2,477	\$ 1,844	\$
1,881							
Other.....	119	70	217	49	32	25	
18							

-----  
 Total revenue..... 637 1,144 2,255 2,485 2,509 1,869  
 1,899

## Expenses:

Interest.....	243	461	1,098	1,267	1,246	937	
920							
Depreciation and amortization.....	125	256	476	567	567	425	
425							
Property expenses.....	99	204	345	344	361	269	
255							
General and administrative.....	36	42	35	35	42	24	
36							

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 Total expenses..... 503 963 1,954 2,213 2,216 1,655  
 1,636

-----  
 Net income..... \$ 134 \$ 181 \$ 301 \$ 272 \$ 293 \$ 214 \$  
 263

-----  
 Net income per share..... \$ 0.19 \$ 0.17 \$ 0.21 \$ 0.19 \$ 0.21 \$ 0.15 \$  
 0.19

-----  
 Cash distributions declared..... \$ 639 \$ 923 \$ 1,207 \$ 710 \$ 710 \$ 533 \$  
 533

-----  
 Cash distributions per share..... \$ 0.90 \$ 0.88 \$ 0.85 \$ 0.50 \$ 0.50 \$ 0.38 \$  
 0.38

## BALANCE SHEET DATA (AS OF PERIOD END):

Real estate investments, net of accumulated depreciation.....	\$ 9,931	\$ 15,110	\$ 24,179	\$ 23,624	\$ 23,070	\$ 23,209	\$
22,654							
Total assets.....	10,798	18,882	25,647	24,779	24,197	24,252	
23,686							
Mortgages payable.....	4,800	7,450	15,153	14,918	14,658	14,718	
14,448							
Total liabilities.....	5,235	7,950	15,620	15,191	15,026	14,982	
14,784							
Shareholders' equity.....	5,563	10,932	10,026	9,588	9,171	9,270	
8,902							

## OTHER DATA:

## Cash flows provided by (used in):

Operating activities.....	\$ 534	\$ 358	\$ 690	\$ 678	\$ 841	\$ 552	\$
613							
Investing activities.....	(9,278)	(5,461)	(9,511)	(551)	127	64	
368							
Financing activities.....	4,062	7,829	8,357	(1,001)	(967)	(730)	
(742)							
Funds from Operations (a).....	259	437	768	827	847	630	
679							
Weighted average shares outstanding.....	710	1,065	1,420	1,420	1,420	1,420	
1,420							

## PROPERTY DATA (AS OF PERIOD END):

Number of properties owned.....	2	4	7	7	7	7	
7							
Total net rentable square feet owned (in thousands).....	135	215	370	370	370	370	
370							

</TABLE>

(a) Management generally considers Funds from Operations ("FFO") to be a useful measure of the operating performance of an equity REIT because, together with net income and cash flows, FFO provides investors with an additional basis to evaluate the ability of a REIT to incur and service debt and to fund acquisitions and other capital expenditures. FFO does not represent net income or cash flows from operations as defined by generally accepted accounting principles ("GAAP") and does not necessarily indicate that cash flows will be sufficient to fund cash needs. It should not be considered as an alternative to net income as an indicator of the Company's operating performance or to cash flows as a measure of liquidity. FFO also does not represent cash flows generated from operating, investing or financing activities as defined by GAAP. Further, FFO as disclosed by other REITs may not be comparable to the Company's calculation of FFO. The Company has adopted the National Association of Real Estate Investment Trusts definition of FFO and has used it for all periods presented. FFO is calculated as net income (loss) (computed in accordance with GAAP) adjusted for depreciation and amortization expense attributable to capitalized leasing costs, tenant allowances and improvements, and extraordinary and nonrecurring items less minority interests.

MARKET PRICE AND DISTRIBUTION INFORMATION

The Company's Common Stock is listed for trading on NASDAQ under the symbol "COPT" and prior to January 1, 1998 was listed under the symbol "RLIN." The following table sets forth the range of the high and low last reported sale prices as reported on NASDAQ as well as the quarterly distributions declared per share of Common Stock. The quotations shown represent interdealer prices without adjustment for retail markups, markdowns or commissions, and may not reflect actual transactions.

<TABLE>  
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	LOW	HIGH	
DISTRIBUTION	-----	-----	-----
<S>	<C>	<C>	<C>
1996			
First Quarter.....	\$ 4.750	\$ 5.375	\$ 0.125
Second Quarter.....	4.875	5.750	0.125
Third Quarter.....	4.875	5.750	0.125
Fourth Quarter.....	4.750	5.500	0.125
1997			
First Quarter.....	4.500	6.000	0.125
Second Quarter.....	4.500	5.625	0.125
Third Quarter.....	5.000	7.875	0.125
Fourth Quarter.....	6.813	11.750	0.125
1998			
First Quarter (through February 3, 1998).....	9.750	11.500	--

On September 5, 1997, the last trading day before the announcement of the Transactions, the last sale price of the Common Stock, as reported on NASDAQ, was \$5-9/16. On September 8, 1997, the date on which the Transactions were first announced, the last sale price for the Common Stock, as reported on NASDAQ, was \$7-7/8 per share. On October 13, 1997, the day before the Transactions were consummated, the last sale price for the Common Stock, as reported on NASDAQ, was \$7-5/8 per share. On February 3, 1998, the last sale price for the Common Stock, as reported on NASDAQ, was \$10.00 per share. The approximate number of holders of record of the shares of the Common Stock was 234 as of February 3, 1998.

In early 1995, the Company established a distribution policy of basing future distributions on funds from operations, which the Trust intends to continue. The Trust's ability to pay cash distributions in the future will be dependent upon (i) amounts distributed by the Operating Partnership from properties or interests held by it, (ii) income from the properties held directly by the Company and (iii) cash generated by financing transactions. The ability of the Trust to make cash distributions will also be limited by the terms of the limited partnership agreement of the Operating Partnership (the "Operating Partnership Agreement") and the Property Financing (as hereinafter defined) as well as limitations imposed by state law and the agreements governing any future indebtedness of the Trust or the Operating Partnership. See "Distribution Policy," "Certain Transactions --The Transactions" and "Federal

RISK FACTORS

AN INVESTMENT IN THE COMMON SHARES INVOLVES VARIOUS RISKS AND CONSIDERATIONS. SHAREHOLDERS SHOULD CAREFULLY CONSIDER THE FOLLOWING INFORMATION IN CONJUNCTION WITH THE OTHER INFORMATION CONTAINED AND INCORPORATED BY REFERENCE IN THIS PROXY STATEMENT/PROSPECTUS IN EVALUATING THE REFORMATION BEFORE MAKING A DECISION WITH RESPECT TO THE COMMON SHARES OFFERED HEREBY.

RELIANCE ON MAJOR TENANTS

The Trust's two major tenants, Unisys Corporation ("Unisys") and Teleport Communications Group Inc. ("TCG," which has recently announced the intention to merge with a subsidiary of AT&T), accounted for 39.6% and 15.5% of Total Rental Revenue (as hereinafter defined) as of February 1, 1998, respectively. The Trust's top five tenants accounted for 78.0% of Total Rental Revenue as of such date. See "Properties--Tenants." In the event that one or more of these tenants experiences financial difficulties, or defaults on its obligation to make rental payments to the Trust, the Trust's financial performance and ability to make expected distributions to shareholders would be materially adversely affected.

LACK OF GEOGRAPHICAL DIVERSITY

A substantial portion of the Trust's properties are located in the Philadelphia region and, to a lesser extent, the Princeton region. Over 74.3% of Total Rental Revenue as of February 1, 1998 was derived from office properties in the Philadelphia and Princeton markets. As a result, the Trust does not have the benefits of portfolio geographic diversity and is subject to any issues selectively affecting these regions. Therefore, in the long-term, based upon the properties currently owned directly or indirectly by the Trust, the Trust's financial performance and ability to make expected distributions to shareholders is dependent upon the Philadelphia and Princeton markets. There can be no assurance as to the stability or growth conditions of the Philadelphia and Princeton markets.

RISK OF INABILITY TO SUSTAIN DISTRIBUTION LEVEL

The Trust initially intends to maintain the distribution level of the Company. However, the level of distributions is based on a number of assumptions, including assumptions relating to future operations of the Trust. These assumptions concern, among other matters, continued property occupancy and profitability of tenants, distributions received from the Operating Partnership, the amount of future capital expenditures and expenses relating to the Trust's properties, the level of leasing activity and future rental rates, the strength of the commercial real estate market, competition, the costs of compliance with environmental and other laws, the amount of uninsured losses and decisions by the Trust to reinvest rather than distribute cash available for distribution. The Trust currently expects to maintain its initial distribution level throughout 1998. A number of the assumptions described above, however, are beyond the control of the Trust. Accordingly, no assurance can be given that the Trust will be able to maintain its distribution level.

EFFECTS OF OWNERSHIP LIMIT, CLASSIFIED BOARD AND POWER TO ISSUE ADDITIONAL SHARES

POTENTIAL EFFECTS OF OWNERSHIP LIMITATION. For the Trust to maintain its qualification as a REIT under the Code, not more than 50% in value of the outstanding shares of beneficial interest of the Trust may be owned, directly or indirectly, by five or fewer persons (defined in the Code to include certain entities) at any time during the last half of any taxable year. See "Federal Income Tax Considerations--Taxation of the Trust." The Declaration of Trust authorizes the Board of Trustees, subject to certain exceptions, to take such actions as may be necessary or desirable to preserve its qualification as a REIT and to limit any person to direct or indirect ownership of no more than (i) 9.8% of the Trust's number of issued and outstanding shares of beneficial interest, or (ii) 9.8% of the total equity value of such shares of beneficial interest (the "Ownership Limit"). The Board of Trustees, upon such conditions as the Board of Trustees, in

its sole discretion, may establish (which may include receipt of an appropriate ruling from the Internal Revenue Service (the "Service") or an opinion of counsel), may exempt a proposed transferee from the Ownership Limit. However, the Board of Trustees may not grant an exemption from the Ownership Limit to any proposed transferee whose ownership, direct or indirect, of shares of beneficial interest of the Trust in excess of the Ownership Limit would result in the termination of the Trust's status as a REIT. The Board of Trustees has exempted the Common Shares to be issued in the Reformation in exchange for the shares of Common Stock originally issued in the Transactions from the Ownership Limit, as well as the Common Shares to be issued following redemption of the units of limited partnership interest in the Operating Partnership ("Units") issued in the Transactions. For an indication of the number of such Common Shares, see

"Security Ownership of Management and Others" and "Certain Transactions--The Transactions." A transfer of Common Shares in violation of the above limits may result in the constructive transfer of the Common Shares to a trust administered for charitable purposes and/or trigger the Trust's right to repurchase such Common Shares. The foregoing restrictions on transferability and ownership will continue to apply until the Board of Trustees determines that it is no longer in the best interests of the Trust to attempt to qualify, or to continue to qualify, as a REIT. The Ownership Limit may have the effect of delaying, deferring or preventing a change in control of the Trust or other transaction that might involve a premium over the then prevailing market price for the Common Shares or other attributes that the shareholders may consider to be desirable. See "Proposal 1--Reformation of the Company--Description of Shares of Beneficial Interest--Restrictions on Transfer."

POTENTIAL EFFECTS OF STAGGERED ELECTIONS OF TRUSTEES. If the Reformation is approved by Shareholders, the Board of Trustees will assume the responsibilities currently exercised by the Board. The Board of Trustees is divided into three classes of trustees (the "Trustees"). The initial terms of the first, second and third classes of the Trustees will expire in 1999, 2000 and 2001, respectively. Beginning in 1999, Trustees of each class will be chosen for three-year terms upon the expiration of their current terms and one class of Trustees will be elected by the shareholders each year. The staggered terms of the Trustees may reduce the possibility of a tender offer or an attempt to change control of the Trust, even though a tender offer or change in control might be considered by the shareholders to be desirable. See "Proposal 1--Reformation of the Company--Comparison of Rights of Shareholders of the Company and Shareholders of the Trust-- Classified Board."

POTENTIAL EFFECTS OF ISSUANCE OF ADDITIONAL SHARES; OTHER MATTERS. The Trust's Declaration of Trust authorizes the Board of Trustees to (i) amend the Declaration of Trust, without shareholder approval, to increase or decrease the aggregate number of shares of beneficial interest of any class, including Common Shares, that the Trust has the authority to issue, (ii) cause the Trust to issue additional authorized but unissued Common Shares or preferred shares of beneficial interest, par value \$0.01 per share (the "Preferred Shares"), and (iii) classify or reclassify any unissued Common Shares and Preferred Shares and to set the preferences, rights and other terms of such classified or unclassified shares. See "Proposal 1-- Reformation of the Company--Description of Shares of Beneficial Interest." The Company is presently considering issuing in the near term for cash, either in a private placement or through a public offering, a significant amount of Common Shares. In addition, the Company is likely to issue directly, or through the issuance of Units by the Operating Partnership, a substantial number of Common Shares, or Units redeemable or exchangeable for Common Shares, in connection with acquisitions. The Company is presently exploring a number of potential acquisitions, some of which could be material and a number of which could be effected in the near term in the event the Company's explorations are successful. In addition, although the Board of Trustees has no intention to do so at the present time, it will be authorized pursuant to these provisions to establish a class or series of shares of beneficial interest that could, depending on the term of such series, delay, defer or prevent a change in control of the Trust or other transaction that might involve a premium over the then prevailing market price for the Common Shares or other attributes that the shareholders may consider to be desirable. The Declaration of Trust, the Maryland Bylaws and Maryland law also contain other provisions that may have the effect of delaying, deferring or preventing a change in control of the Trust or other transaction that might involve a premium

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over the then prevailing market price for the Common Shares or other attributes that the shareholders may consider to be desirable. See "Proposal 1--Reformation of the Company--Comparison of Rights of Shareholders of the Company and Shareholders of the Trust--Removal of Directors and Trustees," "-- Control Share Acquisitions" and "--Advance Notice of Nominations and New Business."

Holders of Units have the right to cause the Operating Partnership to redeem their Units on the occurrence of certain events, including a transaction resulting in a group becoming the beneficial owner of 20% or more of the Common Shares (other than Permitted Holders, as defined in the Operating Partnership Agreement) or a merger or consolidation involving the Trust. The Trust has the option to deliver cash or Common Shares in satisfaction of such redemption obligation. See "Certain Transactions-- The Transactions." This redemption provision may have the effect of delaying, deferring or preventing a change in control of the Trust or other transaction that might involve a premium over the then prevailing market price for the Common Shares or other attributes that the shareholders may consider to be desirable. In addition, there is no limit on the ability of the Operating Partnership to issue additional Units, which Units may be convertible or redeemable for Common Shares. See "--Possible Adverse Effect of Shares Available for Future Sale on Price of Common Shares." Existing shareholders will have no preemptive right to acquire any such equity securities, and any such issuance of equity securities could result in dilution of an existing shareholder's investment in the Trust.

The issuance of Common Shares or Preferred Shares discussed above could have a dilutive effect on shareholders.

## TAX RISKS

**FAILURE TO QUALIFY AS A REIT.** The Company was organized and has operated, and the Trust intends to operate, so as to qualify as a REIT for federal income tax purposes. The Trust has not requested, and does not expect to request, a ruling from the Service that it qualifies as a REIT. The Trust has received an opinion of its counsel that, based upon certain assumptions and representations, the Company has so qualified and the Trust will continue to so qualify. Shareholders should be aware, however, that opinions of counsel are not binding on the Service or any court. The REIT qualification opinion only represents the view of counsel to the Trust based upon such counsel's review and analysis of existing law, which includes no controlling precedent. Furthermore, both the validity of the opinion and the qualification of the Trust as a REIT will depend on the Trust's continuing ability to meet various requirements concerning, among other things, the ownership of its outstanding stock, the nature of its assets, the sources of its income and the amount of its distributions to its shareholders. There can be no assurance that the Trust will do so successfully. See "Federal Income Tax Considerations--Taxation of the Trust."

If the Trust were to fail to qualify as a REIT for any taxable year, the Trust would not be allowed a deduction for distributions to its shareholders in computing its taxable income and would be subject to federal income tax (including any applicable minimum tax) on its taxable income at regular corporate rates. Unless entitled to relief under certain Code provisions, the Trust also would be disqualified from treatment as a REIT for the four taxable years following the year during which qualification was lost. As a result, cash available for distribution would be reduced for each of the years involved. Although management intends to operate the Trust in a manner designed to meet the REIT qualification requirements, it is possible that future economic, market, legal, tax or other considerations may cause the Board of Trustees to revoke the REIT election. See "Federal Income Tax Considerations."

To qualify as a REIT, a company must establish, among other things, that it is not "closely held" (i.e., during the last half of each taxable year, not more than 50% in value of a company's outstanding stock may have been owned, actually or constructively, by five or fewer individuals (as defined in the Code to include certain entities)). In order to ascertain the actual ownership of a company's outstanding shares, Treasury Regulations require that the company demand from certain shareholders written statements disclosing the

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actual owners of the company's stock. The Company unintentionally made required demands for shareholder statements later than the time permitted by the regulations for its taxable years 1994 through 1996 (and failed to make such demands for its taxable years 1992 and 1993, which are generally closed years for purposes of the assessment of federal income tax). As a consequence, the Service may contend that the Company failed to qualify as a REIT for some or all of such years. The Company, however, believes that it has substantially complied with the purposes of the shareholder demand regulation. At its own initiative, the Company requested that the Service enter into a closing agreement with the Company whereby the Service would agree not to treat the Company as failing to qualify as a REIT because of the Company's failure strictly to comply with the shareholder demand regulation. The Service has not yet advised the Company whether it will enter into such closing agreement, although the Company has been advised that the Service has in some cases agreed to enter into such agreements under similar circumstances. The Service has given no indication that it intends to challenge the Company's qualification as a REIT for a failure to make the shareholder demands. If such a challenge were successfully made, the Company believes that any liability for income taxes and interest for the taxable years 1994 through 1996 could be material. If the Service were successful in challenging the Company's REIT status for failure to satisfy the shareholder demand regulation, the Company's qualification as a REIT for 1997 would depend on the Company's ability to prove that its failure to make the shareholder demands was due to reasonable cause and not due to willful neglect. Otherwise, the Company and the Trust could not elect REIT status, potentially until 1999. The Company estimates that if it were unable to elect REIT status until 1999, the Company's and the Trust's aggregate liability for income taxes and interest for the years 1994 through 1996 would be approximately \$165,000 plus applicable interest. An additional tax liability could also fall due with respect to tax years 1997 and 1998.

**OTHER TAX LIABILITIES.** Even if the Trust qualifies as a REIT, it will be subject to certain state and local taxes on its income and property, and may be subject to certain federal taxes. In connection with the Reformation, the Trust will be formed as a Maryland business trust and treated as a corporation for tax purposes. Generally, all corporations operating in Pennsylvania are subject to the Pennsylvania Corporate Net Income Tax ("CNI") and the Pennsylvania Capital Stock/Foreign Franchise Tax ("CS/FF") apportioned to Pennsylvania based on that corporation's activities within the Commonwealth. However, a foreign business trust that confines its activities in Pennsylvania to the maintenance, administration and management of intangible investments and qualifies as a REIT under Section 856 of the Code or a qualified REIT subsidiary under Section 856(i) of the Code is not subject to the CS/FF or CNI. If the Trust were to fail to qualify as REIT for any tax year, the Trust would be subject to CNI and CS/FF based upon the Trust's income and equity apportioned to Pennsylvania.



In the Transactions, the transfers of partnership interests to the Operating Partnership relating to the properties located in Pennsylvania were structured as transfers of 89% of the capital interests with the remaining interests to be acquired by the Operating Partnership not later than December 2000. This structure is intended to comply with informal advice from the Pennsylvania Department of Revenue that such transfers are not subject to Pennsylvania real estate transfer taxes. However, the Trust has not obtained a formal ruling from the Pennsylvania Department of Revenue on this issue. If the Pennsylvania Department of Revenue were to successfully challenge this structure, or the remaining interests were required to be transferred for financing or other purposes prior to October 14, 2000, the Operating Partnership would be subject to Pennsylvania state and local transfer taxes of approximately \$2.7 million.

REIT MINIMUM DISTRIBUTION REQUIREMENTS; POSSIBLE INCURRENCE OF ADDITIONAL DEBT. In order to qualify as a REIT, the Trust generally will be required each year to distribute to its shareholders at least 95% of its net taxable income (excluding any net capital gain). In addition, the Trust will be subject to a 4% nondeductible excise tax on the amount, if any, by which certain distributions paid by it with respect to any calendar year are less than the sum of (i) 85% of its ordinary income for that year, (ii) 95% of its capital gain net income for that year and (iii) 100% of its undistributed taxable income from prior years. The Trust intends to make distributions to its shareholders to comply with the 95% distribution requirement and to

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avoid the nondeductible excise tax. The Trust's income will consist primarily of its share of the income of the Operating Partnership and, to a significantly lesser extent, from the properties it owns directly, and the cash available for distribution by the Trust to its shareholders will consist of its share of cash distributions from the Operating Partnership and, to a significantly lesser extent, cash flow from the properties it owns directly together with funds available to it from borrowings. Differences in timing between (i) the actual receipt of income and actual payment of deductible expenses and (ii) the inclusion of such income and deduction of such expenses in arriving at taxable income of the Trust could require the Trust, directly or indirectly through the Operating Partnership, to borrow funds on a short-term basis to meet the 95% distribution requirement and to avoid the nondeductible excise tax. See "---Real Estate Financing Risks."

#### CONFLICTS OF INTEREST

RISKS RELATING TO STRUCTURE. The Company currently owns its retail properties directly and its interest in the office properties indirectly through its interests in the Operating Partnership and the Properties Partnerships (as hereinafter defined). Certain of the Trustees and the Company's directors, including Messrs. Shidler and Hamlin, are limited partners of the Operating Partnership ("Limited Partners") and are limited partners in certain of the Properties Partnerships. Certain Trustees and directors also own Preferred Units (as defined in the Operating Partnership Agreement) which receive a priority return to the Partnership Units (as defined in the Operating Partnership Agreement) held by the Company, and it is anticipated that additional Preferred Units will be sold in the future. See "Certain Transactions--The Transactions." As a result, there are basically two pools of assets in which the Company has differing interests and conflicts of interest may arise concerning, among other things, the allocation of resources (financial or otherwise) between asset pools, assets sales and the reduction of indebtedness.

The Trust, as the general partner (the "General Partner") of the Operating Partnership, may have fiduciary duties to the Limited Partners, the discharge of which may conflict with interests of the Trust shareholders. Pursuant to the Operating Partnership Agreement, however, the Limited Partners have acknowledged that the Trust is acting both on behalf of the Trust shareholders and, in its capacity as General Partner, on behalf of the Limited Partners. The Limited Partners have agreed that the Trust will discharge its fiduciary duties to the Limited Partners by acting in the best interests of the Trust's shareholders. Limited Partners will also have the right to vote on amendments to the Operating Partnership Agreement, many of which will require the vote of holders (other than the Trust) of a majority of the Partnership Units and the Preferred Units, voting separately, and individually to approve certain amendments that will adversely affect their rights. These voting rights may be exercised in a manner that conflicts with the interests of the Trust's shareholders.

In addition, distributions from the Operating Partnership and income from the retail properties may not be sufficient to both pay the Trust's current overhead expenses and maintain the current level of distributions to shareholders. To the extent that there continues to be a mismatch between expenses and shareholder distributions, on the one hand, and Operating Partnership distributions and rental income, on the other hand, the Trust would be required to seek discretionary distributions or loans from the Operating Partnership, to incur additional indebtedness in order to fund operating expenses and distributions or to decrease shareholder distributions. See "---Real Estate Financing Risks." Alternatively, the Trust may seek to issue additional Common Shares, although the proceeds from such issuance would be required to be contributed to the Operating Partnership absent a waiver by the Limited

Partners.

In connection with the Transactions, the Company negotiated to receive allocations in excess of those which it would have been allocated as a result of its ownership of Partnership Units until December 31, 2000 ("Excess Allocations"). See "Certain Transactions--The Transactions." However, the distributions from the Operating Partnership are generally PRO RATA, based upon each party's interest. As a result, the Trust may be allocated taxable income in excess of the distributions it receives from the Operating Partnership. Although the Trust anticipates that it will be able to sustain distributions sufficient to comply with the REIT annual distribution requirements in the Code from cash available from properties it owns

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directly, additional discretionary distributions from the Operating Partnership or the incurrence of indebtedness, there can be no assurance that such distributions will be possible.

**RISKS RELATED TO OUTSIDE INVESTMENTS.** Mr. Shidler, the Chairman of the Board, also has interests in a number of other real estate investments, including First Industrial Realty Trust, Inc., a REIT, of which he is Chairman of the Board. As a result, Mr. Shidler will only spend a portion of his time on the Trust's business. Instances may arise in which Mr. Shidler's interests with respect to his overall activities, or a given investment opportunity, may be inconsistent with the interests of the Trust. Mr. Hamlin, President, Chief Executive Officer and a director of the Company, also has interests in a number of other real estate investments, including First Industrial Realty Trust, Inc. and TriNet Corporate Realty Trust, Inc. and other REITs. Although Mr. Hamlin has entered into an employment agreement with the Company which contains a non-compete clause, there can be no assurance that instances would not arise which present conflicts of interest. See "Management--Executive Officers and Trustees."

Entities controlled by Mr. Shidler and Mr. Hamlin also own undeveloped property contiguous to certain of the Trust's properties. Although all such entities will grant the Trust an option to acquire these properties at fair market value, there can be no assurance that the Trust will acquire these properties. These properties could be developed and compete with the Trust for tenants.

#### REAL ESTATE INVESTMENT RISKS

**GENERAL RISKS.** Real property investments are subject to varying degrees of risk. The yields available from equity investments in real estate depend in large part on the amount of rental income earned and capital appreciation generated, as well as property operating and other expenses incurred. If the Trust's properties do not generate revenues sufficient to meet operating expenses of the Operating Partnership and the Trust, including debt service, tenant improvements, leasing commissions and other capital expenditures, the Operating Partnership or the Trust may have to borrow additional amounts to cover fixed costs, and the Trust's financial performance and ability to make distributions to its shareholders may be adversely affected.

The Trust's revenues and the value of its properties may be adversely affected by a number of factors, including (i) the national, state and local economic climate and real estate conditions (such as oversupply of or reduced demand for space and changes in market rental rates), (ii) the perceptions of prospective tenants of the attractiveness, convenience and safety of the Trust's properties, (iii) the ability of the Trust to provide adequate management, maintenance and insurance, (iv) the ability to collect all rent from tenants on a timely basis, (v) the expense of periodically renovating, repairing and reletting spaces and (vi) increasing operating costs (including real estate taxes and utilities) to the extent that such increased costs cannot be passed through to tenants. Certain significant costs associated with investments in real estate (such as mortgage payments, real estate taxes, insurance and maintenance costs) generally are not reduced when circumstances cause a reduction in rental revenues from the property and vacancies result in loss of the ability to receive tenant reimbursements of operating costs customarily borne by commercial real estate tenants. In addition, real estate values and income from properties are also affected by such factors as compliance with laws applicable to real property, including environmental and tax laws, interest rate levels and the availability of financing. Furthermore, the amount of available rentable square feet of commercial property is often affected by market conditions and may therefore fluctuate over time.

**TENANT DEFAULTS AND BANKRUPTCY.** Substantially all of the Trust's income will be derived, directly or through distributions from the Operating Partnership, from rental income from properties. The distributable cash flow and ability to make expected distributions to shareholders would be adversely affected if a significant number of the Trust's tenants failed to meet their lease obligations. Tenants may seek the protection of the bankruptcy laws, which could result in delays in rental payments or in the rejection and termination of such tenant's lease and thereby cause a reduction in the Trust's cash flow and the amounts available for distributions to its shareholders. No assurance can be given that tenants will not file for

bankruptcy protection in the future or, if any tenants file, that they will affirm their leases and continue to make rental payments in a timely manner. In addition, a tenant, from time to time, may experience a downturn in its business which may weaken its financial condition and result in the failure to make rental payments when due. If tenant leases are not affirmed following bankruptcy, or if a tenant's financial condition weakens, the Trust's results of operations and the amounts available for distribution to its shareholders may be adversely affected.

**OPERATING RISKS.** The Trust's properties will be subject to operating risks common to commercial real estate in general, any and all of which may adversely affect occupancy and rental rates. Such properties will be subject to increases in operating expenses such as cleaning, electricity, heating, ventilation and air conditioning, maintenance, insurance and administrative costs, and other general costs associated with security, landscaping, repairs and maintenance. While the Trust's current tenants generally are obligated to pay a portion of these escalating costs, there can be no assurance that tenants will agree to pay all or a portion of such costs upon renewal or that new tenants will agree to pay such costs. If operating expenses increase, the local rental market may limit the extent to which rents may be increased to meet increased expenses without decreasing occupancy rates. While the Trust implements cost-saving incentive measures at each of its properties, the Trust's results of operations and ability to make distributions to shareholders could be adversely affected if operating expenses increase without a corresponding increase in revenues, including tenant reimbursements of operating costs. In addition, when tenant leases expire, the Trust may incur significant retreating costs for leasing commissions and tenant improvements.

**COMPETITION; RISK OF NOT MEETING TARGETED LEVEL OF LEASING ACTIVITY, ACQUISITIONS AND DEVELOPMENT.** Numerous commercial properties compete with the Trust's properties in attracting tenants to lease space, and additional properties can be expected to be built in the markets in which the Trust's properties are located. The number and quality of competitive commercial properties in a particular area will have a material effect on the Trust's ability to lease space at its current properties or at newly acquired properties and on the rents charged. Some of these competing properties may be newer or better located than the Trust's properties. In addition, the commercial real estate market is highly competitive particularly within the Mid-Atlantic region in which the Trust presently operates. There are a significant number of buyers of commercial property, including other publicly traded commercial REITs, many of which have significant financial resources. This has resulted in increased competition in acquiring attractive commercial properties. See "--Real Estate Investment Risks--Risks Associated with Acquisition, Development and Construction Activities." Accordingly, it is possible that the Trust may not be able to meet its targeted level of property acquisitions and developments due to such competition or other factors which may have an adverse effect on the Trust's expected growth in operations.

**POSSIBLE ENVIRONMENTAL LIABILITIES.** Under various federal, state and local environmental laws, ordinances and regulations, a current or previous owner or operator of real property may be liable for the costs of removal or remediation of hazardous or toxic substances on, under or in such property. Such laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances. In addition, the presence of hazardous or toxic substances, or the failure to remediate such property properly, may adversely affect the owner's ability to borrow using such real property as collateral. Persons who arrange for the disposal or treatment of hazardous or toxic substances may also be liable for the costs of removal or remediation of hazardous substances at the disposal or treatment facility, whether or not such facility is or ever was owned or operated by such person. Certain environmental laws and common law principles could be used to impose liability for release of and exposure to hazardous substances, including asbestos-containing materials ("ACMs"), into the air, and third parties may seek recovery from owners or operators of real properties for personal injury or property damage associated with exposure to released hazardous substances, including ACMs. As the owner of real properties, the Trust may be potentially liable for any such costs.

Phase I environmental site assessments ("ESAs") were obtained in connection with the Property Financing for each of the Trust's properties. The purpose of Phase I ESAs is to identify potential sources of contamination for which a company may be responsible and to assess the status of environmental regulatory compliance. Where recommended in the Phase I ESA, invasive procedures, such as soil sampling and testing or the installation and monitoring of groundwater wells, were subsequently performed. The Phase I ESAs, including subsequent procedures where applicable, have not revealed any environmental liability that, after giving effect to indemnification available to the Trust, the Trust believes would have a material adverse effect on the Trust's business, assets or results of operations, nor is the Trust aware of any such material environmental liability. Nevertheless, it is possible that the indemnification would be unavailable at the time the Trust sought to make a claim thereunder, the Phase I ESAs relating to any one of its properties have not revealed all environmental

liabilities or that there are material environmental liabilities of which the Trust is unaware. Moreover, there can be no assurance that (i) future laws, ordinances or regulations will not impose any material environmental liability or (ii) the current environmental condition of the Trust's properties will not be affected by tenants, by the condition of land or operations in the vicinity of such properties (such as the presence of underground storage tanks) or by third parties unrelated to the Trust.

**EFFECT OF AMERICANS WITH DISABILITIES ACT COMPLIANCE ON CASH FLOW AND DISTRIBUTIONS.** Under the Americans with Disabilities Act of 1990 (the "ADA"), all public accommodations and commercial facilities are required to meet certain federal requirements related to access and use by disabled persons. Existing commercial properties generally are subject to provisions requiring that buildings be made accessible to people with disabilities. Compliance with the ADA requirements could require removal of access barriers, and non-compliance could result in imposition of fines by the U.S. government or an award of damages to private litigants. While the amounts of such compliance costs, if any, are not currently ascertainable, they are not expected to have a material effect on the Trust.

**CHANGES IN LAWS.** Because increases in income or service taxes may not be passed through to tenants under some leases, such increases may adversely affect the Trust's results of operations and its ability to make distributions to shareholders. In addition, the Trust's properties are subject to various federal, state and local regulatory requirements and to state and local fire and lifesafety requirements. Failure to comply with these requirements could result in the imposition of fines by governmental authorities or awards of damages to private litigants. The Trust believes that its properties currently are in material compliance with all such regulatory requirements. However, there can be no assurance that these requirements will not be changed or that new requirements will not be imposed which would require significant unanticipated expenditures by the Trust and could have an adverse effect on the Trust's cash flow and ability to make expected distributions to shareholders.

**UNINSURED LOSSES.** The Trust will generally carry commercial general liability insurance, standard "all-risk" property insurance, and flood and earthquake (where appropriate) and rental loss insurance with respect to its properties with policy terms and conditions customarily carried for similar properties. No assurance can be given, however, that material losses in excess of insurance proceeds will not occur in the future which would adversely affect the business of the Trust and its financial condition and results of operations. In addition, certain types of losses may be either uninsurable or not economically insurable. Should an uninsured loss or a loss in excess of insured limits occur, the Trust could lose its capital invested in a property, as well as the anticipated future revenue from such property, and would continue to be obligated on any mortgage indebtedness or other obligations related to the property.

**RISKS ASSOCIATED WITH ILLIQUIDITY OF REAL ESTATE.** Equity real estate investments are relatively illiquid. Such illiquidity will tend to limit the ability of the Trust to vary its portfolio promptly in response to changes in economic or other conditions. In addition, the Code limits the ability of a REIT to sell properties held for fewer than four years, which may affect the Trust's ability to sell properties without adversely affecting returns to holders of Common Shares.

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**RISKS ASSOCIATED WITH ACQUISITION, DEVELOPMENT AND CONSTRUCTION ACTIVITIES.** The Trust intends to acquire existing commercial properties to the extent that they can be acquired on advantageous terms and meet the Trust's investment criteria. Acquisitions of such properties entail general investment risks associated with any real estate investment, including the risk that investments will fail to perform in accordance with expectations or that estimates of the costs of improvements to bring an acquired property up to the Trust's standards may prove inaccurate.

The Trust also intends to grow in part through the selective development, redevelopment and construction of commercial properties, including build-to-suit properties and speculative development, as suitable opportunities arise. Additional risks associated with such real estate development and construction activities include the risk that the Trust may abandon development activities after expending significant resources to determine their feasibility; the construction cost of a project may exceed original estimates; occupancy rates and rents at a newly completed property may not be sufficient to make the property profitable; financing may not be available on favorable terms for development of a property; and the construction and lease up of a property may not be completed on schedule (resulting in increased debt service and construction costs). Development activities are also subject to risks relating to inability to obtain, or delays in obtaining, necessary zoning, land-use, building occupancy and other required governmental permits and authorizations. If any of the above occur, the Trust's results of operations and ability to make expected distributions to shareholders could be adversely affected. In addition, new development activities, regardless of whether they are ultimately successful, may require a substantial portion of management's time and attention.

## REAL ESTATE FINANCING RISKS

As of December 31, 1997, on a pro forma basis after giving effect to the Reformation, the Trust and the Operating Partnership would have had approximately \$14 million and \$100 million of outstanding indebtedness, respectively, all of which is secured. The indebtedness of the Trust is in the form of mortgage notes which are non-recourse to any property of the Trust, other than the specific retail store property or properties collateralizing the mortgage note, and are subject to prepayment penalties. The Property Financing matures in October 2000 (subject to an ability, under certain circumstances, to extend for two additional years). For a description of the indebtedness outstanding to the Properties Partnerships, see "Description of Property Financing." The Trust intends to continue to operate in the near term with higher debt levels than most other REITs. The Declaration of Trust does not limit the amount of indebtedness that the Trust may incur. In addition, as a result of, among other things, the annual income distribution requirements applicable to REITs under the Code, the Trust will be required to rely on borrowings, either directly or through the Operating Partnership, and other external sources of financing to fund the costs of new property acquisitions, capital expenditures and other items. Accordingly, the Trust and the Operating Partnership will be subject to real estate financing risks, including changes from period to period in the availability of such financing, the risk that the Trust's or the Operating Partnership's cash flow may not be sufficient to cover both required debt service payments and distributions to shareholders and the risk that indebtedness secured by properties will not be able to be refinanced or that the terms of such refinancing will not be as favorable as the terms of existing indebtedness. Each of the Trust's properties, whether directly owned or owned through the Operating Partnership, has been mortgaged to secure indebtedness. If the Trust or the Operating Partnership becomes unable to meet its required mortgage payment obligations, the property or properties subject to such mortgage indebtedness could be foreclosed upon by or otherwise transferred to the mortgagee, with a consequent loss of income and asset value to the Trust.

In addition, to the extent the Operating Partnership was unable to meet its debt service obligations, cash distributions to the Trust could be reduced or eliminated. The Property Financing contains provisions that could restrict the ability of the Operating Partnership to make distributions to the Trust. Not only does the Property Financing specifically limit certain distributions and contain financial covenants the practical effect of which may require cash to be retained by the Operating Partnership, but in the event of a default

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by the Operating Partnership, the lender under the Property Financing could require the Operating Partnership to significantly curtail or eliminate all distributions. Any indebtedness incurred in the future by the Operating Partnership may contain similar limitations and covenants. There can be no assurance that the lenders under the Property Financing or such future indebtedness would grant waivers of these provisions. Any reduction in distributions from the Operating Partnership could require the Trust to reduce distributions to shareholders or incur debt to maintain the current level of distributions.

## POSSIBLE ADVERSE EFFECT OF SHARES AVAILABLE FOR FUTURE SALE ON PRICE OF COMMON SHARES

Sales of a substantial number of Common Shares, or the perception that such sales could occur, could adversely affect the prevailing market price of the Common Shares. Sales or issuances of Common Shares could have a dilutive effect on existing shareholders. In addition to the Common Shares offered by the Trust, 2,899,310 Partnership Units and 1,913,545 Preferred Units were outstanding as of December 31, 1997 which were as of such date convertible under certain circumstances into an aggregate of 2,899,310 and 6,834,035 Common Shares, respectively. Holders of the Retained Interests (as hereinafter defined) were also entitled, as of December 31, 1997, to receive Partnership Units convertible into 282,508 Common Shares and Preferred Units convertible into 665,905 Common Shares. Subject to compliance with the Operating Partnership Agreement, the holders of the Partnership Units (the "Unit Holders") have the right to require the Operating Partnership to redeem all or a portion of such Partnership Units beginning on September 1, 1998 for cash. The Operating Partnership has the option to pay such redemption price in Common Shares, which option it currently anticipates exercising in the event any Units are redeemed. Each Preferred Unit is convertible into 3.5714 Partnership Units, subject in turn to the right of redemption referred to above, beginning on October 1, 1999. Upon the issuance of Common Shares in satisfaction of the Operating Partnership's redemption obligations, the Common Shares may be sold in the public market pursuant to shelf registration statements which the Trust is obligated to file on behalf of the Unit Holders or pursuant to any available exemptions from registration. See "Certain Transactions--The Transactions."

Options to purchase a total of 75,000 shares of Common Stock have been issued by the Company under its existing Stock Option Plan for Directors (the "Existing Plan") which options will be assumed by the Trust. Following the adoption of the Plan, the Trust does not intend to issue additional options under the Existing Plan. See "Proposal 1--Reformation of the Company--Certain

Consequences of the Mergers--Existing Plan." In addition, if approved, up to ten percent of the Common Shares outstanding from time to time will be available for grant under the Plan. See "Proposal 2--Adoption of the Plan."

The Trust intends to cause the Operating Partnership to offer additional Preferred Units and Partnership Units in exchange for property or otherwise. Existing shareholders will have no preemptive right to acquire any such equity securities, and any such issuance of equity securities could result in dilution of an existing shareholder's investment in the Trust. No prediction can be made concerning the effect that future sales of any of such Common Shares will have on the market prices of shares.

#### CONTROL OF MANAGEMENT; LIMITS ON CHANGE OF CONTROL

Trustees and executive officers of the Trust, as a group, beneficially owned, as of December 31, 1997, approximately 40% of the total issued and outstanding Common Shares (approximately 70% assuming issuance of Common Shares in satisfaction of the redemption obligations with respect to the Partnership Units and the Preferred Units owned and to be owned, following contribution of the Retained Interests to the Operating Partnership in exchange for Units, by such group, which Common Shares may be issued beginning September 1, 1998 (in the case of the Partnership Units) and October 1, 1999 (in the case of the Preferred Units)). See "Security Ownership of Management and Others." The Trust currently expects that, if permitted under the Operating Partnership Agreement provisions designed to maintain the Trust's REIT status, in the event of any redemption, it will elect to deliver Common Shares for such Units. Accordingly, such Trustees and executive officers will have substantial influence on the Trust, which influence might not

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be consistent with the interests of all other shareholders, and may in the future have a substantially greater influence on the outcome of any matters submitted to the Trust's shareholders for approval following redemption of the Units. Officers and directors who beneficially owned, as of December 31, 1997, 40% of the outstanding Common Stock have indicated that they intend to vote these shares in favor of the Reformation and the Plan. This significant ownership interest by Trustees and executive officers may have the effect of delaying, deferring or preventing a change in control of the Trust or other transaction that might involve a premium over the then prevailing market price for the Common Shares or other attributes that the shareholders may consider to be desirable. See "--Conflicts of Interest."

#### POSSIBLE CHANGES IN POLICIES WITHOUT SHAREHOLDER APPROVAL; NO LIMITATION ON DEBT

The Trust's investment, financing and distribution policies, and its policies with respect to all other activities, including growth, capitalization and operations, will be determined by the Board of Trustees. The organizational documents of the Trust do not contain any limitation on the amount of indebtedness the Trust may incur. Although the Trust's Board of Trustees has no present intention to do so, these policies may be amended or revised at any time and from time to time at the discretion of the Board of Trustees without a vote of the Trust's shareholders. A change in these policies could adversely affect the Trust's financial condition, results of operations or the market price of the Common Shares. See "Policies with Respect to Certain Activities."

#### DEPENDENCE ON KEY PERSONNEL

The Trust is dependent on the efforts of its trustees and executive officers, including the Trust's Chairman of the Board of Trustees, President and Chief Executive Officer, and Vice President and Chief Investment Officer, respectively. Although Messrs. Hamlin and Bernheim have each entered into employment agreements with the Company, there can be no assurance that either of these individuals will not elect to terminate their agreement. The loss of any of their services could have an adverse effect on the operations of the Trust. See "Management."

#### POSSIBLE ADVERSE EFFECT ON PRICE OF COMMON SHARES

One of the factors that is expected to influence the market price of the Common Shares is the annual distribution rate on the Common Shares. An increase in market interest rates may lead prospective purchasers of the Common Shares to demand a higher annual distribution rate from future distributions. Such an increase in the required distribution rate may adversely affect the market price of the Common Shares. Moreover, numerous other factors, such as regulatory action and changes in tax laws, could have a significant impact on the future market price of the Common Shares. There also can be no assurances that, following listing, the Trust will continue to meet the criteria for continued listing of the Common Shares on the NASDAQ.

#### RISKS ASSOCIATED WITH RELIANCE ON FORWARD-LOOKING STATEMENTS

This Proxy Statement/Prospectus contains "forward-looking statements" relating to, without limitation, future economic performance, plans and objectives of management for future operations and projections of revenue and other financial items, which can be identified by the use of forward-looking

terminology such as "may," "will," "should," "expect," "anticipate," "estimate," "believe" or "continue" or the negative thereof or other variations thereon or comparable terminology. The Trust's actual results may differ significantly from the results discussed in such "forward-looking statements." Factors that could cause such differences include, but are not limited to, the risks described in this Risk Factors section of this Proxy Statement/Prospectus.

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PROPOSAL 1--  
REFORMATION OF THE COMPANY

GENERAL

The Board has unanimously approved a proposal to reform the Company as a Maryland real estate investment trust. The Company believes that after the Reformation, the Trust will be organized and will operate in such a manner as to continue the Company's qualification for taxation as a REIT under Sections 856 through 860 of the Code for its taxable year ending December 31, 1998, and the Trust intends to operate in such a manner in the future. The Board believes that the Reformation is in the best interests of the Company and its shareholders. See "--Board Recommendation; Reasons for the Reformation."

A number of changes will be effected as a result of the Reformation. Such changes are described below under the headings "--Certain Consequences of the Mergers" and "--Comparison of Rights of Shareholders of the Company and Shareholders of the Trust."

In the event this proposal is not adopted, the Company will continue to operate as a Minnesota corporation.

BOARD RECOMMENDATION; REASONS FOR THE REFORMATION

The Board believes that the Reformation constitutes a necessary precondition to its implementation of the next steps in the growth of the Company. The Board believes that the terms of the Reformation are fair to and in the best interests of the Company and its shareholders. In reaching this determination, the Board consulted with management as well as financial and legal advisors, and considered the following factors, among others. The Board is presenting the Reformation in order to change the Company's domicile to Maryland because Maryland is recognized by REIT analysts and investors as a domicile of choice for REITs because in part, Maryland has a separate statute for REITs formed as trusts. Maryland law and the Declaration of Trust provide the Trust much greater organizational and investment flexibility when compared to the Minnesota law and the Company's organizational documents. The Board also believes that there are certain state and local tax benefits which will inure to the Trust. These tax benefits include the exemption from Pennsylvania capital stock and corporate net income tax available to REITs organized as business trusts. The new Declaration of Trust and Bylaws enhance the likelihood of continuity and stability in the composition of the Board of Trustees and in the policies they formulate. The Board believes that those changes will allow the Board of Trustees to adapt its policies as the business of the Trust evolves and to more effectively represent the interests of all shareholders. The Board considered a number of potentially negative factors in its deliberations concerning the Reformation. It was noted that the Declaration of Trust includes a number of provisions that may have the effect of making it less likely that the Trustees may be removed. In addition, the Declaration of Trust includes provisions which may have the effect of delaying, deferring or preventing a change in control of the Trust or other transaction that might involve a premium over the then prevailing market price for the Common Shares or other attributes that the shareholders may consider to be desirable. However, the Trust has elected to "opt out" of certain of these provisions of Maryland law. The Board believes that the new Trust structure will benefit all shareholders as it provides greater market acceptance, greater likelihood of continuity and stability and a firm base for future growth.

The foregoing discussion of the information and factors considered by the Board is not intended to be exhaustive. In reaching the determination to approve and recommend the Reformation, in view of the wide variety of factors considered in connection with its evaluation of the proposed Reformation, the Board did not find it practical to, and did not, quantify or otherwise attempt to assign any relative or specific weight to the foregoing factors, and individual directors may have given different weights to different factors.

VOTE REQUIRED

Under Minnesota law, the affirmative vote of a majority of the outstanding shares of each class of the Company's capital stock entitled to vote on the proposal is required for approval of the Reformation. The

Common Stock is the only class of the Company's capital stock of which shares are outstanding and is the only class of stock entitled to vote on the proposal to approve the Reformation. Abstentions and broker non-votes will have the effect of votes against the proposal to approve the Reformation. The Reformation may be abandoned or the Merger Agreement may be amended (with certain exceptions), either before or after shareholder approval has been obtained, if

in the opinion of the Board, circumstances arise that make such action advisable.

A vote FOR the Reformation proposal will constitute approval of (i) the Merger Agreement, (ii) the change in the Company's state of formation through the Mergers, (iii) the Declaration of Trust and (iv) the Maryland Bylaws.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE APPROVAL OF THE PROPOSAL TO REFORM THE COMPANY AS A MARYLAND REAL ESTATE INVESTMENT TRUST.

#### REFORMATION

The proposed Reformation would be accomplished by (i) merging the Company into a newly formed Maryland subsidiary corporation (the "Maryland Company") which will be the surviving corporation of the merger and (ii) immediately thereafter merging the Maryland Company into the Trust, a newly formed Maryland subsidiary trust, in each case, pursuant to the Merger Agreement. The Maryland Company was incorporated in Maryland on January 21, 1998 and the Trust was formed in Maryland on January 21, 1998, specifically for purposes of the Reformation, and each has conducted no business and has no material assets or liabilities. The Reformation is being accomplished through the Company Merger followed by the Trust Merger because Minnesota law does not permit the direct merger of a Minnesota corporation into a Maryland real estate investment trust. The Maryland Company's and the Trust's principal executive offices are each located at One Logan Square, Suite 1105, Philadelphia, Pennsylvania. The Reformation would not result in any change in the Company's business, assets or liabilities and would not result in any relocation of management or other employees.

#### THE MERGER AGREEMENT

The following is a brief summary of certain provisions of the Merger Agreement. This summary is qualified in its entirety by reference to the Merger Agreement which is attached as Appendix A to this Proxy Statement/Prospectus and is incorporated herein by reference in its entirety.

The Merger Agreement, which has been signed by the Company, the Maryland Company and the Trust, contains no representations or warranties. The Merger Agreement does, however, provide that the Trust will use its reasonable best efforts to have the Common Shares approved for listing on the NASDAQ and will provide certain indemnification to directors and officers of the Company. In addition, the obligations of each party to effect the Mergers are subject to the following conditions: the Registration Statement of which this Proxy Statement/Prospectus is a part shall have been declared effective in accordance with the Securities Act; the Merger Agreement shall have been approved by the requisite vote of Shareholders at the Special Meeting; holders of not more than 5.0% of the Common Stock issued and outstanding on the Record Date shall have exercised their rights under Section 302A.471 of the MBCA; the Common Shares shall have been authorized for trading on NASDAQ, subject to official notice of issuance; no order to restrain, enjoin or otherwise prevent the consummation of the Mergers shall have been entered by any court or governmental body; and the Company shall have obtained all necessary consents. Certain of these provisions may be waived at the direction of the Company.

The Merger Agreement may be terminated by the parties thereto and the Mergers abandoned by action of the Board, the Board of Trustees and the board of directors of the Maryland Company, at any time prior to the Effective Time (as hereinafter defined), before or after the approval by the Shareholders. Subject to applicable law, the Merger Agreement may also be amended or modified by agreement of the parties at any time prior to the Effective Time, with respect to any terms contained therein; PROVIDED,

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HOWEVER, that after the Reformation has been approved by the Shareholders, no amendment or modification will change the amount or form of the consideration to be received by the Shareholders in the Mergers.

#### CERTAIN CONSEQUENCES OF THE MERGERS

EFFECTIVE TIME. Following approval of the Mergers, the Company will file appropriate Articles of Merger with the Secretary of State of Minnesota and the State Department of Assessments and Taxation of Maryland (the "State Department"), and the Trust will file (i) appropriate Articles of Merger with the State Department. The Mergers will become effective upon the later of (i) the filing of the Articles of Merger with the Secretary of State of the State of Minnesota and (ii) the acceptance for record of the two Articles of Merger by the State Department (such time, the "Effective Time"). These filings are anticipated to be made as soon as practicable after the Reformation proposal is approved by the shareholders of the Company. As a result, the Company Merger and the Trust Merger will become effective simultaneously and, at the Effective Time, the separate corporate existence of the Company and the Maryland Company will cease and shareholders of the Company will become holders of Common Shares.

MANAGEMENT AFTER THE MERGERS. Immediately after the Mergers, the Trustees will be composed of the current members of the Board; however, the Trustees of



the Trust will have staggered terms, as described below under "Comparison of Rights of Shareholders of the Company and Shareholders of the Trust-- Classified Board." Immediately after the Mergers, the officers of the Company will be the officers of the Trust with the same duties and responsibilities presently enjoyed.

**SHAREHOLDER RIGHTS.** Certain differences in shareholder rights exist under the MBCA and Title 8 of the Corporations and Associations Article of the Annotated Code of Maryland, as amended (the "Maryland REIT Law") and the organizational documents of the Company and the Trust. See "-- Comparison of Rights of Shareholders of the Company and Shareholders of the Trust" for a more complete discussion of the effects of the differences between the rights of shareholders under the MBCA and the Maryland REIT Law and the respective organizational documents of the Company and the Trust.

**CONVERSION OF COMMON STOCK.** As a result of the Reformation, each outstanding share of Common Stock of the Company will automatically be converted into one Common Share. Because of various differences between Minnesota and Maryland law and between the Minnesota Articles and Minnesota Bylaws (each as defined below) and the Declaration of Trust and Maryland Bylaws (see "--Comparison of Rights of Shareholders of the Company and Shareholders of the Trust"), the rights and obligations of holders of the Common Stock will change in material respects as a result of the Reformation. The Common Shares will be listed for trading on NASDAQ under the same symbol as the Company's Common Stock.

**EXCHANGE OF COMMON STOCK.** Promptly after the Effective Time, the Trust shall mail to each record holder, as of the Effective Time, of an outstanding certificate or certificates which immediately prior to the Effective Time represented shares of Common Stock (the "Certificates") a form letter of transmittal and instructions for use in effecting the surrender of the Certificates for exchange. SHAREHOLDERS SHOULD NOT SEND IN THEIR CERTIFICATES UNTIL THEY RECEIVE A TRANSMITTAL FORM. Upon surrender to the Trust of a Certificate, together with such letter of transmittal duly executed and any other required documents, the holder such Certificate shall be entitled to receive from the Trust in exchange therefor a certificate representing the number of Common Shares equal to the number of shares of Common Stock represented by the Certificate, and such Certificate shall forthwith be canceled. If any Common Shares are to be issued to a person other than the person in whose name the Certificate surrendered is registered, it shall be a condition of exchange that the Certificate so surrendered shall be properly endorsed or otherwise be in proper form for transfer and that the person requesting such exchange shall pay any transfer or other taxes required by reason of the exchange of the Certificate surrendered to a person other than the registered holder or such person shall establish to the satisfaction of the Trust that such tax has been paid or is not

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applicable. Until surrendered, each Certificate shall represent, for all purposes, the right to receive one Common Share for each share of Common Stock evidenced by such Certificate, without any interest thereon. Failure of a shareholder to surrender his or her Certificates shall not result in the forfeiture of the right to receive distributions or to vote the Common Shares issuable to such shareholder.

**NUMBER OF COMMON SHARES OUTSTANDING.** The number of outstanding Common Shares immediately following the Reformation will equal the number of shares of Common Stock of the Company outstanding immediately prior to the Effective Time.

**EXISTING PLAN.** The Existing Plan will be continued by the Trust following the Reformation. Approval of the proposed Reformation will constitute approval of the adoption and assumption of the Existing Plan by the Trust. All options outstanding under the Existing Plan will be converted into options or rights to acquire Common Shares.

**FEDERAL INCOME TAX CONSEQUENCES.** The Company believes that the Reformation will be tax-free under the Code. Accordingly, (i) no gain or loss will be recognized by the holders of shares of Common Stock who exchange such shares for Common Shares as a result of the Reformation, and (ii) no gain or loss will be recognized by the Company or the Trust as a result of the Reformation. Each former holder of shares of Common Stock will have the same tax basis in the Common Shares received by such holder pursuant to the Reformation as such holder has in the shares of Common Stock held by such holder at the Effective Time. Each shareholder's holding period with respect to the Common Shares will include the period during which such holder held the shares of Common Stock, so long as the latter were held by such holder as a capital asset at the Effective Time. The Company has not obtained, and does not intend to obtain, a ruling from the Service with respect to the tax consequences of the Reformation.

The foregoing is only a summary of certain federal income tax consequences. Shareholders should consult their own tax advisors regarding the federal tax consequences of the Reformation, and the consequences of dissenting from the Reformation, as well as any tax consequences arising under the laws of any other jurisdiction.

## ACCOUNTING TREATMENT OF THE MERGERS

Upon consummation of the merger, all assets and liabilities of the Company will be transferred to the Trust at book value because the Reformation will be accounted for as if it were a pooling of interests.

## RIGHTS OF DISSENTING SHAREHOLDERS

THE COMPANY MERGER. Section 302A.471 of the MBCA grants any shareholder of the Company of record on February 11, 1998 and certain beneficial owners on such date who object to the Company Merger the right to have the Company purchase the shares of Common Stock owned by the dissenting shareholder at their fair value at the effective time of the Company Merger. It is a condition to the Mergers that shareholders holding less than 5.0% of the outstanding Common Stock shall have exercised their dissenter's rights. It is the present intention of the Company to abandon the Reformation in the event shareholders exercise dissenter's rights and the Company becomes obligated to make a substantial payment to said dissenting shareholders.

To be entitled to payment, the dissenting shareholder must file, prior to the vote for the proposed Reformation, a written notice of intent to demand payment of the fair value of the shares and must not vote in favor of the proposed Reformation; provided, that such demand shall be of no force and effect if the proposed Reformation is not effected. A beneficial owner must also submit a consent from the record shareholder. The submission of a blank proxy will constitute a vote in favor of the Reformation and a waiver of dissenter's rights. The Company's liability to dissenting shareholders for the fair value of the shares shall also be the liability of the Trust when and if the Reformation is consummated. Any shareholder contemplating the exercise of these dissenter's rights should review carefully the provisions of Sections 302A.471 and 302A.473 of the MBCA, particularly the procedural steps required to perfect such rights.

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SUCH RIGHTS WILL BE LOST IF THE PROCEDURAL REQUIREMENTS OF SECTIONS 302A.471 AND 302A.473 ARE NOT FULLY AND PRECISELY SATISFIED. A COPY OF SECTIONS 302A.471 AND 302A.473 IS ATTACHED AS APPENDIX E.

Shareholders of the Company who do not demand payment for their shares as provided above and in Section 302A.473 of the MBCA shall be deemed to have assented to the Reformation. A vote against the Reformation, however, is not necessary to entitle dissenting shareholders to require the Company to purchase their shares.

If and when the proposed Reformation is approved by shareholders of the Company and the Merger Agreement is not abandoned by the Board of Directors, the Company shall notify all shareholders who have properly dissented as provided above of:

- (1) the address to which demand for payment and certificates for shares must be sent to obtain payment and the date by which they must be received;
- (2) any restriction on transfer of uncertificated shares that will apply after the demand for payment is received;
- (3) a form to be used to certify the date on which the shareholder, or the beneficial owner on whose behalf the shareholder dissents, acquired the shares or an interest in them and to demand payment; and
- (4) a copy of Sections 302A.471 and 302A.473 of the MBCA and a brief description of the procedures to be followed to obtain payment of the fair value for their shares.

To receive the fair value of the shares, a dissenting shareholder must demand payment and deposit share certificates within 30 days after the notice was given, but the dissenter retains all other rights of a shareholder until the proposed action takes effect. Under Minnesota law, notice by mail is given by the Company when deposited in the United States mail, postage prepaid. A shareholder who fails to make demand for payment and to deposit certificates will lose the right to receive the fair value of the shares notwithstanding the timely filing of the first notice of intent to demand payment. After the Effective Time, the Company shall remit to the dissenting shareholders who have complied with the above-described procedures the amount the Company estimates to be the fair value of such shareholder's shares, plus interest. Payment must be accompanied by certain information, including prescribed financial statements, a statement of the method used in arriving at the estimate of fair value and a copy of Sections 302A.471 and 302A.473.

If a dissenter believes that the amount remitted by the Company is less than the fair value of the shares, with interest, the shareholder may give written notice to the Company of the dissenting shareholder's estimate of fair value, with interest, within 30 days after the Company mails such remittance and demand payment of the difference. UNLESS A SHAREHOLDER MAKES SUCH A DEMAND WITHIN SUCH THIRTY-DAY PERIOD, THE SHAREHOLDER WILL BE ENTITLED ONLY TO THE AMOUNT REMITTED BY THE COMPANY.

Within 60 days after the Company receives such a demand from a shareholder, it will be required either to pay the shareholder the amount demanded or agreed to after discussion between the shareholder and the Company or to file in court a petition requesting that the court determine the fair value of the shares, with interest. All shareholders who have demanded payment for their shares, but have not reached agreement with the Company, will be made parties to the proceeding. The court will then determine whether the shareholders in question have fully complied with the provisions of Section 302A.473 and will determine the fair value of the shares, taking into account any and all factors the court finds relevant (including the recommendation of any appraisers that may have been appointed by the court), computed by any method that the court, in its discretion, sees fit to use, whether or not used by the Company or a shareholder. The costs and expenses of the court proceeding will be assessed against the Company, except that the court may assess part or all of those costs and expenses against a shareholder whose action in demanding payment is found to be arbitrary, vexatious or not in good faith.

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The fair value of the Company's shares means the fair value of the shares immediately before the effectiveness of the Company Merger. Under Section 302A.471, a shareholder of the Company has no right at law or equity to set aside the consummation of the Merger, except if such consummation is fraudulent with respect to such shareholder or the Company.

Any shareholder making a demand for payment of fair value may withdraw the demand at any time prior to the determination of the fair value of the shares by filing written notice of such withdrawal with the Company.

The foregoing summary of the applicable provisions of Sections 302A.471 and 302A.473 of the MBCA is not intended to be a complete statement of such provisions and is qualified in its entirety by reference to such sections, the full texts of which are attached as Appendix D to this Proxy Statement.

THE TRUST MERGER. Maryland law does not provide shareholders with appraisal rights with respect to the Mergers.

#### DESCRIPTION OF SHARES OF BENEFICIAL INTEREST

The following summary of the terms of the shares of beneficial interest of the Trust does not purport to be complete and is subject to and qualified in its entirety by reference to the Declaration of Trust and Maryland Bylaws, copies of which are attached hereto as Appendices B and C, respectively.

GENERAL. The Declaration of Trust provides that the Trust may issue up to 45,000,000 Common Shares and 5,000,000 Preferred Shares. Upon the consummation of the Reformation, assuming no exercise of outstanding options and before giving effect to the redemption of Units, 2,268,583 Common Shares will be issued and outstanding and no Preferred Shares will be issued and outstanding. As permitted by the Maryland REIT Law, the Declaration of Trust contains a provision permitting the Board of Trustees, without any action by the shareholders of the Trust, to amend the Declaration of Trust to increase or decrease the aggregate number of shares of beneficial interest or the number of shares of any class of shares of beneficial interest that the Trust has authority to issue. The Trust believes that the power of the Board of Trustees to issue additional shares of beneficial interest will provide the Trust with increased flexibility in structuring possible future financings and acquisitions and in meeting other needs that might arise. The additional shares of beneficial interest, possibly including Common Shares, will be available for issuance without further action by the Trust's shareholders, unless action by the shareholders is required by applicable law or the rules of any stock exchange or automated quotation system on which the Trust's securities may be listed or traded. Although the Board of Trustees currently has no intention of doing so, it could authorize the Trust to issue a class or series of shares that could, depending on the terms of such class or series, delay, defer or prevent a change in control of the Trust or other transaction that might involve a premium over the then prevailing market price for the Common Shares or other attributes that the shareholders may consider to be desirable.

Both the Maryland REIT Law and the Trust's Declaration of Trust provide that no shareholder of the Trust will be personally liable for any obligation of the Trust solely as a result of such shareholder's status as a shareholder of the Trust. The Trust's Declaration of Trust further provides that the Trust shall indemnify each shareholder against any claim or liability to which the shareholder may become subject by reason of such shareholder's being or having been a shareholder or former shareholder, subject to such shareholder providing notice to the Trust, and that the Trust shall pay or reimburse each shareholder or former shareholder for all legal and other expenses reasonably incurred by such shareholder in connection with any claim or liability unless it is established by a court that such claim or liability arose out of such shareholder's bad faith, willful misconduct or gross negligence. Inasmuch as the Trust carries public liability insurance which it considers adequate, any risk of personal liability to shareholders is limited to situations in which the Trust's assets plus its insurance coverage would be insufficient to satisfy the claims against the Trust and its shareholders.

COMMON SHARES. All Common Shares will be duly authorized, fully paid and nonassessable. Subject to the preferential rights of any other shares or series of beneficial interest and to the provisions of the Trust's Declaration of Trust regarding the restriction on transfer of Common Shares, holders of Common Shares are entitled to receive dividends on such shares if, as and when authorized and declared by the Board of Trustees of the Trust out of assets legally available therefor and to share ratably in the assets of the Trust legally available for distribution to its shareholders in the event of its liquidation, dissolution or winding-up after payment of, or adequate provision for, all known debts and liabilities of the Trust.

Each outstanding Common Share entitles the holder thereof to one vote on all matters submitted to a vote of shareholders, including the election of Trustees, and, except as provided with respect to any other class or series of shares of beneficial interest, the holders of such Common Shares possess the exclusive voting power. There is no cumulative voting in the election of Trustees, which means that the holders of a majority of the outstanding Common Shares can elect all of the Trustees then standing for election and the holders of the remaining shares will not be able to elect any Trustees.

Holders of Common Shares have no preference, conversion, sinking fund, redemption or appraisal rights and have no preemptive rights to subscribe for any securities of the Trust. Subject to the provisions of the Declaration of Trust regarding the restriction on transfer of Common Shares, the Common Shares have equal dividend, distribution, liquidation and other rights.

Under the Maryland REIT Law, a Maryland real estate investment trust generally cannot amend its declaration of trust or merge unless approved by the affirmative vote of shareholders holding at least two-thirds of the shares entitled to vote on the matter unless a lesser percentage (but not less than a majority of all the votes entitled to be cast on the matter) is set forth in the real estate investment trust's declaration of trust. The Trust's Declaration of Trust provides for approval by a majority of the votes cast at a shareholder meeting by holders of Common Shares entitled to vote on the matter in all situations permitting or requiring action by the shareholders, except with respect to: (i) the election of Trustees (which requires a plurality of all the votes cast at a meeting of shareholders of the Trust at which a quorum is present), (ii) the removal of Trustees (which requires the affirmative vote of the holders of two-thirds of the outstanding shares of beneficial interest of the Trust entitled to vote generally in the election of Trustees, which action can only be taken for cause by vote at a shareholder meeting), (iii) the merger or sale (or other disposition) of all or substantially all of the assets of the Trust (which requires the affirmative vote of the holders of two-thirds of the outstanding shares entitled to vote on the matter, which action can only be taken by vote at a shareholder meeting), (iv) the amendment of the Declaration of Trust by shareholders (which requires the affirmative vote of two-thirds of all the votes entitled to be cast on the matter) and (v) the dissolution of the Trust (which requires the affirmative vote of two-thirds of the outstanding shares entitled to vote on the matter). As allowed under the Maryland REIT Law, the Trust's Declaration of Trust permits (a) the Trustees by a two-thirds vote to amend the Declaration of Trust from time to time to qualify as a real estate investment trust under the Code or the Maryland REIT Law without the approval of the shareholders and (b) the Trustees by a majority vote, without any action by the shareholders of the Trust, to amend the Declaration of Trust to increase or decrease the aggregate number of shares of beneficial interest or the number of shares of any class of shares of beneficial interest that the Trust has authority to issue.

CLASSIFICATION OR RECLASSIFICATION OF COMMON SHARES OR PREFERRED SHARES. The Declaration of Trust authorizes the Board of Trustees to classify any unissued Preferred Shares and to reclassify any previously classified but unissued Preferred Shares of any series from time to time in one or more series, as authorized by the Board of Trustees. Prior to issuance of shares of each series, the Board of Trustees is required by the Maryland REIT Law and the Trust's Declaration of Trust to set for each such series, subject to the provisions of the Trust's Declaration of Trust regarding the restriction on transfer of shares of beneficial interest, the terms, the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption for each such series. Thus, the Board of Trustees could authorize the issuance of Preferred Shares with terms

and conditions which could have the effect of delaying, deferring or preventing a change in control of the Trust or other transaction that might involve a premium over the then prevailing market price for Common Shares or other attributes that the shareholders may consider to be desirable. As of the date hereof, no Preferred Shares are outstanding.

RESTRICTIONS ON TRANSFER. For the Trust to qualify as a REIT under the Code, its shares of beneficial interest generally must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of twelve months or during a proportionate part of a shorter taxable year. Also, not more than 50% of the value of the outstanding shares of beneficial interest may be owned,

directly or indirectly, by five or fewer individuals (as defined in the Code to include certain entities) during the last half of a taxable year (other than the first year for which an election to be a REIT has been made).

The Declaration of Trust, subject to certain exceptions, contains certain restrictions on the number of shares of beneficial interest of the Trust that a person may own. The Declaration of Trust provides that no person may own, or be deemed to own by virtue of the attribution provisions of the Code, more than 9.8% (the "Aggregate Share Ownership Limit") of the number or value of the outstanding shares of beneficial interest of the Trust. In addition, the Declaration of Trust prohibits any person from acquiring or holding, directly or indirectly, Common Shares in excess of 9.8% (in value or in number of shares, whichever is more restrictive) of the aggregate of the outstanding Common Shares (the "Common Share Ownership Limit").

The Board of Trustees, in its sole discretion, may exempt a proposed transferee from the Aggregate Share Ownership Limit and the Common Share Ownership Limit (an "Excepted Holder"). However, the Board of Trustees may not grant such an exemption to any person if such exemption would result in the Trust being "closely held" within the meaning of Section 856(h) of the Code or otherwise would result in the Trust failing to qualify as a REIT. In order to be considered by the Board of Trustees as an Excepted Holder, a person also must not own, directly or indirectly, an interest in a tenant of the Trust (or a tenant of any entity owned or controlled by the Trust) that would cause the Trust to own, directly or indirectly, an interest in a tenant of the Trust (or a tenant of any entity owned or controlled by the Trust) that would cause the Trust to own, directly or indirectly, more than a 9.9% interest in such a tenant. The person seeking an exemption must represent to the satisfaction of the Board of Trustees that it will not violate the two aforementioned restrictions. The person also must agree that any violation or attempted violation of any of the foregoing restrictions will result in the automatic transfer of the shares of stock causing such violation to the Share Trust (as defined below). The Aggregate Share Ownership Limit and the Common Share Ownership Limit do not apply to the Common Shares to be issued in the Reformation in exchange for Common Stock originally issued in the Transactions, as well as Common Shares to be issued following redemption of Units issued in the Transactions. The Board of Trustees may require a ruling from the Service or an opinion of counsel, in either case in form and substance satisfactory to the Board of Trustees, in its sole discretion, in order to determine or ensure the Trust's status as a REIT.

The Declaration of Trust further prohibits (a) any person from beneficially or constructively owning shares of beneficial interest of the Trust that would result in the Trust being "closely held" under Section 856(h) of the Code or otherwise cause the Trust to fail to qualify as a REIT and (b) any person from transferring shares of beneficial interest of the Trust if such transfer would result in shares of beneficial interest of the Trust being owned by fewer than 100 persons. Any person who acquires or attempts or intends to acquire beneficial or constructive ownership of shares of beneficial interest of the Trust that will or may violate any of the foregoing restrictions on transferability and ownership, or any person who would have owned shares of the beneficial interest of the Trust that resulted in a transfer of shares to the Share Trust, is required to give notice immediately to the Trust and provide the Trust with such other information as the Trust may request in order to determine the effect of such transfer on the Trust's status as a REIT. The foregoing restrictions on transferability and ownership will not apply if the Board of Trustees determines that it is no longer in the best interests of the Trust to attempt to qualify, or to continue to qualify, as a REIT.

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If any transfer of shares of beneficial interest of the Trust occurs which, if effective, would result in any person beneficially or constructively owning shares of beneficial interest of the Trust in excess or in violation of the above transfer or ownership limitations (a "Prohibited Owner"), then that number of shares of beneficial interest of the Trusts, the beneficial or constructive ownership of which otherwise would cause such person to violate such limitations (rounded to the nearest whole share), shall be automatically transferred to a trust (the "Share Trust") for the exclusive benefit of one or more charitable beneficiaries (the "Charitable Beneficiary"), and the Prohibited Owner shall not acquire any rights in such shares. Such automatic transfer shall be deemed to be effective as of the close of business on the Business Day (as defined in the Declaration of Trust) prior to the date of such violative transfer. Shares of beneficial interest held in the Share Trust shall be issued and outstanding shares of beneficial interest of the Trust. The Prohibited Owner shall not benefit economically from ownership of any shares of beneficial interest held in the Share Trust, shall have no rights to dividends and shall not possess any other rights attributable to the shares of beneficial interest held in the Share Trust. The trustee of the Share Trust (the "Share Trustee") shall have all voting rights and rights to dividends or other distributions with respect to shares of beneficial interest held in the Share Trust, which rights shall be exercised for the exclusive benefit of the Charitable Beneficiary. Any dividend or other distribution paid prior to the discovery by the Trust that shares of beneficial interest have been transferred to the Share Trustee shall be paid by the recipient of such dividend or distribution to the Share Trustee upon demand, and any dividend or other distribution authorized but unpaid shall be paid when

due to the Share Trustee. Any dividend or distribution so paid to the Share Trustee shall be held in Share Trust for the Charitable Beneficiary. The Prohibited Owner shall have no voting rights with respect to shares of beneficial interest held in the Share Trust and, subject to Maryland law, effective as of the date that such shares of beneficial interest have been transferred to the Share Trust, the Share Trustee shall have the authority (at the Share Trustee's sole discretion) (i) to rescind as void any vote cast by a Prohibited Owner prior to the discovery by the Trust that such shares have been transferred to the Share Trust and (ii) to recast such vote in accordance with the desires of the Share Trustee acting for the benefit of the Charitable Beneficiary. However, if the Trust has already taken irreversible action, then the Share Trustee shall not have the authority to rescind and recast such vote.

Within 20 days of receiving notice from the Trust that shares of beneficial interest of the Trust have been transferred to the Share Trust, the Share Trustee shall sell the shares of beneficial interest held in the Share Trust to a person, designated by the Share Trustee, whose ownership of the shares will not violate the ownership limitations set forth in the Declaration of Trust. Upon such sale, the interest of the Charitable Beneficiary in the shares sold shall terminate and the Share Trustee shall distribute the net proceeds of the sale to the Prohibited Owner and to the Charitable Beneficiary as follows. The Prohibited Owner shall receive the lesser of (i) the price paid by the Prohibited Owner for the shares or, if the Prohibited Owner did not give value for the shares in connection with the event causing the shares to be held in the Share Trust (e.g., a gift, devise or other such transaction), the Market Price (as defined in the Declaration of Trust) of such shares on the day of the event causing the shares received by the Share Trustee from the sale or other disposition of the shares held in the Share Trust and (ii) the price per share received by the Share Trustee from the sale or other disposition of the Common Shares to be held by the Share Trust. Any net sale proceeds in excess of the amount payable to the Prohibited Owner shall be paid immediately to the Charitable Beneficiary. If, prior to the discovery by the Trust that shares of beneficial interest have been transferred to the Share Trust, such shares are sold by a Prohibited Owner, then (i) such shares shall be deemed to have been sold on behalf of the Share Trust and (ii) to the extent that the Prohibited Owner received an amount for shares that exceeds the amount that such Prohibited Owner was entitled to receive pursuant to the aforementioned requirement, such excess shall be paid to the Share Trustee upon demand.

In addition, shares of beneficial interest of the Trust held in the Share Trust shall be deemed to have been offered for sale to the Trust, or its designee, at a price per share equal to the lesser of (i) the price per share in the transaction that resulted in such transfer to the Share Trust (or, in the case of a devise or gift, the Market Price at the time of such devise or gift) and (ii) the Market Price on the date the Trust, or its designee, accepts such offer. The Trust shall have the right to accept such offer until the Share Trustee has

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sold the shares of beneficial interest held in the Share Trust. Upon such a sale to the Trust, the interest of the Charitable Beneficiary in the shares sold shall terminate and the Share Trustee shall distribute the net proceeds of the sale to the Prohibited Owner.

All certificates representing Common Shares will bear a legend referring to the restrictions described above.

Every owner of more than 5% (or such other percentage as required by the Code or the regulations promulgated thereunder) of all classes or series of the Trust's shares of beneficial interest, including Common Shares, within 30 days after the end of each taxable year, is required to give written notice to the Trust stating the name and address of such owner, the number of shares of each class and series of shares of beneficial interest of the Trust which the owner beneficially owns and a description of the manner in which such shares are held. Each such owner shall provide to the Trust such additional information as the Trust may request in order to determine the effect, if any, of such beneficial ownership on the Trust's status as a REIT and to ensure compliance with the Aggregate Share Ownership Limit. In addition, each shareholder shall upon demand be required to provide to the Trust such information as the Trust may request, in good faith, in order to determine the Trust's status as a REIT and to comply with the requirements of any taxing authority or governmental authority or to determine such compliance.

These ownership limitations could delay, defer or prevent a change in control of the Trust or other transaction that might involve a premium over the then prevailing market price for the Common Shares or other attributes that the shareholders may consider to be desirable.

TRANSFER AGENT AND REGISTRAR. The transfer agent and registrar for the Common Shares is Norwest Bank Minnesota, N.A.

COMPARISON OF RIGHTS OF SHAREHOLDERS OF THE COMPANY AND SHAREHOLDERS OF THE TRUST

The Company is organized as a corporation under the laws of the State of

Minnesota, and the Trust is organized as a real estate investment trust under the laws of the State of Maryland. As a Minnesota corporation, the Company is subject to the MBCA, a general corporation statute dealing with a wide variety of matters, including election, tenure, duties and liabilities of directors and officers; dividends and other distributions; meetings of stockholders; and extraordinary actions, such as amendments to the certificate of incorporation, mergers, sales of all or substantially all of the assets and dissolution. The Company also is governed by its Amended and Restated Articles of Incorporation (the "Minnesota Articles") and Bylaws (the "Minnesota Bylaws"), which have been adopted pursuant to the MBCA. As a Maryland real estate investment trust, the Trust is governed by the Maryland REIT Law, certain provisions of the Maryland General Corporation Law (the "MGCL") and by the Declaration of Trust and the Maryland Bylaws. Certain differences between the MBCA, the Maryland REIT Law, the MGCL and among these various documents are summarized below.

This summary of the comparative rights of the shareholders of the Company and the shareholders of the Trust does not purport to be complete and is subject to and qualified in its entirety by reference to the MBCA, the Maryland REIT Law and the MGCL and also to the Minnesota Articles, the Minnesota Bylaws, the Declaration of Trust and the Maryland Bylaws. The Declaration of Trust and the Maryland Bylaws will be substantially in the forms attached as Appendix B and Appendix C, respectively, to this Proxy Statement/Prospectus, and the Minnesota Articles and the Minnesota Bylaws may be obtained from the Company, without charge, by contacting Corporate Office Properties Trust, Inc., One Logan Square, Suite 1105, Philadelphia, Pennsylvania 19103, attn: Denise J. Liszewski.

**STANDARD OF CONDUCT FOR DIRECTORS AND TRUSTEES.** The MBCA provides that a director shall discharge the director's duties in good faith, in a manner the director reasonably believes to be in the best interests of the corporation, and with the care an ordinarily prudent person in a like position would have exercised

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under similar circumstances. A director who so performs those duties may not be held liable by reason of being a director or having been a director of the corporation.

The Maryland REIT Law contains no similar provision concerning the standard of conduct for trustees. However, Section 2-405.1 of the MGCL requires that a director of a Maryland corporation perform his duties in good faith, with a reasonable belief that the director's actions are in the best interests of the corporation and with the care of an ordinarily prudent person in a like position under similar circumstances. These provisions may be applicable to the Trustees.

**LIMITATION OF LIABILITY.** The MBCA provides that, if the articles of incorporation so provide, the personal liability of a director to the corporation or its shareholders for monetary damages for breach of fiduciary duty as a director may be eliminated or limited, but that the articles may not limit or eliminate such liability for (a) any breach of the director's duty of loyalty to the corporation or its shareholders, (b) acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law, (c) the payment of unlawful dividends, stock repurchases or redemptions, (d) any transaction in which the director received an improper personal benefit, (e) certain violations of the Minnesota securities laws and (f) any act or omission occurring prior to the date when the provision in the articles eliminating or limiting liability becomes effective. The Minnesota Articles contain a provision eliminating the personal liability of directors to the corporation or its shareholders for monetary damages for breach of fiduciary duty as a director, subject to the foregoing limitations.

The Maryland REIT Law permits a Maryland real estate investment trust to include in its declaration of trust a provision limiting the liability of its trustees and officers to the trust and its shareholders for money damages except for liability resulting from (i) actual receipt of an improper benefit or profit in money, property or services or (ii) active and deliberate dishonesty established by a final judgment as being material to the cause of action. The Declaration of Trust contains such a provision limiting such liability to the maximum extent permitted by Maryland law. Because the exceptions from the limitation on liability are more extensive under the MBCA, trustees and officers of the Trust may not be liable for money damages for certain actions for which they would have otherwise been liable under the MBCA.

There is no pending or, to the Company's knowledge, threatened litigation to which any of its directors or officers is a party in which the rights of the Company or its stockholders would be affected if the Company already were subject to the provisions of Maryland law rather than Minnesota law.

**INDEMNIFICATION OF DIRECTORS AND OFFICERS.** The MBCA generally provides for mandatory indemnification of persons acting in an official capacity on behalf of the corporation if such a person acted in good faith, received no improper personal benefit, acted in a manner the person reasonably believed to be in or not opposed to the best interest of the corporation and, in the case of a criminal proceeding, had no reasonable cause to believe that the conduct was unlawful.

The Minnesota Articles and Minnesota Bylaws provide for indemnification of officers and directors and others acting in an official capacity on behalf of the Company generally in a manner consistent with the MBCA; provided that the person indemnified determined, in good faith, that the course of conduct which caused the loss or liability was in or at least not opposed to the best interests of the Company and, in the case of criminal proceedings, such person had no reasonable cause to believe that the conduct was unlawful. Under the MBCA and the Minnesota Bylaws, the Corporation may pay reasonable costs and advances in advance of a final disposition of a proceeding upon receipt of an affirmation from the indemnified person that he or she in good faith believed that the criteria for indemnification had been met and an agreement to repay the advance if it is finally determined that he or she is not entitled to indemnification and the Board of Directors determines that known facts would not preclude indemnification.

The Declaration of Trust authorizes the Trust, to the maximum extent permitted by Maryland law, to obligate itself to indemnify and to pay or reimburse reasonable expenses in advance of final disposition of a

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proceeding to (a) any present or former Trustee or officer or (b) any individual who at the request of the Trust serves or has served another real estate investment trust, corporation, partnership, joint venture, trust, employee benefit plan or any other enterprise as a trustee, director, officer, partner, employee or agent of such entity from and against any claim or liability to which such person may become subject or which such person may incur by reason of service in such capacity. The Maryland Bylaws obligate it, to the maximum extent permitted by Maryland law, to indemnify and to pay or reimburse reasonable expenses in advance of final disposition of a proceeding to (i) any present or former Trustee or officer who is made a party to the proceeding by reason of his service in that capacity or (ii) any such Trustee or officer who, at the request of the Trust, serves or has served another real estate investment trust, corporation, partnership, joint venture, trust, employee benefit plan or any other enterprise as a trustee, director, officer, partner, employee or agent of such entity and who is made a party to the proceeding by reason of his service in that capacity against any claim or liability to which he may become subject by reason of such status. The Declaration of Trust and the Maryland Bylaws also permit the Trust to provide indemnification to any person who served a predecessor of the Trust in any of the capacities described above and to any employee or agent of the Trust or a predecessor of the Trust. The Maryland Bylaws require the Trust to indemnify a trustee or officer who has been successful, on the merits or otherwise, in the defense of any proceeding to which he or she is made a party by reason of his or her service in that capacity.

The Maryland REIT Law permits a Maryland real estate investment trust to indemnify, and to advance expenses to, its trustees and officers, to the same extent as permitted by the MGCL for directors and officers of Maryland corporations. The MGCL permits a corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made a party by reason of their service in those or other capacities unless it is established that (i) the act or omission of the director or officer was material to the matter giving rise to the proceeding and (a) was committed in bad faith or (b) was the result of active and deliberate dishonesty, (ii) the director or officer actually received an improper personal benefit in money, property or services or (iii) in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful. However, a Maryland corporation may not indemnify for an adverse judgment in a suit by or in the right of the corporation or for a judgment of liability on the basis that personal benefit was improperly received, unless in either case a court orders indemnification and then only for expenses. In addition, the MGCL permits a corporation to advance reasonable expenses to a director or officer upon the corporation's receipt of (a) a written affirmation by the director or officer of his good faith belief that he has met the standard of conduct necessary for indemnification by the corporation and (b) a written undertaking by or on his or her behalf to repay the amount paid or reimbursed by the corporation if it shall ultimately be determined that the standard of conduct was not met. Under the MGCL, rights to indemnification and expenses are nonexclusive, in that they need not be limited to those expressly provided by statute.

The MBCA, the Maryland REIT Law and the Bylaws of both the Company and the Trust may permit indemnification for liabilities arising under the Securities Act or the Exchange Act. The Board has been advised that, in the opinion of the Commission, indemnification for liabilities arising under the Securities Act or the Exchange Act is contrary to public policy and is therefore unenforceable, absent a decision to the contrary by a court of appropriate jurisdiction.

SHAREHOLDERS' MEETINGS. The Minnesota Bylaws provide for an annual meeting of shareholders upon reasonable notice and within a reasonable time, but not less than 30 days, following delivery of the annual report. Minnesota law provides that if a regular meeting of shareholders has not been held during the immediately preceding 15 months, a shareholder or shareholders holding 3% or more of the voting power of all shares entitled to vote may demand a regular



meeting of shareholders. The Minnesota Bylaws provide that the chief executive officer, a majority of the Board or a majority of the Independent Directors or shareholders holding an aggregate of not less than 10% of the voting shares of the Company may call a special meeting. Minnesota law also provides that the chief financial officer and two or more directors may

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call a special meeting of the shareholders, except that a special meeting concerning a business combination must be called by 25% of the voting power of all shares entitled to vote.

The Maryland REIT Law contains no provisions on shareholders meetings. The Declaration of Trust and Maryland Bylaws provide for an annual meeting of shareholders to be held upon reasonable notice and within a reasonable period, but not less than 30 days, following delivery of the Trust's annual report, but in any event within six months after the end of each full fiscal year. Special meetings of shareholders may be called by a majority of the Trustees or by certain executive officers of the Trust and shall be called upon the written request of shareholders holding in the aggregate not less than a majority of the outstanding shares of the Trust entitled to vote.

**ACTIONS BY WRITTEN CONSENT OF SHAREHOLDERS.** Under the MBCA, shareholders may act by written consent in lieu of a shareholders' meeting. Under Minnesota law, any action required or permitted to be taken at a shareholders' meeting may be taken without a meeting by unanimous written consent signed by each of the shareholders entitled to vote on such action. This power cannot be restricted by a Minnesota corporation's articles. The Maryland REIT Law contains no similar provision to the MBCA regarding written consent of shareholders. The Declaration of Trust permits the Maryland Bylaws to include a provision that permits any action which may be taken at a meeting of shareholders to be taken without a meeting if a written consent of the action is signed by each shareholder entitled to vote on the matter. The Maryland Bylaws permit any action which may be taken at a meeting of shareholders to be taken without a meeting if a consent in writing, setting forth such action, is signed by each shareholder entitled to vote on the matter, and any other shareholder entitled to notice of a meeting of shareholders has waived in writing any right to dissent from such action, and such consent is filed with the minutes of proceedings of shareholders.

**INSPECTION OF BOOKS AND RECORDS.** Under Minnesota law, any shareholder of a publicly held corporation has an absolute right, upon written demand, to examine and copy, in person or by a legal representative, at any reasonable time, the corporation's share register and other corporate records reasonably related to the purpose described in the demand upon demonstrating that such stated purpose is a proper purpose. The Maryland REIT law provides that shareholders have the same rights to inspect the records of a real estate investment trust as stockholders of a corporation have under the MGCL. Under the MGCL, persons who together have been stockholders of a Maryland corporation for more than six months and own at least five percent of the outstanding stock of any class of a Maryland corporation may inspect and copy the corporation's books of account and stock ledger, request a written statement of the corporation's affairs and request a list of the corporation stockholders. In addition, any stockholder of a Maryland corporation may (a) inspect and copy the bylaws, minutes of the proceedings of stockholders and annual statements of affairs and (b) request the corporation to provide a sworn statement showing all stock, as well as any other securities, issued and all consideration received by the corporation during the preceding twelve months.

**INVESTMENT AND FINANCING POLICIES.** The Minnesota Bylaws contain investment policies and restrictions which limit certain of the activities of the Company. In addition, the Minnesota Bylaws contain a restriction on indebtedness which limits the ability of the Company to incur indebtedness if, as a result, the consolidated indebtedness of the Company would exceed 300% of the Company's net assets, as defined in the Minnesota Bylaws. These policies may not be changed without the approval of a majority of the Independent Directors. The Maryland Bylaws do not contain the same investment policies and restrictions nor the same indebtedness restriction. Instead, the Board of Trustees has adopted certain investment and financing policies. See "Policies with Respect to Certain Activities." The Board of Trustees may, without shareholder approval, amend or modify its current policies at any time.

**CLASSIFIED BOARD.** The MBCA permits a corporation's bylaws to provide for a classified board of directors and does not limit the number of classes. The Minnesota Bylaws do not provide for a classified board of directors. The Minnesota Bylaws currently provide for seven directors, all of whom are elected at

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the annual meeting of stockholders and hold office until the next annual meeting of stockholders or until their successors are elected and qualified.

The Declaration of Trust provides for a staggered Board of Trustees. The Maryland Bylaws provide that a majority of Trustees may establish, increase or decrease the number of Trustees. Upon the consummation of the Reformation, there will be seven Trustees. The Trustees are divided into three classes, with terms of three years each and with one class to be elected at each annual meeting of

shareholders. See "Management" below for the identity of the Class I, Class II and Class III Trustees and for their respective initial terms of office, which will range from one to three years. At each annual meeting of shareholders of the Trust, commencing in 1999, successors of the class of Trustees whose term expires at that annual meeting will be elected for a three-year term.

The Board believes that a classified board will be advantageous to the Trust and its shareholders because three-year terms will enhance the likelihood of continuity and stability in the composition of the Trust's Board of Trustees and in the policies formulated by its Board of Trustees. The Board believes that this, in turn, will permit the Board of Trustees more effectively to represent the interests of all shareholders. However, the classified Board of Trustees could have the effect of making the removal of incumbent Trustees time-consuming and difficult, which could discourage a third party from making a tender offer or otherwise attempting to effect a change in control of the Trust or other transaction that might be beneficial to a majority of shareholders or to the Trust.

With a classified Board of Trustees, it will generally take holders of a majority of the voting power two annual meetings of stockholders to elect a majority of the Board of Trustees. As a result, a classified board may delay, defer or prevent a tender offer or change in control of the Trust, even though a tender offer or change in control might involve a premium over the then prevailing market price for the Common Shares or other attributes that the shareholders may consider to be desirable. In addition, because under the Declaration of Trust a trustee may be removed, only for cause (as defined in the Declaration of Trust) by the affirmative vote of the holders of two thirds of the outstanding shares entitled to vote in the election of trustees, the classified Board of Trustees would delay shareholders who do not agree with the policies of the Board of Trustees from replacing a majority of the Board of Trustees for two years, unless they can demonstrate that the trustee should be removed for cause and obtain the requisite vote. Under Minnesota law, in general, unless a corporation's articles provide otherwise (which the Minnesota Articles do not), a director may be removed with or without cause by the affirmative vote of a majority of the shareholders. See "--Removal of Directors and Trustees."

VACANCIES ON THE BOARDS OF DIRECTORS AND TRUSTEES. Under the MBCA, unless the articles or bylaws provide otherwise, (a) a vacancy on a corporation's board of directors may be filled by the vote of a majority of directors then in office, although less than a quorum, (b) a newly created directorship resulting from an increase in the number of directors may be filled by the board of directors and (c) any director so elected shall hold office only until a qualified successor is elected at the next regular or special meeting of shareholders. The Minnesota Bylaws follow these provisions. The Maryland Bylaws also permit the trustees of the Trust to fill vacancies in the Board of Trustees. The Maryland Bylaws provide that any vacancy on the Board of Trustees for any cause shall be filled by a majority of the remaining trustees, even if such majority is less than a quorum.

REMOVAL OF DIRECTORS AND TRUSTEES. Under the MBCA and the Minnesota Bylaws, a director may be removed with or without cause by the affirmative vote of a majority of the shareholders. The Minnesota Bylaws do not limit the shareholders' ability to remove a director without cause. The Declaration of Trust provides that a Trustee may be removed only for cause upon the affirmative vote of at least two-thirds, rather than a simple majority, of the votes entitled to be cast in the election of Trustees, but only by a vote taken at a shareholder meeting. This provision, when coupled with the provision in the Maryland Bylaws authorizing the Board of Trustees to fill vacant trusteeships, precludes shareholders from removing incumbent trustees, except upon the existence of cause for removal and a substantial affirmative vote, and filling the vacancies created by such removal with their own nominees.

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AUTHORIZED SHARES OF CAPITAL STOCK. As of February 11, 1998, there were 50,000,000 shares of stock authorized, of which 2,268,583 shares of Common Stock were issued and outstanding, and there were no shares of preferred stock authorized. The Minnesota Articles provide that preemptive rights shall not exist with respect to shares of stock of the Company. Upon approval of the Reformation, the Board of Trustees of the Trust will be authorized to issue up to 50,000,000 shares of beneficial interest from time to time in such combination as the Trustees shall determine. As permitted by Maryland REIT Law, the Declaration of Trust contains a provision permitting the Board of Trustees, without any action by the shareholders of the Trust, to amend the Declaration of Trust to increase or decrease the aggregate number of shares of beneficial interest or the number of shares of any class of shares of beneficial interest that the Trust has the authority to issue. Unless specifically provided by the Board of Trustees, holders of shares will have no preemptive rights to purchase or subscribe for any additional shares of beneficial interest or any other security of the Trust which it may sell.

The Board of Trustees believes that the power to issue additional shares of beneficial interest will provide the Trust with increased flexibility in structuring possible future financings and acquisitions and in meeting other needs that might arise. The additional shares of beneficial interest, including

possible Common Shares, will be available for issuance without further action by the Trust's shareholders, unless action by the shareholders is required by applicable law or the rules of any stock exchange or automated quotation system on which the Trust's securities may be listed or traded. Although the Board of Trustees currently has no intention of doing so, it could authorize the Trust to issue a class or series that could, depending on the terms of such class or series, delay, defer or prevent a change in control of the Trust or other transaction that might involve a premium over the then prevailing market price for the Common Shares or other attributes that the shareholders may consider to be desirable.

**DIVIDENDS AND OTHER DISTRIBUTIONS.** Generally, a Minnesota corporation may pay a dividend if its board of directors determines that the corporation will be able to pay its debts in the ordinary course of business after paying the dividend and if, among other things, the dividend payment does not reduce the remaining net assets of the corporation below the aggregate preferential amount payable in the event of liquidation to the holders of the shares having preferential rights, unless the payment is made to those shareholders in the order and to the extent of their respective priorities. The Maryland REIT Law contains no similar provision on dividends and other distributions. Under the Declaration of Trust, the Board of Trustees may from time to time authorize and declare such dividends or distribution in cash or other assets of the Trust or in securities of the Trust or from any other source as the Board of Trustees in its discretion may determine. The Declaration of Trust provides that the Board of Trustees shall endeavor to authorize, declare and cause the Trust to pay such dividends and distributions as shall be necessary for the Trust to qualify as a real estate investment trust under the Code; however, shareholders shall have no right to any dividend or other distribution unless and until authorized and declared by the Board of Trustees. The Company has historically paid quarterly cash distributions and the Trust plans to continue to do so. Because of the provisions of the Code applicable to REITs, the Company does not believe that the differences between Minnesota and Maryland law regarding dividends or distributions will result in any material differences between the past practice of the Company and the anticipated future practice of the Trust in the payment of dividends or distributions. See "Federal Income Tax Considerations--Taxation of the Trust--Annual Distribution Requirements."

**CERTAIN BUSINESS COMBINATIONS.** MBCA Section 302A.673 provides that an issuing public corporation may not engage in certain business combinations with any person that acquires beneficial ownership of ten percent or more of the voting stock of that corporation (i.e., an "interested shareholder") for a period of four years following the date that that person became an interested shareholder (the "share acquisition date") unless, prior to the share acquisition date, a committee of the corporation's disinterested directors approve either the business combination or the acquisition of shares.

Only defined types of "business combinations" are prohibited by the Minnesota statute. In general, the definition includes: any merger or exchange of securities of the corporation with the interested

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shareholder; certain sales, transfers or other dispositions of assets of the corporation to an interested shareholder; transfers by the corporation to interested shareholders of shares that have market value of five percent or more of the value of all outstanding shares, except for a pro rata transfer made to all shareholders; any liquidation or dissolution of, or reformation in another jurisdiction of, the corporation which is proposed by the interested shareholder; certain transactions proposed by the interested shareholder or any affiliate or associate of the interested shareholder that would result in an increase in the proportion of shares entitled to vote owned by the interested shareholder; and transactions whereby the interested shareholder receives the benefit of loans, advances, guarantees, pledges or other financial assistance or tax advances or credits from the corporation.

For purposes of selecting a committee of "disinterested" directors a director or person is "disinterested" under the MBCA if the director or person is neither an officer nor an employee, nor has been an officer or employee within five years preceding the formation of the committee, of the issuing public corporation or of a related corporation. The committee must consider and act on any written, good faith proposal to acquire shares or engage in a business combination. The committee must consider and take action on the proposal and within 30 days render a decision in writing regarding the proposal.

Under the MGCL, as applicable to Maryland real estate investment trusts, certain "business combinations" (including a merger, consolidation, share exchange or, in certain circumstances, an asset transfer or issuance or reclassification of equity securities) between a Maryland real estate investment trust and any person who beneficially owns ten percent or more of the voting power of the trust's shares or an affiliate of the trust who, at any time within the two-year period prior to the date in question, was the beneficial owner of ten percent or more of the voting power of the then outstanding voting stock of such trust (an "Interested Shareholder"), or an affiliate of such an Interested Shareholder, are prohibited for five years after the most recent date on which the Interested Shareholder becomes an Interested Shareholder. Thereafter, any such business combination must be recommended by the board of trustees of such

trust and approved by the affirmative vote of at least (i) 80% of the votes entitled to be cast by holders of outstanding voting shares of beneficial interest of the trust and (ii) two-thirds of the votes entitled to be cast by holders of voting shares of the trust other than shares held by the Interested Shareholder with whom (or with whose affiliate) the business combination is to be effected, unless, among other conditions, the trust's common shareholders receive a minimum price (as defined in the MGCL) for their shares and the consideration is received in cash or in the same form as previously paid by the Interested Shareholder for its shares. These provisions of Maryland law do not apply, however, to business combinations that are approved or exempted by the board of trustees of the trust prior to the time that the Interested Shareholder becomes an Interested Shareholder. The Board of Trustees has approved the acquisition of additional Common Shares by Messrs. Shidler and Hamlin upon redemption of their Units received in the Transactions.

Both the Minnesota and Maryland provisions permit a corporation or a trust to "opt out" of the business combination statute by electing to do so in its articles or declaration of trust or, in the case of Minnesota law, the bylaws or, in the case of Maryland law, by resolution of the Board of Trustees. Neither the Minnesota Articles nor the Minnesota Bylaws contain such an "opt-out" provision. The Board of Trustees has opted out of this statute by resolution.

**CONTROL SHARE ACQUISITIONS.** The Minnesota control share acquisition statute, MBCA Section 302A.671 ("Section 671"), establishes various disclosure and shareholder approval requirements to be met by individuals or companies attempting a takeover of an "issuing public corporation." Section 671 provides that any person (an "acquiring person") proposing to make a "control share acquisition" must disclose certain information to the target corporation and the target corporation's shareholders must thereafter approve the control share acquisition, or else certain of the shares acquired in the control share acquisition will not have voting rights and will be subject to redemption by the target corporation for a specified period of time at the market value of such shares. A "control share acquisition" is an acquisition of shares of an issuing public corporation which results in the acquiring person's voting power increasing from its

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preacquisition level to one of the following levels of voting power: (i) at least 20% but less than 33 1/3%, (ii) at least 33 1/3% but less than or equal to 50% and (iii) over 50%. The definition of a "control share acquisition" specifically excludes acquisitions of shares from the corporation issuing such shares, and acquisitions pursuant to plans of merger or exchange which are approved by the shareholders of the corporation.

The information that must be disclosed by the acquiring person includes, among other things, the terms of the proposed control share acquisition, the source of funds, any plans to liquidate the corporation and any plans to move the location of its principal executive offices or business activities. If an acquiring person meets certain requirements set forth in Section 671, the target corporation must call a meeting of its shareholders for the purpose of considering the proposed control share acquisition if the acquiring person so requests in writing. The notice of the shareholders' meeting must be accompanied by the information statement and a statement of the position of the board of directors on the proposed control share acquisition. Unless the disclosure provisions and the shareholder approval provisions of Section 671 are met, including affirmative votes by holders of a majority of shares (excluding all interested shares), shares acquired in a control share acquisition that exceed the initial threshold of any of the new ranges of voting power described above (i.e., 20%, 33 1/3% or 50%) are denied voting rights and are subject to redemption by the target corporation. Any such shares denied voting rights regain those voting rights only upon transfer to a person other than the acquiring person or any affiliate or associate of the acquiring person. Such shares are subject to a call for redemption by the target corporation at a price equal to the market value of such shares. The call for redemption must be given by the target corporation within 30 days after the event giving rise to the option to call the shares for redemption and must be redeemed within 60 days after the call is given.

The MGCL, as applicable to Maryland real estate investment trusts, provides that "Control Shares" (as defined below) of a Maryland real estate investment trust acquired in a "control share acquisition" (as defined below) have no voting rights except to the extent approved by a vote of two-thirds of the votes entitled to be cast on the matter, excluding shares of beneficial interest owned by the acquiror, by officers or by trustees who are employees of the trust. "Control Shares" are voting shares of beneficial interest which, if aggregated with all other such shares of beneficial interest previously acquired by the acquiror or in respect of which the acquiror is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquiror to exercise voting power in electing trustees within one of the following ranges of voting power: (i) one-fifth or more but less than one-third, (ii) one-third or more but less than a majority or (iii) a majority or more of all voting power. Control Shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained shareholder approval. A "control share acquisition" means the acquisition of Control Shares, subject to certain exceptions.

Under the MGCL, a person who has made or proposes to make a control share acquisition, upon satisfaction of certain conditions (including an undertaking to pay expenses), may compel the board of trustees of the trust to call a special meeting of shareholders to be held within 50 days of demand to consider the voting rights of the shares. If no request for a meeting is made, the trust may itself present the question at any shareholders meeting.

If voting rights are not approved at the meeting or if the acquiring person does not deliver an acquiring person statement as required by the statute, then, subject to certain conditions and limitations, the trust may redeem any or all of the Control Shares (except those for which voting rights have previously been approved) for fair value, determined without regard to the absence of voting rights for the Control Shares, as of the date of the last control share acquisition by the acquiror or of any meeting of shareholders at which the voting rights of such shares are considered and not approved. If voting rights for Control Shares are approved at a shareholders meeting and the acquiror becomes entitled to vote a majority of the shares entitled to vote, all other shareholders may exercise appraisal rights. The fair value of the shares as

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determined for purposes of such appraisal rights may not be less than the highest price per share paid by the acquiror in the control share acquisition.

The control share acquisition statute does not apply (a) to shares acquired in a merger, consolidation or share exchange if the trust is a party to the transaction or (b) to acquisitions approved or exempted by the declaration of trust or bylaws of the trust.

Both Minnesota and Maryland law permit a corporation to "opt out" of the control share acquisition statute in the articles or bylaws. The Minnesota Articles and Minnesota Bylaws do not contain an "opt-out" provision. However, the Maryland Bylaws contain a provision exempting from the control share acquisition statute any and all acquisitions by any person of the Trust's shares of beneficial interest. The Board of Trustees may, however, amend the Maryland Bylaws at any time to eliminate such provision, either prospectively or retroactively.

OTHER ANTI-TAKEOVER PROVISIONS. The MBCA includes four other provisions relating to takeovers that are not included in the Maryland REIT Law or the MGCL. These provisions address a corporation's use of golden parachutes, greenmail, the standard of conduct of the board of directors in connection with the consideration of takeover proposals and the acquisition of shares following a tender offer.

The MBCA contains a provision which prohibits a publicly held corporation from entering into or amending agreements (commonly referred to as "golden parachutes") that increase current or future compensation of any officer or director during any tender offer or request or invitation for tenders.

The MBCA also contains a provision which limits the ability of a corporation to repurchase shares at a price above market value (commonly referred to as "greenmail"). The statute provides that a publicly held corporation is prohibited from purchasing or agreeing to purchase any shares from a person who beneficially owns more than five percent of the voting power of the corporation if the shares had been beneficially owned by that person for less than two years, and if the purchase price would exceed the market value of those shares. However, such a purchase will not violate the statute if the purchase is approved at a meeting of the shareholders by a majority of the voting power of all shares entitled to vote or if the corporation's offer is of at least equal value per share and to all holders of shares of the class or series and to all holders of any class or series into which the securities may be converted.

The MBCA authorizes the board of directors, in considering the best interests of the corporation with respect to a proposed acquisition of an interest in the corporation, to consider the interest of the corporation's employees, customers, suppliers and creditors, the economy of the state and nation, community and social considerations and the long-term as well as short-term interests of the corporation and its shareholders, including the possibility that these interests may be best served by the continued independence of the corporation.

The MBCA prohibits a tender offeror (as defined) from acquiring additional shares within two years following a tender offer unless the price and terms are substantially equivalent to those provided in the tender offer.

DISSOLUTION OF THE COMPANY AND THE TRUST. The MBCA provides that a corporation may be dissolved by the voluntary action of holders of a majority of a corporation's shares entitled to vote at a meeting called for the purpose of considering such dissolution.

The Declaration of Trust permits (i) the termination of the Trust and the discontinuation of the operations of the Trust by the affirmative vote of the holders of not less than two-thirds of the outstanding Common Shares entitled to be cast on the matter at a meeting of shareholders or by written consent and

(ii) the termination of the Trust's qualification as a REIT if such qualification, in the opinion of the Board of Trustees, is no longer advantageous to the shareholders.

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JUDICIAL DISSOLUTION. Under the MBCA, if a deadlock of the directors precludes corporate action, or if a division of the shareholders makes election of directors impossible, stockholders are permitted to seek judicial action. The MBCA provides that a court may dissolve a publicly owned corporation in an action by a shareholder where: (a) the situation involves a deadlock in the management of corporate affairs and the shareholders cannot break the deadlock; (b) the directors have acted fraudulently, illegally, or in a manner unfairly prejudicial to the corporation; (c) the shareholders are divided in voting power for two consecutive regular meetings to the point where successor directors are not elected; (d) there is a case of misapplication or waste of corporate assets; or (e) the duration of the corporation has expired. The Maryland REIT Law contains no similar provisions.

AMENDMENTS TO THE MINNESOTA ARTICLES AND THE DECLARATION OF TRUST. Under the MBCA, before the shareholders may vote on an amendment to the articles of incorporation, either a resolution to amend the articles must have been approved by the affirmative vote of the majority of the directors present at the meeting where such resolution was considered, or the amendment must have been proposed by shareholders holding three percent or more of the voting power of the shares entitled to vote. Amending the articles of incorporation requires the affirmative vote of the holders of the majority of the voting power present and entitled to vote at the meeting (and of each class, if entitled to vote as a class), unless the articles of incorporation require a larger proportion. The MBCA provides that a proposed amendment may be voted upon by the holders of a class or series even if the articles of incorporation would deny that right, if among other things, the proposed amendment would increase or decrease the aggregate number of authorized shares of the class or series, change the rights or preferences of the class or series, create a new class or series of shares having rights and preferences prior and superior to the shares of that class or series or limit or deny any existing preemptive right of the shares of the class or series. The Minnesota Articles require a majority vote for amendments other than in the case of a change in the terms or contract rights of any of its outstanding capital stock which requires the affirmative vote of not less than two-thirds of the aggregate number of votes entitled to be cast.

Under the Maryland REIT Law, a real estate investment trust generally cannot amend its declaration of trust or merge unless approved by the affirmative vote of shareholders holding at least two-thirds of the shares entitled to vote on the matter unless a lesser percentage (but not less than a majority of all of the votes entitled to be cast on the matter) is set forth in the real estate investment trust's declaration of trust. The Trust's Declaration of Trust provides for a majority vote with respect to amendments. Under the Maryland REIT Law, a declaration of trust may permit the trustees by a two-thirds vote to amend the declaration of trust from time to time to qualify as a real estate investment trust under the Code or the Maryland REIT Law without the affirmative vote or written consent of the shareholders. The Trust's Declaration of Trust permits such action by the Board of Trustees.

AMENDMENTS TO THE BYLAWS. The MBCA provides that, unless reserved by the articles to the shareholders, the power to adopt, amend or repeal a corporation's bylaws is vested in the board of directors, subject to the power of the shareholders to adopt, repeal or amend the bylaws. After adoption of initial bylaws, the board of a Minnesota corporation cannot adopt, amend or repeal a bylaw fixing a quorum for meetings of shareholders, prescribing procedures for removing directors or filling vacancies in the board, or fixing the number of directors or their classifications, qualifications or terms of office, but may adopt or amend a bylaw to increase the number of directors. The Minnesota Bylaws reserve to a majority of the shareholders the right to amend the Minnesota Bylaws. Under the Maryland Bylaws, the Trustees have the exclusive power to amend the Maryland Bylaws.

DENIAL OF VOTING RIGHTS. The MBCA provides that holders of the outstanding shares of a class of stock shall be entitled to vote as a class upon a proposed amendment to the certificate of incorporation, whether or not entitled to vote thereon by the certificate of incorporation, if the amendment would change the aggregate number of authorized shares or the par value of the class or would adversely affect the powers, preferences or special rights of the class. There is no similar provision in the Maryland REIT Law.

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ADVANCE NOTICE OF NOMINATIONS AND NEW BUSINESS. The Maryland Bylaws provide that (i) with respect to an annual meeting of shareholders, nominations of persons for election to the Board of Trustees and the proposal of business to be considered by shareholders may be made only (a) pursuant to the Trust's notice of the meeting, (b) by the Board of Trustees or (c) by a shareholder who is entitled to vote at the meeting and has complied with the advance notice procedures set forth in the Maryland Bylaws and (ii) with respect to special meetings of shareholders, only the business specified in the Trust's notice of meeting may be brought before the meeting of shareholders. Nominations of persons for election to the Board of Trustees may be made only (a) pursuant to

the Trust's notice of the meeting, (b) by the Board of Trustees or (c) provided that the Board of Trustees has determined that Trustees shall be elected at such meeting, by a shareholder who is entitled to vote at the meeting and has complied with the advance notice provisions set forth in the Maryland Bylaws.

The Minnesota Bylaws provide that with respect to both annual and special meetings, the notice of the meeting shall state that no business other than that provided in the notice may be conducted at the meeting.

RESTRICTIONS ON OWNERSHIP AND TRANSFER OF COMMON STOCK AND COMMON SHARES. Under the Minnesota Articles, any transfer of shares that would result in the disqualification of the Company as a REIT under the Code is void AB INITIO to the fullest extent permitted by law, and the intended transferee of such shares is deemed never to have had an interest therein. The Minnesota Articles specifically prohibit any person or group of persons from holding, directly or indirectly, ownership of a number of shares in excess of 9.8% of the outstanding capital stock. Shares owned by a person or group of persons in excess of such amounts are referred to in the Minnesota Articles as "excess shares." For this purpose, shares are deemed to be owned by a person if they are constructively owned by such person under the provisions of Section 544 of the Code (as modified by Section 856(h) of the Code) or are beneficially owned by such person under the provisions of Rule 13d-3 promulgated under the Exchange Act, and the term "group" has the same meaning as that term has for purposes of Section 13(d)(3) of the Exchange Act. The above provisions in the Minnesota Articles are very similar to the ownership limit provisions set forth in the Declaration of Trust except that the Declaration of Trust specifically provides that, if any purported transfer of Common Shares would cause the Trust to be beneficially owned by fewer than 100 persons, such transfer will be null and void in its entirety and the intended transferee will acquire no rights to the stock. See "--Description of Shares of Beneficial Interest--Restrictions on Transfer."

The remedy provided in the Minnesota Articles arising from a violation of the ownership limits described in the preceding paragraph is different from the remedy provided in the Declaration of Trust arising from a violation of the comparable provisions in the Declaration of Trust. Pursuant to the Minnesota Articles, the Board is authorized to refuse to transfer any shares to a person if, as a result of the transfer, that person would own excess shares. The Minnesota Articles also provide that in the event any person acquires excess shares, at the discretion of the Board such excess shares may be redeemed by the Company. The redemption price for such excess shares is the closing price as reported on the NASDAQ System on the last business day prior to the redemption date or, if the shares are listed on an exchange, the closing price on the last business day prior to the redemption date or, if neither listed on an exchange nor quoted on the NASDAQ System, the net asset value of the shares as determined in good faith by the Board, but in each case never greater than the net asset value of the shares as determined in good faith by the Board. The remedies available to the Trust in the Declaration of Trust include a constructive Trust for the shares in excess of the Ownership Limit, and the right to designate an alternative purchaser at a fixed price in addition to the right to repurchase the shares. The Share Trustee will vote all shares and receive all distributions prior to disposition of the excess shares. For a more complete description of the remedies available to the Trust under the Declaration of Trust see "--Description of Shares of Beneficial Interest-- Restrictions on Transfer."

All certificates evidencing the Common Shares will bear a legend referring to the restrictions set forth in the Declaration of Trust.

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Under both the Minnesota Articles and the Declaration of Trust, each shareholder may be required to disclose to the Company or the Trust in writing such information as the Company or the Trust may request in order to determine the effect, if any, of such shareholder's actual and constructive ownership of Common Stock or Common Shares on the status as a REIT and to ensure compliance with the ownership limits described above. In addition, under the Declaration of Trust, every owner of a specified percentage (or more) of the outstanding shares of Common Shares must file a completed questionnaire containing information regarding their ownership of such shares, as set forth in the Treasury Regulations. Under current Treasury Regulations, the percentage will be set between 0.5% and 5.0% depending upon the number of record holders of the shares.

The foregoing ownership limitations may have the effect of delaying, deferring or preventing a change of control of the Trust without the consent of the Board of Trustees.

ANNUAL REPORT. Both the Minnesota Bylaws and the Declaration of Trust (pursuant to the Maryland REIT Law) require the Company and the Trust to deliver to shareholders an annual report concerning its operations for the preceding fiscal year containing financial statements prepared in accordance with GAAP which are audited and reported on by independent certified public accountants. The report must include a balance sheet, an income statement and a surplus statement. Annual reports must be mailed or delivered to each shareholder and must be placed on file at the principal office of the Trust within the time prescribed by the Maryland REIT Law.

MARYLAND ASSET REQUIREMENTS. To maintain its qualification as a Maryland real estate investment trust, the Maryland REIT Law requires at least 75% of the value of the Trust's assets to be held, directly or indirectly, in real estate assets, mortgages or mortgage related securities, government securities, cash and cash equivalent items, including high-grade short term securities and receivables. The Maryland REIT Law also prohibits the Trust from using or applying land for farming, agricultural, horticultural or similar purposes.

The MBCA does not have an equivalent provision.

#### THE COMPANY

#### GENERAL

The Company is a self-administered REIT, headquartered in Philadelphia, Pennsylvania, which focuses principally on the ownership, acquisition and management of suburban office properties in high growth submarkets in the United States. The Company currently owns interests in ten suburban office buildings in Pennsylvania and New Jersey containing approximately 1.5 million rentable square feet and seven retail properties located in the Midwest containing approximately 370,000 rentable square feet. As of December 31, 1997, the Company's properties were over 99% leased.

The Company was formed in 1988 to own and acquire retail properties and subsequently became an externally advised REIT. On October 14, 1997, the Company, as part of the Transactions, acquired the Mid-Atlantic suburban office operations of The Shidler Group, a national real estate firm. As a result of the Transactions, the Company relocated its headquarters from Minneapolis to Philadelphia and became internally administered. Further, Jay Shidler became the Company's Chairman of the Board and Clay Hamlin became the Company's President and Chief Executive Officer. On January 1, 1998 the Company changed its name to Corporate Office Properties Trust, Inc.

#### BUSINESS OBJECTIVES AND GROWTH STRATEGIES

The Company's primary business objectives are to achieve sustainable long-term growth in FFO per share and to maximize long-term shareholder value. The Company intends to achieve these objectives primarily through external growth and, to a lesser extent, through internal growth. The Company intends to focus its activities on acquiring, owning and operating suburban office properties in high growth

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submarkets throughout the United States. The Company does not intend to expand its existing investments in retail properties and, to the extent appropriate opportunities arise, it may contribute some or all of these properties to the Operating Partnership in exchange for additional Units or sell or exchange some or all of these properties and reinvest any net cash proceeds thereof in suburban office properties.

- SUBURBAN OFFICE FOCUS. Management believes office buildings currently offer the strongest fundamentals of any real estate property type, and suburban office properties offer the Company the most attractive investment opportunities. The three key factors driving the strong fundamentals of suburban office properties are (i) declining vacancy rates, (ii) positive net absorption and (iii) limited new supply of office product. Management believes that many companies are relocating to, and expanding in, suburban locations because of the lower occupancy costs, proximity to residential housing and better quality of life than traditional central business districts.
- EXTERNAL GROWTH. The Company is actively pursuing the acquisition of additional suburban office properties in United States submarkets with strong fundamentals. The Company's three-part acquisition strategy includes (i) entity transactions in which the Company enters new markets by acquiring significant portfolios along with their management, (ii) portfolio property purchases and (iii) opportunistic acquisitions of individual properties in submarkets in which the Company has a presence. The Company believes that there are a significant number of potential acquisitions that could greatly benefit from management's experience in enhancing property cash flow and value by renovating and repositioning properties.
- INTERNAL GROWTH. Management believes that the Company's internal growth will come from (i) proactive property management and leasing, (ii) contractual rent increases, (iii) operating efficiencies achieved through increasing economies of scale and (iv) tenant retention and rollovers at increased rents where market conditions permit.

The Company believes it has certain competitive advantages which will enhance its ability to identify and capitalize on acquisition opportunities, including: (i) management's national multiple market expertise in identifying, creatively structuring and closing acquisitions; (ii) management's experience in successfully growing public real estate companies utilizing a centralized/decentralized organizational structure; (iii) management's



long-standing relationships with tenants, real estate brokers, and institutional and other owners of commercial real estate, which help the Company to identify acquisition opportunities resulting in a large acquisition pipeline; (iv) the Company's fully integrated real estate operations, which allow it to respond quickly to acquisition opportunities; (v) the Company's access to capital as a public company; and (vi) the Company's ability to offer tax deferred exchanges to sellers of properties.

#### CAPITALIZATION STRATEGY

In conjunction with its growth strategies, the Company has developed a two-phase capital strategy. The Company intends that the first phase will be a rapid growth period, during which the Company plans to emphasize the issuance of Units to facilitate entity and portfolio acquisitions. To accelerate growth in FFO per share during this period, the Company will utilize a cash flow to debt service coverage ratio of approximately 1.6 to 1 which is anticipated to equate to a debt to total market capitalization of between 40% and 60%. During the second phase, the Company's mature growth period, it plans to gradually reduce its debt as a percentage of total market capitalization while continuing to grow FFO per share.

The Company is presently considering issuing in the near term for cash, either in a private placement or through a public offering, a significant amount of Common Shares. In addition, the Company is likely to issue directly, or through the issuance of Units by the Operating Partnership, a substantial number of Common Shares, or Units redeemable or exchangeable for Common Shares, in connection with acquisitions. The Company is presently exploring a number of potential acquisitions, some of which could be material and a number of which could be effected in the near term in the event the Company's explorations are successful.

#### 41 PROPERTIES

#### THE SUBURBAN OFFICE PROPERTIES

Set forth below is certain information with respect to the Company's office properties.

<TABLE>

<CAPTION>

PROPERTY LOCATION	YEAR BUILT/ RENOVATED	RENTABLE SQUARE FEET	PERCENTAGE LEASED (AS OF 2/1/98)	TOTAL RENTAL REVENUE (1)	PERCENTAGE OF TOTAL RENTAL REVENUE (1)	TOTAL RENTAL REVENUE PER SQUARE FOOT (1)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
PHILADELPHIA REGION						
Unisys World Hdqtrs.						
751 Jolly Rd.	1966/1991	112,958	100.0%	\$1,425,955	8.2%	\$ 12.62
753 Jolly Rd.	1960/1992-94	424,380	100.0	2,903,216	16.6	6.84
Combined Total		537,338		4,329,171	24.8	8.06
760 Jolly Rd.	1974/1994	199,380	100.0	2,516,925	14.4	12.62
Merck Building						
785 Jolly Rd.	1970/1996	218,219	100.0	2,096,951	12.0	9.61
HARRISBURG REGION						
Gateway Corporate Ctr.						
6385 Flank Dr.	1995	32,800	100.0	431,616	2.5	13.16
Commerce Court						
2601 Market Pl.	1989	67,377	98.3	1,071,348	6.1	16.19
2605 Interstate Dr.	1990	84,268	100.0	1,159,160	6.6	13.76
PRINCETON REGION						
Teleport National Hdqtrs.						
429 Ridge Rd.	1966/1996	142,385	100.0	2,508,824	14.4	17.62
437 Ridge Rd.	1962/1996	30,000	100.0	582,867	3.3	19.43
IBM Building						
431 Ridge Rd.	1958/1967	170,000	100.0	2,767,414	15.9	16.28
TOTAL/WEIGHTED AVERAGE		1,481,767	99.8%	1\$7,464,276	100.0%	\$ 11.80

<CAPTION>

PROPERTY LOCATION	MAJOR TENANTS (10% OR MORE OF RENTABLE SQUARE FEET)
<S>	<C>
PHILADELPHIA REGION	
Unisys World Hdqtrs.	
751 Jolly Rd.	Unisys Corp. (100%)

753 Jolly Rd.	Unisys Corp. (100%)
Combined Total	
760 Jolly Rd.	Unisys Corp. (100%)
Merck Building	
785 Jolly Rd.	Unisys Corp. with 50% sublease to Merck & Co. Inc.
HARRISBURG REGION	
Gateway Corporate Ctr.	
6385 Flank Dr.	Cowles Magazines (35%) Orion Capital (27%)
Commerce Court	
2601 Market Pl.	Penn State Geisinger (38%) Ernst & Young (27%) Texas-Eastern Gas Pipeline Co. (27%)
2605 Interstate Dr.	PA Emergency Mgmt. Agency (55%) USF&G (23%) Health Central (16%)
PRINCETON REGION	
Teleport National Hdqtrs.	
429 Ridge Rd.	Teleport Communication Group (100%)
437 Ridge Rd.	IBM Corporation with 100% sublease to Teleport Communication Group
IBM Building	
431 Ridge Rd.	IBM Corporation (100%)
TOTAL/WEIGHTED AVERAGE	

</TABLE>

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(1) Total Rental Revenue is the monthly contractual base rent as of February 1, 1998 multiplied by 12 plus the estimated annualized expense reimbursements under existing leases except for the Philadelphia Region properties, which are triple net leases pursuant to which the tenant pays all operating expenses directly.

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#### PHILADELPHIA SUBURBAN MARKET.

REGIONAL ANALYSIS: Located along the Delaware and Schuylkill Rivers, Philadelphia is a cosmopolitan city situated at the crossroads of the Northeast Corridor, the most prosperous and densely populated region in the country. With a total population of over 5 million according to the 1990 U.S. Census, the Philadelphia Metropolitan Statistical Area ("MSA") is the fourth largest metropolitan area in the U.S. Philadelphia boasts a large, highly skilled workforce which forms the base of one of the most diverse economies in the nation. Although the Philadelphia metropolitan area is a market in itself, its location and extensive transportation system provide easy access to 25% of the U.S. population which lives within a 300-mile radius.

The greatest growth in the past fifteen years in the greater Philadelphia region has occurred in the suburban counties as migration out of the central urban core has taken place. The Company's Philadelphia region properties are located in the Pennsylvania suburban counties within the Philadelphia MSA. The suburban counties have seen higher growth since 1980 in employment compared to the Philadelphia central business district as jobs moved from the central business district and new jobs emerged in the surrounding areas. Management believes the Pennsylvania suburban counties are well positioned for continued growth in both employment and population.

PHILADELPHIA SUBURBAN OFFICE MARKET: As of September 30, 1997, the Philadelphia Suburban Office Market contained approximately 44.2 million square feet and is divided into two overall markets, the Pennsylvania Suburban Market and the Southern New Jersey Market. The Company believes that current and projected economic trends favor the Pennsylvania Suburban Office Market and present advantageous conditions for commercial real estate.

As of September 30, 1997, the Pennsylvania Suburban Market was comprised of approximately 34.7 million square feet of non-owner occupied office space. Vacancy in the suburban markets increased in the late 1980's, but a significant improvement has occurred in the past few years. Vacancy at the end of the third quarter of 1997 stood at 9.3%, a slight increase from 9.2% at the end of 1996, and a decrease from 14.9% at the end of 1995. Leasing activity during the first three quarters of 1997 totaled 2,326,949 square feet with net absorption totaling 365,777 square feet during the period.

Within the Philadelphia Suburban Market, the Pennsylvania Suburban Market consists of nine separate submarkets. The following table provides certain information with respect to office properties located in the Pennsylvania

Suburban Market as of September 30, 1997.

<TABLE>  
<CAPTION>

SUBMARKET	TOTAL INVENTORY	OVERALL AVAILABLE SPACE (SQUARE FEET)	OVERALL VACANCY RATE	LEASING ACTIVITY THROUGH 9/30/97	WEIGHTED AVG. ASKING RENTAL RATE
<S>	<C>	<C>	<C>	<C>	<C>
Bala Cynwyd.....	2,827,907	210,181	7.4%	173,554	\$ 24.61
Southern Bucks County.....	2,591,276	356,938	13.8	150,936	17.74
Southern Route 202 Corridor.....	3,766,383	685,461	18.2	340,132	20.51
Lehigh & Northampton Counties.....	4,397,524	554,140	12.6	110,680	14.53
Blue Bell/Plymouth Meeting/ Ft. Washington.....	4,856,811	272,493	5.6	327,104	19.38
Main Line.....	2,450,126	105,271	4.3	109,997	22.85
Conshohocken.....	1,094,018	37,281	3.4	102,058	20.54
Horsham/Willow Grove/Jenkintown.....	3,143,323	307,863	9.8	154,137	18.61
King of Prussia/Valley Forge.....	9,590,937	713,885	7.4	858,351	19.65
Pennsylvania Suburban Total.....	34,718,305	3,243,513	9.3	2,326,949	\$ 18.96

</TABLE>

Source: Cushman & Wakefield

Within the Philadelphia Suburban Market, the Company focuses on the western and southern suburban markets located in Montgomery and Chester Counties. These markets include the King of

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Prussia/Valley Forge, Conshohocken, Blue Bell/Plymouth Meeting/Fort Washington, Southern Route 202 Corridor and the Bala Cynwyd submarkets. These markets benefit from excellent road networks and transportation systems, making these markets easily accessible and well positioned for future growth as jobs and the population exit the Philadelphia central business district.

BLUE BELL/PLYMOUTH MEETING/FORT WASHINGTON SUBMARKET: As of September 30, 1997, the Blue Bell/ Plymouth Meeting/Fort Washington submarket contained 4,856,811 square feet of non-owner occupied office space. With the opening of I-476 connecting the Pennsylvania Turnpike to I-95 south of Philadelphia and connecting to I-76 into Philadelphia, the Blue Bell/Plymouth Meeting/Fort Washington submarket is located at the crossroads of the primary road network in the region. As a result, the northern suburbs, especially the prime infill markets such as Blue Bell/Plymouth Meeting/Fort Washington, made a strong rebound from the recession and have seen rapidly rising rental rates in the past year.

The Company owns four properties in the Blue Bell/Plymouth Meeting/Fort Washington submarket. As of September 30, 1997, this submarket contains approximately 4.9 million square feet of commercial space and total vacancy for commercial office space was approximately 5.6%, down from 5.7% at the end of 1996. Absorption of office space in this submarket for the first three quarters of 1997 totaled 33,697 square feet. Leasing activity through September 30, 1997 totaled 327,104 square feet. The direct weighted average asking rental rate was \$19.38 per square foot as of September 30, 1997, an increase of 9.0% from a rate of \$17.78 per square foot on December 31, 1996.

THE MERCK BUILDING: The Merck Building is a 218,219 square foot office building located on 28 acres at 785 Jolly Road in Blue Bell, Montgomery County, Pennsylvania. The building has a one-story lobby with a structural steel frame and brick exterior.

The building is currently 50% occupied by Unisys and 50% occupied by Merck & Co. Inc. ("Merck"), which will be taking the remainder of the building on January 1, 1999. The building is leased in its entirety to Unisys on a triple net basis through June 30, 2009 with the tenant responsible for the payment of all operating and capital improvement expenses of the property. The lease provides for 2% annual increases in the base rent. Merck has subleased one-half of the building from Unisys through June 30, 2009, the remainder of the Unisys lease term. The Merck sublease contains a call option under which Merck can take the remainder of the space in the building and a put option under which Unisys can cause Merck to take the remaining space. Merck has exercised its option to become the sole occupant of the building on January 1, 1999. Under the sublease, Merck has a direct obligation to pay the landlord if Unisys were to default on its obligations. The two-story brick building was constructed in 1970 as the Remington Rand Headquarters and was renovated by Merck in 1996.

UNISYS WORLD HEADQUARTERS: The Unisys World Headquarters, located on 84

acres in Blue Bell, Montgomery County, Pennsylvania, consists of 736,718 square feet contained in three office buildings in a suburban office campus setting.

All of the buildings are leased to Unisys under separate leases which expire June 30, 2009. The buildings are leased on a triple net basis through June 30, 2009 with the tenant responsible for the payment of all operating and capital improvement expenses of the property. The leases provide for 2% annual increases in the base rent.

- 751 Jolly Road: The first building comprising the Unisys World Headquarters consists of 112,958 square feet in a two-story steel frame facility. Exterior walls of glass and concrete panels enclose the executive offices, boardroom, and worldwide telecommunications facilities of this international corporation. The building was substantially renovated by Unisys in 1991.
- 753 Jolly Road: The second building comprising the Unisys World Headquarters is a single story office/flex building with structural steel frame and brick, block and glass exterior containing 424,380 square feet. The building possesses the heavy power capabilities, fiber optics, upgraded HVAC and telecommunications and electronic systems necessary to support this Fortune 500 technology company. The building contains the primary software engineering and development divisions for

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Unisys, as well as general offices. Renovation of this building has been ongoing since 1993, during which time Unisys has expended over \$6 million in capital improvements on the building.

Both 751 Jolly Road and 753 Jolly Road are leased under a single lease with Unisys, which has posted a cash security deposit in the amount of \$12.75 million under the lease.

- 760 Jolly Road: The third building comprising the Unisys World Headquarters is a 199,380 square foot office building situated on 29.67 acres. This building serves as the headquarters for Unisys' worldwide marketing operations. The three-story building consists of structural steel framing with brick and concrete panel exterior walls. This technologically advanced building contains the latest telecommunications and electronic systems, a high tech display center and a cafeteria.

HARRISBURG, PENNSYLVANIA.

REGIONAL ANALYSIS: The Harrisburg Capital Region is the MSA composed of Cumberland, Dauphin, Lebanon and Perry counties located midway between Philadelphia and Pittsburgh. At the center of the area is the city of Harrisburg, the capital of the Commonwealth of Pennsylvania and seat of Dauphin County.

With its central location and convenient access to major markets (I-83, I-81, and the Pennsylvania Turnpike) along the East Coast, Harrisburg has recently become a fast growing area in the state. The region is strategically situated along major air, train, and highway arteries. The Company believes that Harrisburg, which has become a new "edge city" to Philadelphia, is well positioned for long term growth and stability. The diverse economic base includes distribution, agriculture, retail and wholesale trade, light and heavy manufacturing, the federal military and state government activities.

Over the last decade, employment opportunities have increased by 20% in the Harrisburg region with job growth in the private sector growing by 25% in the period from 1980 to 1990. The Harrisburg area's unemployment rate has consistently been lower than the state's and the nation's.

HARRISBURG OFFICE MARKET: The Harrisburg office market, which as of September 30, 1997 consisted of 9.8 million square feet in 467 buildings, has continued a strong recovery with the overall office occupancy level of 91.2% at the end of the third quarter of 1997. Class A vacancy levels were 3.6% by the end of the third quarter of 1997. The Harrisburg office market positively absorbed over 90,000 square feet of office space in 1997. The Harrisburg office market consists of three primary submarkets: the Downtown Business District, the West Shore Business District, and the East Shore Business District.

<TABLE>  
<CAPTION>

VACANCY		TOTAL	VACANCY	AVERAGE
RATE (AS OF	NUMBER OF	TOTAL	RATE (AS OF	CLASS A
SUBMARKET	BUILDINGS	INVENTORY	9/30/97)	ASKING RATE
12/31/96)		SQUARE FEET		(AS OF
				9/30/97)
<S>	<C>	<C>	<C>	<C>

<C>					
Downtown Business District.....	146	3,408,240	269,554	7.9%	\$ 17.25
8.7%					
East Shore.....	145	2,389,964	264,734	11.1	17.50
11.4					
West Shore.....	176	3,980,231	328,382	8.3	17.75
7.0					
	---	-----	-----		
Total.....	467	9,778,435	862,670	8.8	
8.7					
	---	-----	-----		
	---	-----	-----		

</TABLE>

Source: Landmark Commercial Realty, Inc.

The Company believes that the stability provided by the presence of the state capital coupled with the strong growth prospects due to Harrisburg's central location within the transportation network make Harrisburg an excellent market for commercial properties.

**EAST SHORE SUBMARKET:** The East Shore submarket, which is the newest of the three submarkets, contained 2,389,964 square feet of office space as of September 30, 1997. With limited new construction, the market has tightened and effective rents have recently increased.

The Company owns three properties in the East Shore submarket. As of September 30, 1997, total vacancy for commercial office space in this submarket was approximately 11.0%, down from 11.4% at the

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end of 1996. Absorption of office space in this submarket for the first three quarters of 1997 totaled 25,000 square feet. The Company has leased over 45,000 square feet of space within its properties during the fourth quarter of 1997, bringing occupancy to 99.4%.

**GATEWAY CORPORATE CENTER:** The Gateway Corporate Center is a corporate office park strategically located on the East Shore, just six and a half miles from downtown Harrisburg in Lower Paxton Township. Gateway Corporate Center, consisting of 67 landscaped acres, is Harrisburg's first comprehensive business park. The Gateway Corporate Center contains 335,000 rentable square feet in seven buildings with an overall occupancy of 99%. When completed, the park will have in excess of 410,000 rentable square feet.

- 6385 Flank Drive: 6385 Flank Drive was built in 1995 and consists of a single-story brick and glass office building of 32,800 rentable square feet located in the Gateway Corporate Center. The building is occupied on a multi-tenant basis with lease up reaching 100% in 1997. Primary tenants include Cowles Magazines, Orion Capital and Pitney Bowes.

**COMMERCE PARK:** Commerce Park is a multiple ownership corporate office park located at the intersection of I-81 and I-83 in the East Shore Market of Harrisburg. Commerce Park is three miles from downtown Harrisburg in Susquehanna Township. When completed, the park will have in excess of 900,000 square feet on 150 acres.

- Commerce Court: Commerce Court is a four-story office building built in 1989 and located on 8.5 acres in Commerce Park. The existing building contains 67,377 rentable square feet and consists of a structural steel frame with brick and reflective glass facade. Commerce Court is leased on a multi-tenant basis with Texas Eastern, Ernst & Young and Penn State Geisinger Health Systems as primary tenants.
- 2605 Interstate Drive: 2605 Interstate Drive is an 84,268 rentable square feet three-story office building and is located on 5.75 acres in Commerce Park. The building was constructed in 1990 and consists of a structural steel frame and concrete panel and reflective glass exterior. The building is leased on a multi-tenant basis with the Pennsylvania Emergency Management Agency and USF&G as the primary tenants.

PRINCETON, NEW JERSEY.

**REGIONAL ANALYSIS:** Central New Jersey enjoys a premium location between the major metropolitan areas of New York and Philadelphia. The central counties' (Middlesex, Mercer and Somerset) equidistant position between these cities, together with favorable demographics and high quality of life, have made them highly favorable for commercial properties. In fact, the three counties are the geographic center of the entire Northeastern Corridor, stretching from Boston to Washington, DC, with both urban centers located within 250 miles.

The Princeton Technology Center is included in a geographic region collectively referred to as "Princeton," which stretches southward from South Brunswick in Middlesex County to Hamilton in Mercer County. Since 1980, there

has developed an image of prestige at being located in the Princeton area. The office real estate market has increased eightfold since 1980. Large corporations such as Merrill Lynch, Bristol-Myers Squibb, AT&T, Johnson & Johnson, Dow Jones, Raytheon, Rhone Poulenc Rorer and Wyeth Ayerst have relocated major divisions to the area. The area's proximity to major roadways, including I-95 and the New Jersey Turnpike, make it a valuable distribution center.

The Princeton Technology Center is located in the southwestern corner of Middlesex County, close to the border of Mercer County. Private sector non-agricultural employment increased in Middlesex County from 1981 to 1990, rising by 60,000 or 25.1%. The county population increased by 12.7% to a total of 671,780 over the same period. This growth has helped earn Central New Jersey the designation as second place in Money Magazine's "300 Best Areas to Live in America."

PRINCETON OFFICE MARKET: The Princeton office market, which as of September 30, 1997 consisted of approximately 14.4 million square feet, experienced the corporate downsizing of the early 1990's, reaching a vacancy level of 21% in 1993. However, the market has recovered, particularly the heart of the market,

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the Route 1 corridor, and vacancy levels have dropped from 16.1% at December 31, 1996 to 8.2% at September 30, 1997.

The Princeton office market consists of six submarkets:

<TABLE>  
<CAPTION>

VACANCY RATE (AS OF 12/31/96)	NUMBER OF BUILDINGS	TOTAL INVENTORY	TOTAL AVAILABLE	VACANCY RATE (AS OF 9/30/97)	AVERAGE ASKING RATE PER SQUARE FOOT
-	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
Route 1 Corridor.....	104	7,229,951	445,700	6.2%	\$ 20.45
9.3%					
Princeton--Route 206.....	45	1,260,017	84,675	6.7	19.44
16.2					
Exit 8A--Cranbury.....	43	1,877,006	148,616	7.9	18.03
40.0					
Hamilton--Windsor.....	13	645,770	150,390	23.3	17.35
18.4					
Lawrenceville--Ewing.....	44	1,833,167	262,321	14.3	18.63
16.3					
Trenton.....	13	1,615,422	92,054	5.7	19.50
7.5					
Total.....	262	14,461,333	1,183,756	8.2	
16.1					
	---	-----	-----		
	---	-----	-----		

</TABLE>

Source: Buschman Jackson-Cross

The Company believes that the strong growth prospects of the Princeton market make Princeton an excellent market for commercial properties. Princeton has become an attractive alternative to the New York/North Jersey office market.

Exit 8A--Cranbury Submarket: The Exit 8A--Cranbury submarket contains 1,877,006 square feet of office space. The access to the New Jersey Turnpike, Route 1, and Route 130 has helped to establish the Exit 8A--Cranbury submarket as a premier distribution location since the early 1980s.

The Company owns three properties in the Exit 8A--Cranbury submarket. As of September 30, 1997, total vacancy for commercial office space was approximately 7.9%, down from 40.0% at the end of 1996. Vacancy was distorted in 1996 when Continental Insurance put 500,000 square feet on the sublease market. This space was re-absorbed in 1997.

Princeton Technology Center: The Princeton Technology Center, a corporate business park located on 18.8 acres in Dayton, New Jersey, consists of three parcels and 342,385 rentable square feet contained in three separate buildings--two office buildings and an office/flex building.

- 429 Ridge Road: The first of two buildings leased to TCG is a 142,385 rentable square feet three-story building on 14 acres. TCG is a rapidly expanding, leading fiber optic based telecommunications company. In

January 1998, AT&T announced its agreement to acquire TCG. This three-story building has a structural steel frame with brick, metal panel and glass exterior. TCG operates a National Monitoring Center and its national training headquarters at this location and has made a multi-million dollar investment in the building. The initial term of TCG's lease ends in 2008. The building was totally renovated in 1996 and provides the latest in technologically advanced telecommunications and electronics capabilities.

- 437 Ridge Road: The second of the buildings leased to TCG consists of a 30,000 rentable square feet single-story building. The building has a glass exterior along with a glass enclosed landscaped courtyard. TCG occupies the building under a sublease with IBM through April 2002, and a direct lease extending its occupancy through December 2006. This facility houses the Chief Executive Officer and other executive officers. TCG totally renovated this building at a cost exceeding \$2 million for TCG's initial occupancy beginning November 1, 1996.
- 431 Ridge Road: 431 Ridge Road is a 170,000 rentable square feet single-story office and research building which is leased in its entirety to IBM through March 31, 2002. The building has a structural steel frame with glass, metal panel and block exterior. The large floorplate, ample parking and ceiling height make the building highly adaptable for either office or research uses.

THE RETAIL PROPERTIES.

Set forth below is certain information with respect to the Company's retail properties.

<TABLE>

<CAPTION>

PROPERTY LOCATION	YEAR BUILT/ RENOVATED	RENTABLE SQUARE FEET	PERCENTAGE LEASED (AS OF 2/1/98)	TOTAL RENTAL REVENUE (1)	PERCENTAGE OF TOTAL RENTAL REVENUE (1)	TOTAL RENTAL REVENUE PER SQUARE FOOT (1)
<hr/>						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
SUPERVALU STORES, INC.						
Indianapolis, IN						
5835 West 10th St.	1991	67,541	100.0%	\$ 548,196	22.5%	\$ 8.12
Plymouth, MN						
3550 Vicksburg Ln.	1991	67,510	100.0	522,813	21.4	7.74
NASH-FINCH STORES						
Minot, ND						
2100 S. Broadway	1993	46,134	100.0	305,774	12.5	6.63
Peru, IL						
1351 38th St. North	1993	60,232	100.0	334,776	13.7	5.56
FLEMING COMPANIES						
STORES						
Delafield, WI						
3265 Golf Rd.	1994	52,800	100.0	312,201	12.8	5.91
Glendale, WI						
7601 N. Port						
Washington Rd.	1992	36,248	100.0	168,300	6.9	4.64
Oconomowac, WI						
630 E. Wisconsin	1994	39,272	100.0	249,125	10.2	6.34
Ave.						
<hr/>						
TOTAL/WEIGHTED						
AVERAGE		369,737	100.0%	\$2,441,185	100.0%	\$ 6.60
<hr/>						

<CAPTION>

PROPERTY LOCATION

TENANTS

PROPERTY LOCATION	TENANTS
<hr/>	
<S>	<C>
SUPERVALU STORES, INC.	
Indianapolis, IN	
5835 West 10th St.	SV Ventures
Plymouth, MN	
3550 Vicksburg Ln.	Innsbruck Investments
NASH-FINCH STORES	
Minot, ND	
2100 S. Broadway	Nash-Finch Company
Peru, IL	
1351 38th St. North	Nash-Finch Company
FLEMING COMPANIES	
STORES	
Delafield, WI	

3265 Golf Rd. Glendale, WI	Fleming Companies, Inc.
7601 N. Port Washington Rd. Oconomowac, WI	Fleming Companies, Inc.
630 E. Wisconsin Ave.	Fleming Companies, Inc.
TOTAL/WEIGHTED AVERAGE	

(1) Total Rental Revenue is the monthly contractual base rent as of February 1, 1998 multiplied by 12.

TENANTS

The following table sets forth certain information with respect to the Company's office and retail tenants.

<TABLE> <CAPTION>					
PERCENTAGE OF AGGREGATE LEASED TENANT NAME SQUARE FEET	NUMBER OF LEASES	REMAINING LEASE TERM IN MONTHS	TOTAL RENTAL REVENUE (\$000) (1)	PERCENTAGE OF TOTAL RENTAL REVENUE (1)	AGGREGATE LEASED SQUARE FEET
-----					
<S>	<C>	<C>	<C>	<C>	<C>
-----					
OFFICE TENANTS					
Unisys Corporation..... 45.7%	3	137	\$ 7,895 (2)	39.7%	845,827
Teleport Communications Group..... 9.3	2	(3)	3,092	15.5	172,385
IBM..... 9.2	1	50	2,767	13.9	170,000
Merck (4)..... 5.9	1	137	1,048 (2)	5.3	109,110
Penna. Emergency Mgmt. Agency(5)..... 2.6	1	46	636	3.2	47,328
Penn State Geisinger..... 1.4	2	(6)	411	2.1	25,428
Ernst & Young..... 0.9	1	117	292	1.5	17,499
Texas Eastern..... 0.9	1	28	286	1.4	17,363
USF&G..... 1.1	1	53	272	1.4	19,903
Health Central..... 0.7	1	35	190	1.0	12,699
Cowles Magazines..... 0.6	1	50	149	0.7	11,309
Orion Capital..... 0.5	1	33	117	0.6	8,640
Pitney Bowes..... 0.4	1	40	87	0.4	6,898
Aerotek..... 0.2	1	20	62	0.3	4,338
Groundwater Sciences..... 0.2	1	39	56	0.3	4,420
Orion Consulting..... 0.2	1	52	45	0.2	3,566
Hershey Foods..... 0.1	1	51	34	0.2	2,387
McGraw-Hill..... 0.1	1	52	26	0.1	1,467
-----					
Total Office Properties.....	22		17,464	87.7	1,480,567
-----					
RETAIL TENANTS					
Fleming Companies, Inc..... 6.9	3	(7)	730	3.7	128,320
Nash-Finch Company (8)..... 5.7	2	191	640	3.2	106,366
SV Ventures (9)..... 3.7	1	165	548	2.8	67,541



Innsbruck Investments (10).....	1	157	523	2.6	67,510
3.6	--				
--	-----			-----	-----
Total Retail Properties.....	7		2,441	12.3	369,737
20.0	--				
--	-----			-----	-----
Total.....	29		\$ 19,905	100.0%	1,850,304
100.0%	--				
--	-----			-----	-----
--	-----			-----	-----

- (1) Total Rental Revenue is the monthly contractual base rent as of February 1, 1998 multiplied by 12, plus the estimated annualized expense reimbursements under existing leases, except for the Philadelphia Region properties and the retail properties which are triple net leases for which the tenant pays all operating expenses directly.
- (2) Property occupied under a triple net lease agreement, pursuant to which the tenant directly pays all building operating expenses.
- (3) Teleport leases 142,385 square feet which expires in February 2008 and 30,000 square feet which expires in December 2006. The 30,000 square feet are subleased from IBM through April 2002 and directly leased through 2006.
- (4) Lease is with Unisys. Merck subleases 109,110 square feet with an option to lease an additional 109,109 square feet on January 1, 1999.
- (5) Aggregate Leased Square Feet has been adjusted from a 43,828 useable square feet lease to 47,828 rentable square feet for comparability.
- (6) Penn State Geisinger leases 17,665 square feet through October 2007 and 7,763 square feet through October 2000. Both leases are in the Commerce Court property.
- (7) Fleming Companies, Inc. has three leases consisting of 36,248 square feet, 39,272 square feet and 52,800 square feet. The leases expire in September 2010, May 2014 and November 2014, respectively.
- (8) Nash-Finch has two leases consisting of 60,232 square feet and 46,134 square feet. Both leases expire in January 2014.
- (9) SV Ventures is a wholly owned subsidiary of SuperValu, Inc. SuperValu, Inc. has guaranteed this lease through 2006.
- (10) Franchisee of SuperValu, Inc. The Company pays SuperValu, Inc. a credit enhancement fee to guarantee payment under the lease through 2001.

LEASE EXPIRATION--PORTFOLIO TOTAL

The following table sets forth a summary schedule of the lease expirations for the Trust's properties for leases in place as of February 1, 1998, assuming that none of the tenants exercise renewal options.

<TABLE>  
<CAPTION>

PERCENTAGE OF RENTAL PERIOD OF EXPIRATION EXPIRING(1)	NUMBER OF LEASES EXPIRING	SQUARE FOOTAGE OF EXPIRING LEASES	PERCENTAGE OF TOTAL OCCUPIED SQUARE FEET	TOTAL RENTAL REVENUE OF EXPIRING LEASES (\$'000) (1)	TOTAL RENTAL REVENUE OF EXPIRING LEASES PER SQUARE FOOT(1)	TOTAL REVENUE
1998.....	0	0	0.0%	\$ 0	\$ 0.00	
0.0%						
1999.....	1	4,420	0.2	56	12.65	
0.3						
2000.....	4	46,465	2.5	712	15.33	
3.6						
2001.....	3	58,564	3.2	784	13.40	
3.9						

2002.....	6	208,632	11.3	3,293	15.78
16.5					
2003.....	0	0	0.0	0	0.00
0.0					
2004.....	0	0	0.0	0	0.00
0.0					
2005.....	0	0	0.0	0	0.00
0.0					
2006.....	1	30,000	1.6	583	19.43
2.9					
2007.....	2	35,164	1.9	584	16.60
2.9					
2008 and beyond.....	12	1,467,059	79.3	13,893	9.47
69.8					
	--	-----	-----	-----	
Total.....	29	1,850,304	100.0%	\$ 19,905	10.76
100.0%	--				
	--	-----	-----	-----	
		-----	-----	-----	

</TABLE>

(1) Total Rental Revenue is the monthly contractual base rent as of February 1, 1998 multiplied by 12, plus the estimated annualized expense reimbursements under existing leases, except for the Philadelphia Region properties and the retail properties which are triple net leases for which the tenant pays all operating expenses directly.

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LEASE EXPIRATIONS BY PROPERTY

The following table sets forth a schedule of lease expirations by property for leases in place as of February 1, 1998, for each of the 10 full and partial calendar years beginning February 1, 1998, assuming that none of the tenants exercise renewal options and excluding an aggregate 1,200 square feet of vacant space.

		1998	1999	2000	2001	2002	2003
2004		-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
<C>							
OFFICE PROPERTIES							
-----							
PHILADELPHIA REGION							
751 Jolly Road	Square Feet (1)	0	0	0	0	0	0
0	% Square Feet (2)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
0.0%	Total Rental Revenue	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
\$ 0	(3)						
0	Number of Leases	0	0	0	0	0	0
\$ 0.00	Rent per Square Foot	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
753 Jolly Road	Square Feet (1)	0	0	0	0	0	0
0	% Square Feet (2)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
0.0%	Total Rental Revenue	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
\$ 0	(3)						
0	Number of Leases	0	0	0	0	0	0
\$ 0.00	Rent per Square Foot	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
760 Jolly Road	Square Feet (1)	0	0	0	0	0	0
0	% Square Feet (2)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
0.0%	Total Rental Revenue	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
\$ 0	(3)						

0	Number of Leases	0	0	0	0	0	0
\$ 0.00	Rent per Square Foot	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
785 Jolly Road	Square Feet (1)	0	0	0	0	0	0
0.0%	% Square Feet (2)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
\$ 0	Total Rental Revenue	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
0	(3) Number of Leases	0	0	0	0	0	0
\$ 0.00	Rent per Square Foot	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
HARRISBURG REGION							
6385 Flank Drive	Square Feet (1)	0	0	8,640	6,898	17,262	0
0.0%	% Square Feet (2)	0.0%	0.0%	26.3%	21.0%	52.6%	0.0%
\$ 0	Total Rental Revenue	\$ 0	\$ 0	\$ 116,726	\$ 86,915	\$ 227,974	\$ 0
0	(3) Number of Leases	0	0	1	1	3	0
\$ 0.00	Rent per Square Foot	\$ 0.00	\$ 0.00	\$ 13.51	\$ 12.60	\$ 13.21	\$ 0.00
2601 Market Place	Square Feet (1)	0	4,420	25,126	0	1,467	0
0.0%	% Square Feet (2)	0.0%	6.6%	37.3%	0.0%	2.2%	0.0%
\$ 0	Total Rental Revenue	\$ 0	\$ 55,930	\$ 406,040	\$ 0	\$ 25,673	\$ 0
0	(3) Number of Leases	0	1	2	0	1	0
\$ 0.00	Rent per Square Foot	\$ 0.00	\$ 12.65	\$ 16.16	\$ 0.00	\$ 17.50	\$ 0.00
2605 Interstate Drive	Square Feet (1)	0	0	12,699	51,666	19,903	0
0.0%	% Square Feet (2)	0.0%	0.0%	15.1%	61.3%	23.6%	0.0%
\$ 0	Total Rental Revenue	\$ 0	\$ 0	\$ 189,723	\$ 697,761	\$ 271,676	\$ 0
0	(3) Number of Leases	0	0	1	2	0	0
\$ 0.00	Rent per Square Foot	\$ 0.00	\$ 0.00	\$ 14.94	\$ 13.51	\$ 13.65	\$ 0.00

<CAPTION>

	2005	2006	2007	2008 AND BEYOND	TOTALS
<S>	<C>	<C>	<C>	<C>	<C>
OFFICE PROPERTIES					
-----					
PHILADELPHIA REGION					
751 Jolly Road	0	0	0	112,958	112,958
	0.0%	0.0%	0.0%	100.0%	100.0%
	\$ 0	\$ 0	\$ 0	\$ 1,425,955	\$ 1,425,955
753 Jolly Road	0	0	0	1	1
	\$ 0.00	\$ 0.00	\$ 0.00	\$ 12.62	\$ 12.62
	0	0	0	424,380	424,380
	0.0%	0.0%	0.0%	100.0%	100.0%
	\$ 0	\$ 0	\$ 0	\$ 2,903,216	\$ 2,903,216
760 Jolly Road	0	0	0	1	1
	\$ 0.00	\$ 0.00	\$ 0.00	\$ 6.84	\$ 6.84
	0	0	0	199,380	199,380
	0.0%	0.0%	0.0%	100.0%	100.0%
	\$ 0	\$ 0	\$ 0	\$ 2,516,925	\$ 2,516,925
785 Jolly Road	0	0	0	1	1
	\$ 0.00	\$ 0.00	\$ 0.00	\$ 12.62	\$ 12.62
	0	0	0	218,219	218,219
	0.0%	0.0%	0.0%	100.0%	100.0%
	\$ 0	\$ 0	\$ 0	\$ 2,096,951	\$ 2,096,951
	0	0	0	2	2

HARRISBURG REGION	\$	0.00	\$	0.00	\$	0.00	\$	9.61	\$	9.61
6385 Flank Drive		0		0		0		0		32,800
		0.0%		0.0%		0.0%		0.0%		100.0%
	\$	0	\$	0	\$	0	\$	0	\$	431,616
		0		0		0		0		5
2601 Market Place	\$	0.00	\$	0.00	\$	0.00	\$	0.00	\$	13.16
		0		0		35,164		0		66,177
		0.0%		0.0%		52.2%		0.0%		98.3%
	\$	0	\$	0	\$	583,706	\$	0	\$	1,071,348
		0		0		2		0		6
2605 Interstate Drive	\$	0.00	\$	0.00	\$	16.60	\$	0.00	\$	16.19
		0		0		0		0		84,268
		0.0%		0.0%		0.0%		0.0%		100.0%
	\$	0	\$	0	\$	0	\$	0	\$	1,159,160
		0		0		0		0		3
	\$	0.00	\$	0.00	\$	0.00	\$	0.00	\$	13.76

</TABLE>

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<TABLE>  
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2003		1998	1999	2000	2001	2002
- - - - -		- - - - -	- - - - -	- - - - -	- - - - -	- - - - -
<S>	<C>	<C>	<C>	<C>	<C>	<C>
<C>						
OFFICE PROPERTIES						
-----						
PRINCETON REGION						
429 Ridge Road	Square Feet (1)	0	0	0	0	0
0	% Square Feet (2)	0.0%	0.0%	0.0%	0.0%	0.0%
0.0%	Total Rental Revenue	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
\$ 0	(3)					
	Number of Leases	0	0	0	0	0
0	Rent per Square Foot	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
\$ 0.00						
431 Ridge Road	Square Feet (1)	0	0	0	0	170,000
0	% Square Feet (2)	0.0%	0.0%	0.0%	0.0%	100.0%
0.0%	Total Rental Revenue	\$ 0	\$ 0	\$ 0	\$ 0	
\$2,767,414 \$ 0	(3)					
	Number of Leases	0	0	0	0	1
0	Rent per Square Foot	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 16.28
\$ 0.00						
437 Ridge Road	Square Feet (1)	0	0	0	0	0
0	% Square Feet (2)	0.0%	0.0%	0.0%	0.0%	0.0%
0.0%	Total Rental Revenue	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
\$ 0	(3)					
	Number of Leases	0	0	0	0	0
0	Rent per Square Foot	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
\$ 0.00						
TOTAL OFFICE PROPERTIES	Square Feet (1)	0	4,420	46,465	58,564	208,632
0	% Square Feet (2)	0.0%	0.3%	3.1%	4.0%	14.1%
0.0%	Total Rental Revenue	\$ 0	\$ 55,930	\$ 712,489	\$ 784,676	\$ 3,292,736
\$ 0	(3)					
	Number of Leases	0	1	4	3	5
0	Rent per Square Foot	\$ 0.00	\$ 12.65	\$ 15.33	\$ 13.40	\$ 15.78
\$ 0.00						

RETAIL PROPERTIES

-----						
Plymouth	Square Feet (1)	0	0	0	0	0

0	% Square Feet (2)	0.0%	0.0%	0.0%	0.0%	0.0%
0.0%	Total Rental Revenue	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
\$ 0	(3)					
0	Number of Leases	0	0	0	0	0
0	Rent per Square Foot	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
\$ 0.00						
Indianapolis	Square Feet (1)	0	0	0	0	0
0	% Square Feet (2)	0.0%	0.0%	0.0%	0.0%	0.0%
0.0%	Total Rental Revenue	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
\$ 0	(3)					
0	Number of Leases	0	0	0	0	0
0	Rent per Square Foot	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
\$ 0.00						
Glendale	Square Feet (1)	0	0	0	0	0
0	% Square Feet (2)	0.0%	0.0%	0.0%	0.0%	0.0%
0.0%	Total Rental Revenue	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
\$ 0	(3)					
0	Number of Leases	0	0	0	0	0
0	Rent per Square Foot	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
\$ 0.00						

<CAPTION>

	2004	2005	2006	2007	2008 AND BEYOND	TOTALS
<S>	<C>	<C>	<C>	<C>	<C>	<C>
OFFICE PROPERTIES						
-----						
PRINCETON REGION						
429 Ridge Road	0	0	0	0	142,385	142,385
	0.0%	0.0%	0.0%	0.0%	100.0%	100.0%
\$	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,508,824	\$ 2,508,824
	0	0	0	0	1	1
\$	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 17.62	\$ 17.62
431 Ridge Road	0	0	0	0	0	170,000
	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
\$	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,767,414
	0	0	0	0	0	1
\$	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 16.28
437 Ridge Road	0	0	30,000	0	0	30,000
	0.0%	0.0%	100.0%	0.0%	100.0%	100.0%
\$	\$ 0	\$ 0	\$ 582,867	\$ 0	\$ 0	\$ 582,867
	0	0	1	0	1	1
\$	\$ 0.00	\$ 0.00	\$ 19.43	\$ 0.00	\$ 0.00	\$ 19.43
TOTAL OFFICE PROPERTIES	0	0	30,000	35,164	1,097,322	1,480,567
	0.0%	0.0%	2.0%	2.4%	74.1%	99.9%
\$	\$ 0	\$ 0	\$ 582,867	\$ 583,706	\$ 11,451,871	\$ 17,464,275
	0	0	1	2	6	22
\$	\$ 0.00	\$ 0.00	\$ 19.43	\$ 16.60	\$ 10.44	\$ 11.80
RETAIL PROPERTIES						
-----						
Plymouth	0	0	0	0	67,510	67,510
	0.0%	0.0%	0.0%	0.0%	100.0%	100.0%
\$	\$ 0	\$ 0	\$ 0	\$ 0	\$ 522,813	\$ 522,813
	0	0	0	0	1	1
\$	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 7.74	\$ 7.74
Indianapolis	0	0	0	0	67,541	67,541
	0.0%	0.0%	0.0%	0.0%	100.0%	100.0%
\$	\$ 0	\$ 0	\$ 0	\$ 0	\$ 548,196	\$ 548,196
	0	0	0	0	1	1
\$	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 8.12	\$ 8.12
Glendale	0	0	0	0	36,248	36,248
	0.0%	0.0%	0.0%	0.0%	100.0%	100.0%
\$	\$ 0	\$ 0	\$ 0	\$ 0	\$ 168,300	\$ 168,300

0
0
0
0
1
1  
 \$ 0.00 \$ 0.00 \$ 0.00 \$ 0.00 \$ 4.64 \$ 4.64

</TABLE>

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2003				1998	1999	2000	2001	2002
-----				-----	-----	-----	-----	-----
<S>	<C>			<C>	<C>	<C>	<C>	<C>
<C>								
<b>RETAIL PROPERTIES</b>								
-----								
Peru	Square Feet (1)			0	0	0	0	
0	0							
0.0%	% Square Feet (2)			0.0%	0.0%	0.0%	0.0%	
0.0%	0.0%							
0	Total Rental Revenue	\$	\$	0	0	0	0	0
0	\$	0						
	(3)							
0	Number of Leases			0	0	0	0	
0	0							
\$	Rent per Square Foot	\$	\$	0.00	0.00	0.00	0.00	0.00
\$	0.00							
Oconomowac	Square Feet (1)			0	0	0	0	
0	0							
0.0%	% Square Feet (2)			0.0%	0.0%	0.0%	0.0%	
0.0%	0.0%							
0	Total Rental Revenue	\$	\$	0	0	0	0	0
0	\$	0						
	(3)							
0	Number of Leases			0	0	0	0	
0	0							
\$	Rent per Square Foot	\$	\$	0.00	0.00	0.00	0.00	0.00
\$	0.00							
Minot	Square Feet (1)			0	0	0	0	
0	0							
0.0%	% Square Feet (2)			0.0%	0.0%	0.0%	0.0%	
0.0%	0.0%							
0	Total Rental Revenue	\$	\$	0	0	0	0	0
0	\$	0						
	(3)							
0	Number of Leases			0	0	0	0	
0	0							
\$	Rent per Square Foot	\$	\$	0.00	0.00	0.00	0.00	0.00
\$	0.00							
Delafield	Square Feet (1)			0	0	0	0	
0	0							
0.0%	% Square Feet (2)			0.0%	0.0%	0.0%	0.0%	
0.0%	0.0%							
0	Total Rental Revenue	\$	\$	0	0	0	0	0
0	\$	0						
	(3)							
0	Number of Leases			0	0	0	0	
0	0							
\$	Rent per Square Foot	\$	\$	0.00	0.00	0.00	0.00	0.00
\$	0.00							
TOTAL RETAIL	Square Feet (1)	\$	\$	0	0	0	0	0
0	0							
0.0%	% Square Feet (2)			0.0%	0.0%	0.0%	0.0%	0.0%
0.0%	0.0%							
0	Total Rental Revenue	\$	\$	0	0	0	0	0
0	\$	0						
	(3)							
0	Number of Leases			0	0	0	0	
0	0							
\$	Rent per Square Foot	\$	\$	0.00	0.00	0.00	0.00	0.00
\$	0.00							
TOTAL PROPERTIES	Square Feet (1)			0	4,420	46,465	58,564	208,632
0	0							
11.3%	% Square Feet (2)			0.0%	0.2%	2.5%	3.2%	
0.0%	0.0%							
0	Total Rental Revenue	\$	\$	0	55,930	712,489	784,676	\$3,292,736
0	\$	0						
	(3)							
5	Number of Leases			0	1	4	3	
0	0							
\$	Rent per Square Foot	\$	\$	0.00	12.65	15.33	13.40	15.78
\$	0							

\$ 0.00

<CAPTION>

	2004	2005	2006	2007	2008 AND BEYOND	TOTALS
<S>	<C>	<C>	<C>	<C>	<C>	<C>
RETAIL PROPERTIES						
Peru	0 0.0%	0 0.0%	0 0.0%	0 0.0%	60,232 100.0%	60,232 100.0%
	\$ 0	\$ 0	\$ 0	\$ 0	\$ 334,776	\$ 334,776
Oconomowac	0 0.0%	0 0.0%	0 0.0%	0 0.0%	1 5.56 39,272 100.0%	1 5.56 39,272 100.0%
	\$ 0	\$ 0	\$ 0	\$ 0	\$ 249,125	\$ 249,125
Minot	0 0.0%	0 0.0%	0 0.0%	0 0.0%	1 6.34 46,134 100.0%	1 6.34 46,134 100.0%
	\$ 0	\$ 0	\$ 0	\$ 0	\$ 305,774	\$ 305,774
Delafield	0 0.0%	0 0.0%	0 0.0%	0 0.0%	1 6.63 52,800 100.0%	1 6.63 52,800 100.0%
	\$ 0	\$ 0	\$ 0	\$ 0	\$ 312,201	\$ 312,201
TOTAL RETAIL PROPERTIES	0 0.0%	0 0.0%	0 0.0%	0 0.0%	1 5.91 369,737 100.0%	1 5.91 369,737 100.0%
	\$ 0	\$ 0	\$ 30,000	\$ 0	\$ 2,441,185	\$ 2,441,185
TOTAL PROPERTIES	0 0.0%	0 0.0%	0 1.6%	0 1.9%	7 6.60 1,467,059 79.3%	7 6.60 1,850,304 99.9%
	\$ 0	\$ 0	\$ 582,867	\$ 583,706	\$ 13,893,056	\$ 19,905,460
	0 0.00%	0 0.00%	1 19.43%	2 16.60%	13 9.47%	29 10.76%

</TABLE>

- (1) Total net rentable square feet represented by expiring leases.
- (2) Percentage of total net rentable square feet represented by expiring leases.
- (3) Total Rental Revenue is the monthly contractual base rent as of February 1, 1998 multiplied by 12, plus the estimated annualized expense reimbursements under existing leases, except for the Philadelphia Region properties and the retail properties which are triple net leases for which the tenant pays all operating expenses directly.

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DISTRIBUTION POLICY

The Trust, in order to qualify as a REIT, is required to make distributions (other than capital gains distributions) to its shareholders each year in an amount at least equal to (a) the sum of (i) 95% of the Trust's REIT taxable income for such year (computed without regard to the dividends paid deduction and the Trust's net capital gain) and (ii) 95% of the net income (after tax), if any, from foreclosure property, minus (b) the sum of certain items of non-cash income. Such distributions as are required to maintain the Trust's REIT status must be paid in the taxable year to which they relate, or in the following taxable year if declared before the Trust timely files its tax return for the earlier year and if paid on or before the first regular distribution payment after such declaration. To the extent that the Trust does not distribute all of its net capital gain or distributes at least 95%, but less than 100%, of its REIT taxable income, as adjusted, it will be subject to tax on the undistributed amounts at regular corporate tax rates; provided, however, that, as discussed below, effective for taxable years of the Trust beginning on or after January 1, 1998, the Trust's shareholders may claim a credit for taxes paid by the Trust in respect of undistributed net capital gains if the Trust so elects. Furthermore, if the Trust should fail to distribute during each calendar year at least the sum of (A) 85% of its ordinary income for such year, (B) 95% of its capital gain net income for such year, and (C) any undistributed taxable income from prior periods, the Trust would be subject to a 4% excise tax on the excess of the required distribution over the amounts actually distributed. Distributions declared by the Trust in October, November or December of a calendar year payable to shareholders of record on a specified date in any such month will be

deemed to have been paid by the Trust and received by each shareholder on December 31 of such year as long as they are actually paid in January of the following year.

The Trust intends to make regular quarterly cash distributions to its shareholders based upon a quarterly distribution of \$0.125 per Common Share (equivalent to the cash distributions currently being paid on the Common Stock). On an annualized basis, this would be \$0.50 per Common Share (or an annual distribution rate of approximately 5% based on the last trade price of the Common Stock on NASDAQ on February 3, 1998).

Future distributions by the Trust will be at the discretion of the Board of Trustees and will depend on the actual funds from operations of the Trust, its financial condition, capital requirements, the annual distribution requirements under the REIT provisions of the Code (see "Federal Income Tax Considerations--Taxation of the Trust--Annual Distribution Requirements") and such other factors as the Board of Trustees deems relevant. See "Risk Factors--Possible Changes in Policies Without Shareholder Approval; No Limitation on Debt."

#### POLICIES WITH RESPECT TO CERTAIN ACTIVITIES

The following is a description of certain investment, financing and other policies of the Trust. These policies have been adopted by the Board of Trustees and may be amended or revised from time to time without the approval of the Trust's shareholders, except that changes in certain policies with respect to conflicts of interest must be consistent with legal requirements.

#### INVESTMENT POLICIES

If the Reformation is approved, the Trust will own the net retail properties directly but intends to conduct all of its other investment activities through the Operating Partnership and its subsidiaries and other affiliates and joint ventures in which the Operating Partnership or a subsidiary may be a partner. The Trust's investment objectives are to provide quarterly cash distributions and achieve long-term capital appreciation through increases in the value of the Trust's portfolio of properties and its operations. For a discussion of the Trust's properties, see "Properties." The Trust's policies are to (i) purchase income-producing commercial properties primarily for long-term capital appreciation and rental growth and (ii) expand and improve its current properties or other properties purchased or sell such properties, in whole or in part, when circumstances warrant. To a lesser extent, the Trust intends to grow through the

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selective development, redevelopment and construction of commercial properties. The Trust does not intend to expand its existing investments in net leased retail properties and, to the extent appropriate opportunities arise, it may contribute some or all of these properties to the Operating Partnership in exchange for additional Units or sell or exchange some or all of these properties and reinvest any net cash proceeds in suburban office properties.

Equity investments may be subject to existing mortgage financing and other indebtedness or to such financing or indebtedness as may be incurred in connection with acquiring or refinancing such equity investments. Debt service with respect to such financing or indebtedness will have a priority over any distributions with respect to the Common Shares. Investments are also subject to the Trust's policy not to be treated as an investment company under the Investment Company Act of 1940.

The Trust expects to pursue its investment objectives primarily through the direct ownership by the Operating Partnership of its current properties (other than those currently held by the Properties Partnerships) and other properties to be acquired in the future. The Trust currently intends to invest primarily in existing improved properties but may, if market conditions warrant, invest in development projects as well. The Trust intends to concentrate on acquiring, owning and operating suburban office properties, and future investment or development activities will not be limited to any geographic area or product type or to a specified percentage of the Trust's assets. While the Trust intends to seek diversity in its investments in terms of property locations, size and market, the Trust does not have any limit on the amount or percentage of its assets that may be invested in any one property or any one geographic area. The Trust intends to engage in such future investment and development activities in a manner which is consistent with the maintenance of its status as a REIT for federal income tax purposes.

While the Trust's current portfolio consists of, and the Trust's business objectives emphasize, equity investments in suburban office properties, the Trust may, in the discretion of the Board of Trustees, invest in mortgages and deeds of trust, consistent with the Trust's continued qualification as a REIT for federal income tax purposes, including participating or convertible mortgages if the Trust concludes that it may benefit from the cash flow or any appreciation in value of the property secured by such mortgages. Investments in real estate mortgages run the risk that one or more borrowers may default under such mortgages and that the collateral securing such mortgages may not be



sufficient to enable the Trust to recoup its full investment.

Subject to the limitations on ownership of certain types of assets and the gross income tests imposed by the Code, the Trust also may invest in the securities of other REITs, other entities engaged in real estate activities or other issuers, including for the purpose of exercising control over such entities. See "Federal Income Tax Considerations--Taxation of the Trust--Asset Tests" and "--Taxation of the Trust--Gross Income Tests." The Trust may enter into joint ventures or partnerships for the purpose of obtaining an equity interest in a particular property in accordance with the Trust's investment policies. Such investments may permit the Trust to own interests in larger assets without unduly restricting diversification and, therefore, add flexibility in structuring its portfolio. The Trust will not enter into a joint venture or partnership to make an investment that would not otherwise meet its investment policies.

#### FINANCING POLICIES

In conjunction with its strategy to acquire additional suburban office properties, management has developed a two-phase capital strategy. The Company intends that the first phase would be a rapid growth period, during which the Trust plans to emphasize the issuance of Units to facilitate entity and portfolio acquisitions, and to utilize higher levels of debt than is typically employed by public REITs in order to accelerate growth in FFO per share. During the second phase, the Trust's mature growth period, it plans to gradually reduce its debt as a percentage of total market capitalization. To accomplish this, the Trust plans to issue a significant amount of its Common Shares, as well as Preferred Shares and unsecured debt. The effect of this approach, in the long term, should be a level of debt as a percentage of total capitalization

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more in line with a typical REIT structure while continuing to grow FFO per share. The Declaration of Trust and the Maryland Bylaws, however, do not limit the amount or percentage of indebtedness that the Trust may incur, and the Trust may from time to time modify its debt policy in light of current economic conditions, relative costs of debt and equity capital, the market values of its properties, general conditions in the market for debt and equity securities, fluctuations in the market price of its Common Shares, growth and acquisition opportunities and other factors. Any increase in the Trust's level of indebtedness results in an increased risk of default on its obligations and a related increase in debt service requirements that could adversely affect the financial condition and results of operations of the Trust and the Trust's ability to make distributions to shareholders. The Trust will consider a number of factors in making decisions regarding the incurrence of debt such as the purchase price of properties to be acquired with debt financing, the estimated market value of properties upon refinancing and the ability of particular properties and the Trust as a whole to generate sufficient cash flow to cover expected debt service. See "Risk Factors--Possible Changes in Policies Without Shareholder Approval; No Limitation on Debt."

The Trust has not established any limit on the number or amount of mortgages that may be placed on any single property or on its portfolio as a whole.

To the extent that the Board of Trustees decides to obtain additional capital, the Trust may raise such capital through additional equity offerings (including offerings of senior securities), debt financings or retention of cash available for distribution (subject to provisions in the Code concerning taxability of undistributed REIT income), or a combination of these methods. As long as the Operating Partnership is in existence, the net proceeds of the sale of Common Shares by the Trust will be transferred to the Operating Partnership in exchange for that number of Partnership Units in the Operating Partnership equal to the number of Common Shares sold by the Trust. The Trust presently anticipates that any additional borrowings would be made through the Operating Partnership, although the Trust may incur indebtedness directly and loan the proceeds to the Operating Partnership. Borrowings may be unsecured or may be secured by any or all of the assets of the Trust, the Operating Partnership or any existing or new property owning partnership and may have full or limited recourse to all or any portion of the assets of the Trust, the Operating Partnership or any existing or new property owning partnership. Indebtedness incurred by the Trust may be in the form of bank borrowings, purchase money obligations to sellers of properties, publicly or privately placed debt instruments or financing from institutional investors or other lenders. The proceeds from any borrowings by the Trust may be used for working capital, to refinance existing indebtedness or to finance acquisitions, expansions or the development of new properties, and for the payment of distributions. See "Federal Income Tax Considerations."

#### CONFLICT OF INTEREST POLICIES

The Trust has adopted certain policies that are intended to minimize potential conflicts of interest. The Board of Trustees also is subject to certain provisions of Maryland law that are designed to eliminate or minimize certain potential conflicts of interest. However, there can be no assurance that these policies will be successful in eliminating the influence of such conflicts, and if they are not successful, decisions could be made that might

fail to reflect fully the interests of all shareholders. See "Risk Factors--Conflicts of Interest."

DECLARATION OF TRUST AND MARYLAND BYLAW PROVISIONS. The Declaration of Trust includes a provision generally permitting the Trust to enter into an agreement or transaction with any person, including any Trustee, employee or agent of the Trust. The Operating Partnership Agreement provides that neither the Trust nor any of its affiliates (including its officers and Trustees) may sell, transfer or convey any property to, or purchase any property from, the Operating Partnership except on terms competitive with those that may be obtained in the marketplace from unaffiliated persons.

THE OPERATING PARTNERSHIP. The Operating Partnership Agreement gives the Trust, in its capacity as General Partner, full, complete and exclusive discretion in managing and controlling the business of the

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Operating Partnership and in making all decisions affecting the business and assets of the Operating Partnership. Pursuant to the Operating Partnership Agreement, the Limited Partners have agreed that the Trust is acting on behalf of the Operating Partnership and the Trust's shareholders generally and, in its capacity as General Partner, although owing fiduciary duties to all partners, in the event of a conflict of interest between the Limited Partners and the Trust's shareholders, the General Partner shall discharge its fiduciary obligations to the Limited Partners by acting in the best interests of the Trust's shareholders. In addition, the General Partner is not responsible for any misconduct or negligence on the part of its agents, provided that such agents were appointed in good faith. See "Operating Partnership Agreement."

PROVISIONS OF MARYLAND LAW. Under the MGCL, a contract or transaction between a corporation and any of its directors or between a corporation and any other corporation, firm or other entity in which any of its directors is a director or has a material financial interest is not void or voidable solely because of (a) the common directorship or interest, (b) the presence of the director at the meeting of the board of directors or a committee of the board of directors that authorizes or approves or ratifies the contract or transaction or (c) the counting of the vote of the director for the authorization, approval or ratification of the contract or transaction if (i) after disclosure of the interest, the transaction is authorized, approved or ratified by the affirmative vote of a majority of the disinterested directors, or by the affirmative vote of a majority of the votes cast by shareholders entitled to vote other than the votes of shares owned of record or beneficially by the interested director or such corporation, firm or other entity, or (ii) the transaction is fair and reasonable to the corporation. Under the Maryland By-laws, these provisions apply to the Trust and the Trustees.

POLICIES WITH RESPECT TO OTHER ACTIVITIES. The Trust may, but does not presently intend to, make investments other than as previously described. The Trust has authority to offer its Common Shares, other shares of beneficial interest or other securities for cash or in exchange for property and to repurchase or otherwise reacquire its shares or any other securities and may engage in such activities in the future. The Trust has not issued Common Shares, interests or any other securities to date, except in connection with the formation of the Trust. The Trust has no outstanding loans to other entities or persons, including its officers and Trustees. The Trust has not engaged in trading, underwriting or agency distribution or sale of securities of other issuers, nor has the Trust invested in the securities of other issuers other than the Operating Partnership for the purpose of exercising control and currently does not intend to do so. The Trust makes and intends to continue to make investments in such a way that it will not be treated as an investment company under the Investment Company Act of 1940. The Trust's policies with respect to such activities may be reviewed and modified or amended from time to time by the Board of Trustees without approval of the Trust's shareholders.

At all times, the Trust intends to make investments in such a manner consistent with the requirements of the Code for the Trust to qualify as a REIT unless, because of changing circumstances or changes in the Code (or in Treasury Regulations), the Board of Trustees determines that it is no longer in the best interests of the Trust to qualify as a REIT.

#### WORKING CAPITAL RESERVES

The Trust intends to maintain working capital reserves in amounts that the Board of Trustees determines to be adequate to meet normal contingencies in connection with the operation of the Trust's business and investments.

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#### OPERATING PARTNERSHIP AGREEMENT

#### GENERAL

Substantially all of the Trust's assets (other than its interest in the retail properties) will be held by, and its operations will be conducted through, the Operating Partnership. The Trust holds Partnership Units representing an 18.86% partnership interest in the Operating Partnership (after

giving effect to the Retained Interests) and will control the Operating Partnership in its capacity as the sole general partner. Subject to the Trust's right to receive the Excess Allocations through December 31, 2000, the Trust's interest in the Operating Partnership will entitle it to share in quarterly cash distributions from, and in the profits and losses of, the Operating Partnership in proportion to the Trust's percentage ownership of the Operating Partnership; provided, however, that the Trust as General Partner will be allocated all losses in excess of partner capital accounts. See "Certain Transactions--The Transactions." The Limited Partners will own the remaining 81.14% economic interest in the Operating Partnership (after giving effect to the Retained Interests) through their ownership of Partnership Units and Preferred Units. Under the Operating Partnership Agreement no Partnership Units or Preferred Units may be transferred by a Limited Partner without the consent of the General Partner and no such transfer may be made if such transfer would (i) result in the Operating Partnership being terminated for federal income tax purposes or treated as an association taxable as a corporation, (ii) be effectuated through an "established securities market" or a "secondary market (or the substantial equivalent thereof)" within the meaning of Section 7704 of the Code, (iii) violate the provisions of applicable securities laws or (iv) violate the terms of any law, rule, regulation or commitment binding on the Operating Partnership, among others. The transferee will only be admitted as a Limited Partner by furnishing certain requested instruments or documents to the Trust in its capacity as General Partner. In addition, with the consent of the General Partner, Partnership Units and Preferred Units may be transferred to certain family members or entities controlled by or comprised of such family members.

The net proceeds of any subsequent issuance of Common Shares are anticipated to be contributed to the Operating Partnership in exchange for an equivalent number of Partnership Units.

As the general partner of the Operating Partnership, the Trust will have the exclusive power under the Operating Partnership Agreement to manage and conduct the business of the Operating Partnership. The Board of Trustees will direct the affairs of the Operating Partnership. The Operating Partnership will be responsible for, and pay when due, its share of all administrative and operating expenses of its properties. The General Partner of the Operating Partnership may have fiduciary duties to the Limited Partners, the discharge of which may conflict with interests of the Trust shareholders. Pursuant to the Operating Partnership Agreement, however, the Limited Partners have acknowledged that the Trust is acting both on behalf of the Trust's shareholders and, in its capacity as General Partner, on behalf of the Limited Partners. The Limited Partners have agreed that the Trust will discharge its fiduciary duties to the Limited Partners by acting in the best interests of the Trust's shareholders.

The following summary of the Operating Partnership Agreement, including the descriptions of certain provisions set forth elsewhere in this Proxy Statement/Prospectus, is qualified in its entirety by reference to the Operating Partnership Agreement, which is filed as an exhibit to the Registration Statement of which this Proxy Statement/Prospectus is a part.

#### MANAGEMENT

The Operating Partnership has been organized as a Delaware limited partnership pursuant to the terms of the Operating Partnership Agreement. The Trust, as the sole general partner of the Operating Partnership, will generally have full, exclusive and complete discretion in managing and controlling the Operating Partnership. The Limited Partners of the Operating Partnership will have no authority to transact business for, or to participate in the management activities or decisions of, the Operating Partnership, except as provided in the Operating Partnership Agreement and as provided by applicable

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law. However, the General Partner may not perform any act that would subject a Limited Partner to liability as a general partner in any jurisdiction or any other liability except as provided in the Operating Partnership Agreement or under the laws of the State of Delaware. In addition, no amendments may be made to the Operating Partnership Agreement that would alter a partner's amount of, or right to, distributions, modify the redemption rights discussed below or terminate the Operating Partnership without the consent of each partner adversely affected thereby.

#### CONVERSION AND REDEMPTION

Preferred Units may be converted on or after October 1, 1999 into Partnership Units of the Operating Partnership on the basis of 3.5714 Partnership Units for each Preferred Unit being converted plus an amount in cash equal to the accrued Priority Return Amount (as defined in the Operating Partnership Agreement) in respect of such Preferred Units.

Subject to compliance with the Operating Partnership Agreement, beginning on September 1, 1998, each Limited Partner has the right to require the Operating Partnership to redeem all or a portion of the Partnership Units held by such Limited Partner. The Operating Partnership (or the Trust as its General Partner) has the right, in its sole discretion, to deliver to such redeeming Limited Partner for each Partnership Unit either one Common Share (subject to

anti-dilution adjustment) or a cash payment equal to the then fair market value of such share (so adjusted) (based on the formula for determining such value set forth in the Operating Partnership Agreement). Such rights of redemption and conversion are immediately exercisable upon the happening of a Special Event (as defined in the Operating Partnership Agreement). The redemption of Partnership Units for Common Shares will have the effect of increasing the Trust's percentage interest in the Operating Partnership.

The receipt of Common Shares upon exercise of such right of redemption is subject to compliance with a number of significant conditions precedent, including compliance with the Declaration of Trust, all requirements under the Code applicable to REITs, the MGCL or any other law then in effect applicable to the Trust and any applicable rule or policy of any stock exchange or self-regulatory organization.

#### LIABILITY AND INDEMNIFICATION

The Operating Partnership Agreement provides the General Partner shall not be liable to the Operating Partnership or any of the other partners for any act or omission performed or omitted in good faith on behalf of the Operating Partnership and in a manner reasonably believed to be (i) within the scope of the authority granted by the Operating Partnership Agreement and (ii) in the best interests of the Operating Partnership or the shareholders of the General Partner. The Operating Partnership Agreement also provides that the Operating Partnership shall indemnify the General Partner and each director, officer and shareholder of the General Partner and each person (including any affiliate) designated as an agent by the General Partner to the fullest extent permitted under the Delaware Revised Uniform Limited Partnership Act from and against any and all losses (including reasonable attorney's fees), and any other amounts arising out of or in connection with any claim, relating to or resulting (directly or indirectly) from the operations of the Operating Partnership, in which such indemnified party becomes involved, or reasonably believes it may become involved, as a result of its acting in the referred to capacity.

#### CAPITAL CONTRIBUTIONS

When the Trust contributes additional capital to the Operating Partnership from the proceeds of subsequent issuances of Common Shares (or Preferred Shares), the Trust's interest in the Operating Partnership will be increased on a proportionate basis based upon the number of Common Shares (or Preferred Shares) issued to the extent the net proceeds from, or the property received in consideration for, the issuance thereof are used to fund the contribution.

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#### TAX MATTERS

Pursuant to the Operating Partnership Agreement, the Trust will be the tax matters partner of the Operating Partnership and, as such, will have authority to make certain tax related decisions and tax elections under the Code on behalf of the Operating Partnership.

#### OPERATIONS

The Operating Partnership Agreement allows the Trust to operate the Operating Partnership in a manner that will enable the Company to satisfy the requirements for being classified as a REIT. The Operating Partnership Agreement also requires the distribution of the cash available for distribution of the Operating Partnership quarterly on a basis in accordance with the Operating Partnership Agreement.

#### TERM

The Operating Partnership will continue in full force and effect until October 31, 2096 or until sooner dissolved upon (i) the withdrawal of the Trust as a general partner (unless a majority the Limited Partners elect to continue the Operating Partnership) or (ii) entry of a decree of judicial dissolution of the Operating Partnership or (iii) the sale, exchange or other disposition of all or substantially all of the assets of the Operating Partnership or (iv) the affirmative vote of two-thirds in interest of Limited Partners.

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#### MANAGEMENT

#### EXECUTIVE OFFICERS AND TRUSTEES

The persons who will serve as executive officers and directors of the Trust are identified below. Except as noted below, each of the executive officers will be a full time employee of the Trust or the Operating Partnership.

<TABLE>  
<CAPTION>

NAME	AGE	OFFICE
CLASS		

- - - - -

<S>	<C>	<C>
<C>		
Jay H. Shidler..... III	51	Chairman of the Board of Trustees
Clay W. Hamlin, III..... III	52	President, Chief Executive Officer and Trustee
Vernon R. Beck..... I	56	Vice President and Vice Chairman of the Board of Trustees
Kenneth D. Wethe..... II	56	Trustee
Allen C. Gehrke..... I	63	Trustee
William H. Walton..... II	45	Trustee
Kenneth S. Sweet, Jr..... III	65	Trustee
Antony Bernheim.....	37	Vice President, Chief Investment Officer
Thomas D. Cassel.....	39	Vice President, Finance
David P. Hartsfield.....	46	Vice President, Operations and Development
John Parsinen.....	55	Secretary
James K. Davis, Jr.....	37	Vice President, Acquisitions
Denise J. Liszewski.....	41	Vice President, Administration
Stephen S. Fera.....	31	Controller

</TABLE>

JAY H. SHIDLER is Chairman of the Board of Trustees. Mr. Shidler is the Founder and Managing Partner of The Shidler Group. A nationally acknowledged expert in the field of real estate investment and finance, Mr. Shidler has over 25 years of experience in real estate investment and has been directly involved in the acquisition and management of over 1,000 properties in 40 states and Canada totalling over \$4 billion in aggregate value. Mr. Shidler is a founder and current Chairman of the Board of Directors of First Industrial Realty Trust, Inc. (NYSE: FR) and is a founder and former director and Co-Chairman of TriNet Corporate Realty Trust, Inc. (NYSE: TRI). Mr. Shidler is also founder and Chairman of the Board of Directors of CGA Group, Ltd., a holding company whose subsidiary is a AAA-rated financial guarantor based in Bermuda.

Mr. Shidler serves on the boards of directors of several companies and is active as a trustee of several charitable organizations, including The Shidler Family Foundation. Mr. Shidler holds a bachelor's degree in Business Administration from the University of Hawaii.

CLAY W. HAMLIN, III is a Trustee and President and Chief Executive Officer of the Trust. Mr. Hamlin joined The Shidler Group in May 1989, where he was Managing Partner of The Shidler Group's Mid-Atlantic regional office and acquired over 4 million square feet of commercial property with a value in excess of \$300 million. A resident of Philadelphia for over 30 years, Mr. Hamlin has been active in the real estate business for 25 years. Mr. Hamlin is an attorney, a CPA and holds an MBA from The Wharton

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School of Business and an undergraduate degree from the University of Pennsylvania. Mr. Hamlin served as a Lieutenant J.G. in the U.S. Navy, and is active in many professional and charitable organizations. Mr. Hamlin is a founding shareholder of both TriNet Corporate Realty Trust, Inc. and First Industrial Realty Trust, Inc. His professional affiliations include the Urban Land Institute, NAREIT, NAIOP, the American Institute of CPAs and the American Bar Association.

VERNON R. BECK is Vice Chairman of the Board of Trustees and is a Vice President of the Trust. From 1988 to 1997, Mr. Beck served as President of the Company and as President of Crown Advisors, Inc., the Company's former external advisors. Since 1976, Mr. Beck has also been President of Vernon Beck & Associates, Inc., a commercial mortgage banking and real estate development firm, which has developed and financed numerous commercial real estate projects. Mr. Beck is a former commercial loan officer with IDS Mortgage Corporation and senior analyst with Northwestern National Life Insurance Company. Mr. Beck, together with John Parsinen, owns all of the interests in Glacier Realty LLC. See "Certain Transactions--Management Agreement."

KENNETH D. WETHE is a Trustee of the Trust. Since 1990, Mr. Wethe has been the owner and principal officer of Wethe & Associates, a Dallas-based firm providing independent risk management, insurance and employee benefit services to school districts and governmental agencies. Mr. Wethe's background includes over 26 years experience in the group insurance and employee benefits area. He is a certified public accountant and holds an MBA from Pepperdine University.

ALLEN C. GEHRKE is a Trustee of the Trust. Prior to becoming a private investor in 1995, Mr. Gehrke served for 35 years in various key positions at Fleming Companies, Inc. As Senior Vice President of Corporate Development, Mr. Gehrke's responsibilities included management of company physical assets, market research, lease negotiations and real estate financing. Prior to his employment with Fleming Companies, Mr. Gehrke spent seven years with Midwest Contractors and L.A. Construction Co. of Milwaukee. Mr. Gehrke is a former director of United Cerebral Palsy and several other community organizations.

WILLIAM H. WALTON is a Trustee of the Trust. Mr. Walton is a Managing Principal of Westbrook Partners, L.L.C. ("Westbrook") which he co-founded in April of 1994. With offices in Dallas, New York, San Francisco and Florida, Westbrook is a fully integrated real estate investment management company. Westbrook is the sponsor of Westbrook Real Estate Fund and Westbrook Real Estate Fund II, which together control approximately \$4 billion of real estate assets including investments in: real estate companies and securities; offices, retail and industrial properties; apartments; hotels; and residential developments. Prior to co-founding Westbrook, Mr. Walton was a Managing Director of Morgan Stanley Realty. Mr. Walton holds an AB from Princeton University and an MBA from Harvard Business School.

KENNETH S. SWEET, JR. is a Trustee of the Trust. Mr. Sweet is the Managing Director of Gordon Stuart Associates, Inc., which he founded in 1991. In 1971, Mr. Sweet founded K.S. Sweet Associates which specialized in real estate and venture capital investments. From 1957 to 1971, he served in increasingly responsible positions at The Fidelity Mutual Life Insurance Company. Currently the Managing General Partner of fifteen venture capital and real estate partnership with assets of over \$300 million, Mr. Sweet has over 37 years of experience in real estate investment, management, development and venture capital transactions.

Mr. Sweet is active in community affairs and serves as a director, chairman of the real estate committee and a member of the finance committee of the Main Line Health and the Philadelphia Chapter of the Nature Conservancy and is on the Advisory Committee of the Arthur Ashe Youth Tennis Center. Mr. Sweet holds a BA degree from the Lafayette College and attended The Wharton School of Business.

ANTONY BERNHEIM became Vice President, Chief Investment Officer, of the Company in November 1997. Prior to joining the Company, Mr. Bernheim served as Director of Acquisitions for Cali Realty Corp from September 1994 to May 1997. As Cali's Director of Acquisitions, Mr. Bernheim oversaw the

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acquisition program which transformed Cali from a \$300 million company with 12 buildings to a 130 building, \$2.5 billion company. Prior to his employment with Cali, Mr. Bernheim had 13 years experience in the real estate industry, including three years with Oppenheimer & Company from February 1991 to September 1994. Mr. Bernheim studied international finance at the University of Southern California.

THOMAS D. CASSEL has been Vice President, Finance of the Company since October 1997. Mr. Cassel has over 18 years experience in real estate accounting, finance, acquisitions and management. From 1995 until he joined the Company, Mr. Cassel was Vice President and Chief Financial Officer of Delancey Investment Group, Inc., a Philadelphia based real estate investment and management company of commercial and residential properties. Prior to Delancey, he was a real estate consulting manager for Arthur Andersen, LLP for four years and Kenneth Leventhal & Co. for two years. As a consultant, he performed strategic planning, capital markets, valuation and acquisition analyses for a variety of real estate companies, including REITs. Mr. Cassel is a CPA and received his bachelor's degree in Finance with a major in Accounting from the Wharton School at the University of Pennsylvania. He is active in several professional and charitable organizations.

DAVID P. HARTSFIELD has been Vice President, Operations and Development of the Company since October 1997. He joined The Shidler Group in November 1994, as Vice President with responsibility for management, leasing and development for The Shidler Group's Mid-Atlantic region. Prior to joining The Shidler Group, he served as Vice President, Development for the Kevin F. Donohoe Companies, where he was responsible for the development and management of office, hotel and retail properties, including the 1.1 million square foot Curtis Center in Philadelphia. Mr. Hartsfield has over 20 years of experience with commercial real estate management, leasing and development. He has a degree in architecture and an MBA from The University of Virginia and is a member of BOMA and other professional organizations.

JOHN PARSINEN. has over 31 years of experience in commercial real estate. Mr. Parsinen has developed and owns various real estate projects. Mr. Parsinen

has been a senior attorney at Parsinen Kaplan Levy Rosberg & Gotlieb, P.A. (Minneapolis, Minnesota) since it was formed in 1982. Mr. Parsinen owns 50% of Guaranty Title, Inc. a Minneapolis-based real estate title insurance company. Mr. Parsinen was a general partner of Earle Brown Commons Limited Partnership II, which owned and operated an elderly housing facility in Brooklyn Center, MN. In 1994, the limited partnership initiated a Chapter 11 bankruptcy reorganization proceeding to restructure certain tax and debt obligations. The bankruptcy was dismissed in 1995 and the project was sold. Mr. Parsinen, together with Vernon Beck, owns all of the interests in Glacier Realty LLC. See "Certain Transactions--Management Agreement."

JAMES K. DAVIS, JR. has been Vice President, Acquisitions of the Company since October 1997. He joined The Shidler Group in July 1994, as Vice President with responsibility for acquisitions, financing, and leasing for The Shidler Group's Mid-Atlantic region. Prior to joining The Shidler Group, Mr. Davis, was Vice President, Acquisitions for Sandler Securities, Inc. He has 13 years of real estate experience in acquisitions, financing, development and leasing. Mr. Davis has an MBA from The Wharton School with a major in finance and an undergraduate degree from The University of North Carolina. He is active in several professional and charitable organizations.

DENISE J. LISZEWSKI has been Vice President, Administration of the Company and Assistant Secretary since October 1997. She joined The Shidler Group in May 1989 serving in a number of capacities, where she was in charge of personnel, administration and information systems. Ms. Liszewski has over 20 years of business experience and has an undergraduate degree from Drexel University.

STEPHEN S. FERA has been Controller of the Company since December 1997. Prior to joining the Company, he spent seven years at Pennsylvania Real Estate Investment Trust ("PREIT"), where he was promoted to the position of Controller. At PREIT, he was responsible for managing the day-to-day accounting operations of the REIT including all wholly-owned and joint venture properties. Prior to PREIT, Mr. Fera was Assistant Controller at Calvanese Corporation, where he was responsible for all corporate and construction accounting.

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#### CERTAIN INFORMATION REGARDING THE BOARD OF TRUSTEES AND COMMITTEES

THE BOARD OF TRUSTEES. The business and affairs of the Trust will be managed under the direction of the Board of Trustees. Pursuant to the terms of the Declaration of Trust, the Trustees are divided into three classes. Class I will hold office initially for a term expiring at the annual meeting of shareholders to be held in 1999, Class II will hold office initially for a term expiring at the annual meeting of shareholders to be held in 2000, and Class III will hold office initially for a term expiring at the annual meeting of shareholders to be held in 2001. At each annual meeting of the shareholders of the Trust, the successors to the class of Trustees whose terms expire at the meeting will be elected to hold office for a term continuing until the annual meeting of shareholders held in the third year following the year of their election and the election and qualification of their successors. See "Proposal 1--Reformation of Company--Comparison of Rights of Shareholders of the Company and Shareholders of the Trust."

COMMITTEES. The Trust has a standing Audit Committee which currently consists of Mr. Wethe (Chairman) and Mr. Gehrke and Mr. Shidler and a Compensation Committee which currently consists of Mr. Sweet and Mr. Walton. The Audit Committee reviews, recommends and reports to the Board of Trustees on (1) independent auditors, (2) the quality and effectiveness of internal controls, (3) engagement or discharge of the independent auditors, (4) professional services provided by the independent auditors and (5) the review and approval of major changes in the Trust's accounting principles and practices. The Compensation Committee determines all executive compensation, recommends specific option grants to key personnel and approves employment contracts.

The Board of Trustees presently acts as its own Nominating Committee.

COMPENSATION OF TRUSTEES. Independent Trustees (Messrs. Gehrke, Sweet, Walton and Wethe) will receive an annual fee of \$15,000 from the date of the Special Meeting. Trustees incurring travel expenses in connection with their duties as trustees of the Trust are reimbursed in full. If the Plan is approved, each Trustee is eligible to participate in the Plan. Management intends to recommend that the Compensation Committee grant to each Trustee who is not an employee of the Trust, upon initial election or appointment, an option to purchase Common Shares in an amount to be determined, at the then fair market value of the Common Shares, and grant such Trustee options to purchase an additional Common Shares annually.

#### EXECUTIVE COMPENSATION

Upon completion of the Transactions on October 14, 1997, the Company converted from an externally advised to a self-administered REIT. Prior to October 14, 1997, no individual officer of the Company was paid any cash or other compensation. The following table sets forth the compensation paid from October 14, 1997 to December 31, 1997 and current base annual compensation for each of the executive officers of the Company.

SUMMARY COMPENSATION TABLE

<TABLE>  
<CAPTION>

NAME	PRINCIPAL POSITION	1997 ACTUAL SALARY	BASE ANNUAL SALARY
-	-	-	-
<S>	<C>	<C>	<C>
Clay W. Hamlin, III.....	President, Chief Executive Officer	\$ 18,000	\$ 90,000
Antony Bernheim.....	Vice President, Chief Investment Officer	--	125,000
Thomas D. Cassel.....	Vice President, Finance	22,038	90,000
David Hartsfield.....	Vice President, Operations and Development	16,000	80,000
James K. Davis Jr.....	Vice President	13,000	65,000

</TABLE>

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None of these officers received options in connection with their service to the Company during the year ended December 31, 1997. In addition, none of these officers contributed to any 401(k) plan.

In addition to cash compensation in the form of base annual salary, the Company anticipates that it will have a cash bonus incentive plan pursuant to which cash bonuses may be awarded to executive officers and other key employees based on attainment of specified personal and corporate objectives. It is anticipated that the amounts of such bonuses will be determined by the Board based upon a recommendation of the Compensation Committee.

EMPLOYMENT AGREEMENT

Mr. Hamlin has entered into an employment agreement with the Company. The agreement is for a continuous and self-renewing term of two years unless terminated by either party. The agreement provides for base annual compensation in the amount set forth above and incentive compensation to be determined by the Board, upon a recommendation of the Compensation Committee. The base annual compensation may be increased in subsequent years by action of the Compensation Committee. The employment agreement provides for certain severance payments in the event of disability or termination by the Company without cause or by Mr. Hamlin based upon constructive termination. The agreement also provides for certain payments to be made to Mr. Hamlin in the event of a Change in Control (as defined in the agreement). Mr. Hamlin is required under the terms of his employment agreement to devote his full business time to the affairs of the Company. The agreement also prohibits Mr. Hamlin from engaging, directly or indirectly, during the term of his employment and for a period thereafter, in activities that compete with those of the Company.

EXISTING PLAN

Since 1993, the Company has maintained the Existing Plan. A total of 75,000 shares of Common Stock are reserved for issuance under the Existing Plan. Each director of the Company is eligible to participate in the Existing Plan. The Existing Plan provides that each director will receive, upon initial election or appointment, an option to purchase 2,500 shares of Common Stock at the then fair market value of the Common Stock. The Existing Plan also provides for the grant of an option to purchase an additional 2,500 shares of the Common Stock upon each director's re-election to the Board. The options become exercisable in full one year after date of grant and expire ten years from the date of grant. Following the adoption of the Plan, the Trust will assume the Existing Plan but does not intend to issue additional options thereunder. See "Proposal 2--Adoption of the Plan."

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SECURITY OWNERSHIP OF MANAGEMENT AND OTHERS

THE COMPANY

The following table contains certain information as of January 14, 1998, regarding the beneficial ownership of the Common Stock by (i) each person known by the Company to own beneficially more than 5% of the Common Stock, (ii) each current director and executive officer of the Company and (iii) the current directors and executive officers as a group, and as to the percentage of the outstanding shares held by them on such date. Any shares which are subject to an option or a warrant exercisable within 60 days are reflected in the following table and are deemed to be outstanding for the purpose of computing the percentage of Common Stock owned by the option or warrant holder but are not deemed to be outstanding for the purpose of computing the percentage of Common Stock owned by any other person. Unless otherwise noted, each person identified below possesses sole voting and investment power with respect to such shares.



<TABLE>  
<CAPTION>

	SHARES	
	BENEFICIALLY OWNED (1)	PERCENT OF CLASS
<S>	<C>	<C>
Clay W. Hamlin, III.....	300,000	13.22%
Jay H. Shidler.....	300,000	13.22
Vernon R. Beck.....	149,293 ( 3)	6.55
John Parsinen.....	151,965 ( 4)	6.67
Allen C. Gehrke.....	5,250 (5)	*
Kenneth S. Sweet, Jr.....	10,000 (1)	*
William H Walton.....	--	*
Kenneth D. Wethe.....	10,224 (3)	*
Anthony P. Bernheim.....	7,500	*
Thomas D. Cassel.....	660	*
All Directors and Executive Officers as a Group (10 persons).....	934,892 (6)	40.58%

</TABLE>

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\* Represents less than one percent.

(1) Shares Beneficially Owned by a person are determined in accordance with the definition of "beneficial ownership" as set forth in the regulations of the Commission and, accordingly, may include securities owned by or for, among others, the spouse, children or certain other relatives of such person, as well as other shares as to which the person has or shares voting or investment power or has the option or right to acquire Common Stock within 60 days.

(2) Shares are held by Enterprise Nautical, Inc., of which Mr. Beck is the sole owner.

(3) Includes 10,000 shares of Common Stock each issuable upon exercise of presently exercisable options.

(4) Includes 3,000 shares owned by Mr. Parsinen's wife.

(5) Includes 5,000 shares of Common Stock issuable upon exercise of presently exercisable options.

(6) Includes 35,000 shares of Common Stock issuable upon exercise of presently exercisable options.

THE OPERATING PARTNERSHIP

The following table sets forth certain information as of December 31, 1997 regarding the ownership of Partnership Units and Preferred Units (before giving effect to any contribution of Retained Interests):

<TABLE>  
<CAPTION>

	COMMON UNITS	PERCENTAGE INTEREST	PREFERRED UNITS
	<C>	<C>	<C>
<S>			
GENERAL PARTNER			
The Company.....		20.6946%	
LIMITED PARTNERS AND PREFERRED LIMITED PARTNERS			
Mr. Shidler.....	2,600	0.0897	126,079
Shidler Equities, L.P.(1).....	582,103	20.0773	457,826
Mr. Hamlin.....	5,235	.1805	115,334
LBCW Limited Partnership(2).....	875,284	30.1894	663,808
CHLB Partnership(2).....	63,243	2.1813	41,741
Robert L. Denton.....	129,549	4.4683	85,502
James K. Davis.....	15,368	.5300	10,142
John E. deB. Blockey, Trustee of the John E. deB. Blockey Living Trust dated 9/12/88.....	89,549	3.0886	59,102
Henry D. Bullock.....	34,718	1.1975	22,914
Frederick K. Ito.....	17,359	0.5987	11,457
LGR Investment Fund, Ltd.....	80,030	2.7603	52,820
Tiger South Brunswick, L.L.C.....	2,875	.0992	1,898
Westbrook Real Estate Fund I, L.P.....	336,121	11.5931	221,840
Westbrook Real Estate Co. Investment Partnership I, L.P.....	33,299	1.1485	21,977
Denise J. Liszewski.....	10,227	0.3527	6,750
Samuel Tang.....	6,818	0.2352	4,500
David P. Hartsfield.....	9,091	0.3136	6,000
Lawrence J. Taff.....	4,091	0.1411	2,700
Kimberly F. Aquino.....	1,750	0.0604	1,155
	2,899,310	100.0000%	1,913,545

</TABLE>

- -----
- (1) A limited partnership controlled by Jay H. Shidler and his wife, Walette Shidler.
  - (2) A family partnership controlled by Mr. Hamlin and his wife, Lynn B. Hamlin, as the sole general partners.

#### REGISTRATION RIGHTS

The Company has granted to the holders of the Partnership Units and the Preferred Units certain registration rights. No later than August 1, 1998, the Company is obligated to file a shelf registration statement with respect to the shares of Common Stock issuable upon conversion or redemption of the Units (the "Registerable Securities"). The Company is also required, at the demand of holders of 6% or more of the Registerable Securities, to register such holders' Registerable Securities, subject to the right to defer the filing of the necessary registration statement for a period not to exceed 90 days under certain limited circumstances. This right to demand registration may be exercised not more than three times. In addition, the Company has granted to holders of Registrable Securities certain "piggy-back" rights. The Company has agreed to indemnify the holders of Registrable Securities against certain liabilities, including liabilities under the Securities Act. The Company will pay all fees associated with these registrations, other than underwriting discounts and commissions. In connection with the Reformation, the Trust will assume these obligations with respect to registering Common Shares issuable upon conversion or redemption of the Units.

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#### CERTAIN TRANSACTIONS

##### THE TRANSACTIONS

On October 14, 1997, the Company completed the Transactions pursuant to the Formation Agreement. Although the Transactions involved a number of properties and partnerships and were effected by a series of intermediate steps, the Transactions were negotiated and effected as a unitary transaction and, in effect, constituted the acquisition by the Company of an interest in the Operating Partnership formed to acquire a portfolio of ten properties representing the Mid-Atlantic suburban office operations of The Shidler Group, a national real estate firm.

Pursuant to the Transactions, the Company became the sole General Partner of the Operating Partnership, and the Operating Partnership acquired all of the limited partnership interests in limited partnerships holding the Shidler Acquisition Properties (collectively, the "Properties Partnerships") except for an 11% limited partnership interest in Blue Bell Investment Company, L.P. retained by Shidler Equities, L.P., a limited partnership in effect controlled by Mr. Shidler, Chairman of the Board, and his wife, Walette Shidler, and 11% limited partnership interests in each of ComCourt Investors L.P. and 6385 Flank Drive, L.P. retained by Mr. Hamlin, the President, Chief Executive Officer and a director of the Company (collectively, the "Retained Interests"). Immediately prior to the Acquisition, Holdings was admitted as the sole general partner of each of the Properties Partnerships, holding a .1% interest in each of them. The Company has a 20.6946% percentage interest (before giving effect to the contribution of the Retained Interests) in the Operating Partnership. In addition, until December 31, 2000, a portion of the Profits (as defined in the Operating Partnership Agreement) for each fiscal year is to be allocated 19.8% to the Company as the General Partner and 80.2% to all partners (including the Company as the General Partner but not the holders of Preferred Units).

The Retained Interests are required to be contributed to the Operating Partnership in November 2000 in consideration for the issuance to them of an aggregate of 282,508 Partnership Units and 186,455 Preferred Units.

Immediately prior to the Acquisition, each of the Properties Partnerships jointly and severally entered into a \$100 million principal amount mortgage financing with Bankers Trust Company pursuant to a Senior Secured Credit Agreement dated as of October 14, 1997 (the "Property Financing"). See "Description of Property Financing."

For the purposes of the Acquisition, the Properties Partnerships (including the Retained Interests) were treated as having a value of \$170 million (which includes the \$100 million of indebtedness represented by the Property Financing). For purposes of determining the consideration to be given in respect of the acquisition by the Operating Partnership of limited partnership interests in the Properties Partnerships, Partnership Units were issued (and will be issued in November 2000 for Retained Interests) at the rate of one Partnership Unit for every \$5.50 in exchange value and Preferred Units were issued (and will be issued in November 2000 for Retained Interests) at a rate of one Preferred Unit for every \$25.00 in exchange value.

The aggregate consideration issued in the Transactions by the Company and the Operating Partnership on October 14, 1997 to the former general and limited partners of the Properties Partnerships consisted of (x) 600,000 shares of Common Stock (issued at a price of \$5.50 per share); (y) an aggregate of 2,899,310 Partnership Units (including 600,000 issued to the Company in consideration for limited partnership interests in the Properties Partnerships acquired by it for 600,000 shares of Common Stock and subsequently contributed by it to the Operating Partnership); and (z) 1,913,545 Preferred Units. The nature and amount of consideration given and received by the Company in the Transactions was based on its judgment as to the fair market value of the Shidler Acquisition Properties and the shares of Common Stock at the time the Formation Agreement was negotiated.

Pursuant to the Transactions, Messrs. Shidler and Hamlin each acquired 300,000 shares of Common Stock in exchange for partnership interests in various of the Properties Partnerships. The Common Stock

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issued to Mr. Shidler and Mr. Hamlin represents, in the aggregate, approximately 26% of the outstanding Common Stock immediately following the Transactions. Prior to the Transactions, the Properties Partnerships had in effect been controlled by Mr. Shidler and Mr. Hamlin.

#### MANAGEMENT AGREEMENT

Subject to the supervision of the Board, prior to October 14, 1997 the business of the Company was managed by Crown Advisors, Inc. ("Crown"), which provided investment advisory and administrative services to the Company pursuant to an advisory agreement (the "Advisory Agreement"). Crown was owned by John Parsinen and Vernon R. Beck, then officers and directors of the Company and currently Secretary and Vice President and a director of the Company, respectively. Under the Advisory Agreement, the Company paid Crown certain attorney fees, expenses and performances fees, as defined in the Advisory Agreement, and a 3% fee for each real estate acquisition or disposition.

Concurrently with the closing of the Transactions and pursuant to the Formation Agreement, the Advisory Agreement was terminated, and the Company entered into a new management agreement (the "Management Agreement") with Glacier Realty LLC, a Minnesota limited liability company ("Glacier"). All of the interests in Glacier are owned by Vernon R. Beck, a Vice President and Vice Chairman of the Board of the Trust, and John Parsinen, the Secretary of the Trust. Under the Management Agreement, Glacier is responsible for the management of the retail properties of the Company, subject to the approval and direction of the Board. The Management Agreement provides that Glacier will receive an annual fee of \$250,000 plus a percentage of Average Invested Assets (as defined in the Management Agreement) and will pay third party expenses associated with owning the retail properties. In addition Glacier will receive a fee of 1% of the purchase price or the sale price upon the acquisition or disposition by the Company or any of its affiliates of any net-leased real estate assets. Under the Management Agreement, this percentage is increased to 3% in the event that all or substantially all of the net-leased real estate properties are disposed of. The Management Agreement has a term of five years and is terminable thereafter on 180 days prior written notice. In the event the Management Agreement is terminated, including for non-renewal, a fee equal to 3% of the Invested Real Estate Assets (defined in the Management Agreement to exclude the Company's current net-leased real estate assets) would be due to Glacier. Crown and Glacier received combined fees of \$250,288 pursuant to the Advisory Agreement and the Management Agreement in the year ended December 31, 1997.

#### OTHER

Options to purchase an aggregate of 17,500 shares of Common Stock were granted to the directors in the year ended December 31, 1997 under the Existing Plan at a purchase price of \$7.59 (options to purchase 2,500 Common Shares were granted to each Messrs. Hamlin, Shidler, Sweet and Walton in October 1997) and \$5.25 (options to purchase 2,500 Common Shares were granted to each of Messrs. Beck, Gehrke and Wethe in May 1997) in each case, pursuant to the terms of the Existing Plan. These options expire ten years after their issue date.

Parsinen Kaplan Levy Rosberg & Gotlieb, P.A. performed legal services for the Company. The Company incurred legal fees to them of approximately \$69,000 in the year ended December 31, 1997. John Parsinen, Secretary of the Company, is an officer, director and shareholder of the Parsinen Kaplan Levy Rosberg & Gotlieb, P.A.

#### DESCRIPTION OF PROPERTY FINANCING

Immediately prior to the Acquisition, each of the Properties Partnerships jointly and severally entered into the \$100 million Property Financing with Bankers Trust Company. Approximately \$96.1 million of the proceeds of the Property Financing was used by entities other than the Company and the Operating Partnership to refinance indebtedness of or secured by the assets of the Properties Partnerships and to pay various costs in connection with the Transactions. Approximately \$3.9 million of the proceeds of the Property Financing were contributed to the Operating Partnership in connection with the

The Operating Partnership used approximately \$2.9 million of these funds to pay various costs associated with the Transactions and retained approximately \$1.0 million for working capital needs.

The Operating Partnership is a joint and several obligor in respect of the Property Financing. The Company and Holdings are not obligors with respect to the Property Financing, but have pledged certain assets described in the following sentence to secure repayment of the Property Financing. Substantially all of the assets of the Properties Partnerships and the Operating Partnership's and Holdings' interests in the Properties Partnerships and the Company's interests in Holdings and the Operating Partnership have been pledged or mortgaged to secure the Properties Partnerships' and the Operating Partnership's joint and several obligations in respect of the Property Financing.

The initial term of the Property Financing is three years with the right given to the obligors to extend it, subject to the satisfaction of certain conditions precedent thereto, for two successive one year extensions. Borrowings under the Property Financing bear interest at the rate of 7.5% per annum. In the event that the Property Financing is extended after the third anniversary or following an event of default during the first three years, the borrowings under the Property Financing will bear interest at a floating rate based on LIBOR plus 2.5%.

The Property Financing contains, among other things, covenants restricting the ability of the Operating Partnership to make distributions. The Property Financing also contains covenants restricting the ability of each Properties Partnership to incur indebtedness, create liens, make certain investments, enter into transactions with affiliates and otherwise restrict activities. The Property Financing also contains the following financial covenants binding upon the Company and its subsidiaries: maintenance of consolidated net worth, a minimum consolidated interest coverage ratio, a maximum consolidated unhedged floating rate debt ratio and a maximum consolidated total indebtedness ratio. Each Properties Partnership must also maintain a minimum property interest coverage ratio and a minimum property hedged interest coverage ratio.

Events of default under the Property Financing include, among other things, default in the payment of principal or interest on borrowings outstanding under the Property Financing, any payment default in respect of material amounts of indebtedness of the Company or its subsidiaries, any non-payment default on such indebtedness, any material breach of the covenants or representations and warranties included in the Property Financing and related documents, the institution of any bankruptcy proceedings and the failure of any security agreement related to the Property Financing or lien granted thereunder to be valid and enforceable. Upon the occurrence and continuance of an event of default under the Property Financing, the lenders may declare the then outstanding loans due and payable.

#### FEDERAL INCOME TAX CONSIDERATIONS

The Company was organized in 1988 and elected to be taxed as a REIT commencing with its taxable year ended on December 31, 1992. The Company believes that it was organized and has operated in a manner that permits it to satisfy the requirements for taxation as a REIT under the applicable provisions of the Code, and the Trust intends to continue to operate in such a manner. No assurance can be given, however, that such requirements have been or will continue to be met. The following is a summary of the federal income tax considerations for the Trust and its shareholders with respect to the treatment of the Trust as a REIT.

Based upon certain assumptions and representations described below, Cahill Gordon & Reindel, special tax counsel to the Company and the Trust, is of the opinion that, for federal income tax purposes, (i) the Company has properly elected and otherwise qualified to be taxed as a REIT for the taxable years beginning on and after January 1, 1992 and ending prior to January 1, 1998 and (ii) the proposed method of operation as described in this Proxy Statement/Prospectus and as represented by the Company will enable the Company and the Trust to continue to satisfy the requirements for such qualification for subsequent taxable years. See the discussion below under "--Taxation of the Trust" and "--Share Ownership Tests," however, regarding the possible impact of the Company's failure to make certain

demands of information from its shareholders, as required by Treasury Regulations. The determination of REIT qualification is based on certain assumptions relating to the organization and operation of the Company, the Trust, the Operating Partnership and the Properties Partnerships, and is conditioned upon certain representations made by the Company as to certain factual matters relating to its and the Trust's organization and intended or expected manner of operation. In addition, this determination is based on the law existing and in effect on the date hereof (or, where applicable, as in effect during earlier periods in question) and the Company's and the Trust's qualification and taxation as a REIT will depend on compliance with such law and

as the same may hereafter be amended. The qualification and taxation as a REIT will further depend upon the ability to meet, on a continuing basis through actual operating results, asset composition, distribution levels and diversity of share ownership, the various qualification tests imposed under the Code discussed below. No assurance can be given that the Company and the Trust will satisfy such tests on a continuing basis.

In brief, a corporation that invests primarily in real estate can, if it meets the REIT provisions of the Code described below, claim a tax deduction for the dividends it pays to its shareholders. Such a corporation generally is not taxed on its "REIT taxable income" to the extent such income is currently distributed to shareholders, thereby substantially eliminating the "double taxation" (i.e., at both the corporate and shareholder levels) that generally results from an investment in a corporation. However, as discussed in greater detail below, such an entity remains subject to tax in certain circumstances even if it qualifies as a REIT. Further, if the entity were to fail to qualify as a REIT in any year, it would not be able to deduct any portion of the dividends it paid to its shareholders and would be subject to full federal income taxation on its earnings, thereby significantly reducing or eliminating the cash available for distribution to its shareholders. See "--Taxation of the Trust-General" and "--Taxation of the Trust-- Failure to Qualify."

The following summary is based on existing law, is not exhaustive of all possible tax considerations and does not give a detailed discussion of any state, local or foreign tax considerations, nor does it discuss all of the aspects of federal income taxation that may be relevant to a prospective shareholder in light of his or her particular circumstances or to certain types of shareholders (including insurance companies, financial institutions and broker-dealers) subject to special treatment under the federal income taxation laws. Except as noted, this summary is intended to address the federal income tax treatment applicable to the Trust and its shareholders following the Mergers.

#### TAXATION OF THE TRUST

GENERAL. In any year in which the Trust qualifies as a REIT, in general it will not be subject to federal income tax on that portion of its REIT taxable income or capital gain which is distributed to shareholders. The Trust may, however, be subject to tax at normal corporate rates upon any taxable income or capital gains not distributed. Under recently enacted legislation, shareholders are required to include their proportionate share of the REIT's undistributed long-term capital gain in income but receive a credit for their share of any taxes paid on such gain by the REIT.

Notwithstanding its qualification as a REIT, the Trust also may be subject to taxation in certain other circumstances. If the Trust should fail to satisfy either the 75% or the 95% gross income test (each as discussed below), and nonetheless maintains its qualification as a REIT because certain other requirements are met, it will be subject to a 100% tax on the greater of the amount by which the Trust fails either the 75% or the 95% test, multiplied by a fraction intended to reflect the Trust's profitability. The Trust will also be subject to a tax of 100% on net income from any "prohibited transaction" (as described below), and if the Trust has (i) net income from the sale or other disposition of "foreclosure property" which is held primarily for sale to customers in the ordinary course of business or (ii) other non-qualifying income from foreclosure property, it will be subject to tax on such income from foreclosure property at the highest corporate rate. In addition, if the Trust should fail to distribute during each calendar year at least the sum of (i) 85% of its REIT ordinary income for such year, (ii) 95% of its REIT capital gain net income for such year and (iii) any undistributed taxable income from prior years, the Trust would be subject to a 4% excise

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tax on the excess of such required distribution over the amounts actually distributed. The Trust also may be subject to the corporate alternative minimum tax, as well as to tax in certain situations not presently contemplated. The Trust will use the calendar year both for federal income tax purposes, as is required of a REIT, and for financial reporting purposes.

In order to qualify as a REIT, the Trust must meet the following requirements, among others:

SHARE OWNERSHIP TESTS. The Trust's shares of beneficial interest (which term, in the case of the Trust, currently means the Common Shares) must be held by a minimum of 100 persons for at least 335 days in each taxable year (or a proportionate number of days in any short taxable year). In addition, at all times during the second half of each taxable year, no more than 50% in value of the outstanding shares of beneficial interest of the Trust may be owned, directly or indirectly and including the effects of certain constructive ownership rules, by five or fewer individuals, which for this purpose includes certain tax-exempt entities. However, for purposes of this test, any shares of beneficial interest held by a qualified domestic pension or other retirement trust will be treated as held directly by its beneficiaries in proportion to their actuarial interest in such trust rather than by such trust.

In order to attempt to ensure compliance with the foregoing share ownership tests, the Company has and the Trust will place certain restrictions on the transfer of its shares of beneficial interest to prevent additional concentration of stock ownership. Moreover, to evidence compliance with these requirements, Treasury Regulations require the Trust to maintain records which disclose the actual ownership of its outstanding shares of beneficial interest. In fulfilling its obligations to maintain records, the Trust must and will demand written statements each year from the record holders of designated percentages of its shares of beneficial interest disclosing the actual owners of such shares of beneficial interest (as prescribed by Treasury Regulations). A list of those persons failing or refusing to comply with such demand must be maintained as part of the Trust's records. A shareholder failing or refusing to comply with the Trust's written demand must submit with his tax return a similar statement disclosing the actual ownership of Trust shares of beneficial interest and certain other information. In addition, the Trust's Declaration of Trust provides restrictions regarding the transfer of its shares of beneficial interest that are intended to assist the Trust in continuing to satisfy the share ownership requirements. See "Proposal 1--Reformation of the Company--Description of Shares of Beneficial Interest--Restrictions on Transfer."

The Company unintentionally made required demands for shareholder statements later than the time permitted by the regulations for its taxable years 1994 through 1996 (and failed to make such demands for its taxable years 1992 and 1993, which are generally closed years for purposes of the assessment of federal income tax). As a consequence, the Service may contend that the Company failed to qualify as a REIT for some or all of such years. The Company, however, believes that it has substantially complied with the purposes of the shareholder demand regulation. At its own initiative, the Company requested that the Service enter into a closing agreement with the Company whereby the Service would agree not to treat the Company as failing to qualify as a REIT because of the Company's failure strictly to comply with the shareholder demand regulation. The Service has not yet advised the Company whether it will enter into such closing agreement, although the Company has been advised that the Service has in some cases agreed to enter into such agreements under similar circumstances. The Service has given no indication that it intends to challenge the Company's qualification as a REIT for a failure to make the shareholder demands. If such a challenge were successfully made, the Company believes that any liability for income taxes and interest for the taxable years 1994 through 1996 could be material. If the Service were successful in challenging the Company's REIT status for failure to satisfy the shareholder demand regulation, the Company's qualification as a REIT for 1997 would depend on the Company's ability to prove that its failure to make the shareholder demands was due to reasonable cause and not due to willful neglect. Otherwise, the Company and the Trust could not elect REIT status, potentially until 1999. The Company estimates that if it was unable to elect REIT status until 1999, the Company's and the Trust's aggregate liability for income taxes and interest for the years 1994 through 1996 would be approximately \$165,000

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plus applicable interest. An additional tax liability could also fall due with respect to tax years 1997 and 1998.

ASSET TESTS. At the close of each quarter of the Trust's taxable year, the Trust must satisfy two tests relating to the nature of its assets (determined in accordance with generally accepted accounting principles). First, at least 75% of the value of the Trust's total assets must be represented by interests in real property, interests in mortgages on real property, shares in other REITs, cash, cash items, government securities and qualified temporary investments. Second, although the remaining 25% of the Trust's assets generally may be invested without restriction, securities in this class may not exceed (i) in the case of securities of any one non-government issuer, 5% of the value of the Trust's total assets (the "Value Test") or (ii) 10% of the outstanding voting securities of any one such issuer (the "Voting Stock Test"). Where the Trust invests in a partnership (such as the Operating Partnership), it will be deemed to own a proportionate share of the partnership's assets, and the partnership interest will not constitute a security for purposes of these tests. See "--Tax Aspects of the Trust's Investments in Partnerships--General." Accordingly, the Trust's investment in the Properties through its interests in the Operating Partnership and the Properties Partnerships (jointly referred to herein as the "Partnerships") will constitute an investment in qualified assets for purposes of the 75% asset test.

GROSS INCOME TESTS. There are two separate percentage tests relating to the sources of the Trust's gross income which must be satisfied for each taxable year. For purposes of these tests, where the Trust invests in a partnership, the Trust will be treated as receiving its share of the income and loss of the partnership, and the gross income of the partnership will retain the same character in the hands of the Trust as it has in the hands of the partnership. See "--Tax Aspects of the Trust's Investments in Partnerships--General" below. The two tests are as follows:

THE 75% TEST. At least 75% of the Trust's gross income for the taxable year must be "qualifying income." Qualifying income generally includes: (i) rents from real property (except as modified below); (ii) interest on obligations

secured by mortgages on, or interests in, real property; (iii) gains from the sale or other disposition of interests in real property and real estate mortgages, other than gain from property held primarily for sale to customers in the ordinary course of the Trust's trade or business ("dealer property"); (iv) dividends or other distributions on shares in other REITs, as well as gain from the sale of such shares; (v) abatements and refunds of real property taxes; (vi) income from the operation, and gain from the sale, of property acquired at or in lieu of a foreclosure of the mortgage secured by such property ("foreclosure property"); and (vii) commitment fees received for agreeing to make loans secured by mortgages on real property or to purchase or lease real property.

Rents received from a tenant will not, however, qualify as rents from real property in satisfying the 75% gross income test (or the 95% gross income test described below) if the Trust, or an owner of 10% or more of the Trust, directly or constructively owns 10% or more of such tenant. In addition, if rent attributable to personal property leased in connection with a lease of real property is greater than 15% of the total rent received under the lease, then the portion of rent attributable to such personal property will not qualify as rents from real property. Moreover, an amount received or accrued will not qualify as rents from real property (or as interest income) for purposes of the 75% and 95% gross income tests if it is based in whole or in part on the income or profits of any person, although an amount received or accrued generally will not be excluded from "rents from real property" solely by reason of being based on a fixed percentage or percentages of receipts or sales. Finally, for rents received to qualify as rents from real property for purposes of the 75% and 95% gross income tests, the Trust generally must not operate or manage the property or furnish or render services to customers, other than through an "independent contractor" from whom the Trust derives no income, except that the "independent contractor" requirement does not apply to the extent that the services provided by the Trust are "usually or customarily rendered" in connection with the rental of space for occupancy only, and are not otherwise considered "rendered to the occupant for his convenience." In addition, under recently enacted legislation, beginning with its taxable year ending December 31, 1998, the Trust may directly perform a DE MINIMIS amount of non-customary services. See "--Other Tax Considerations--The Taxpayer Relief Act" below.

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The Trust intends to monitor its operations in the context of these standards so as to satisfy the 75% and 95% gross income tests. The Operating Partnership will provide certain services at the properties of the Properties Partnerships and possibly at any newly acquired properties of the Partnerships. The Trust believes that for purposes of the 75% and 95% gross income tests the services provided at such properties and any other services and amenities provided by the Operating Partnership or its agents with respect to such properties will be of the type usually or customarily rendered in connection with the rental of space for occupancy only and not rendered to the occupants of such properties. The Trust intends that services that cannot be provided directly by the Operating Partnership or other agents will be performed by independent contractors.

**THE 95% TEST.** In addition to deriving 75% of its gross income from the sources listed above, at least 95% of the Trust's gross income for the taxable year must be derived from the above-described qualifying income or from dividends, interest, or gains from the sale or other disposition of stock or other securities that are not dealer property. Dividends and interest on any obligations not collateralized by an interest in real property are included for purposes of the 95% test, but not for purposes of the 75% test. The Trust intends to monitor closely its non-qualifying income and anticipates that non-qualifying income from its other activities will not result in the Trust failing to satisfy either the 75% or 95% gross income test.

For purposes of determining whether the Trust complies with the 75% and the 95% gross income tests, gross income does not include income from prohibited transactions. A "prohibited transaction" is a sale of dealer property (excluding foreclosure property); however, a sale of property will not be a prohibited transaction if such property is held for at least four years and certain other requirements (relating to the number of properties sold in a year, their tax bases, and the cost of improvements made thereto) are satisfied. See "--Taxation of the Trust--General" and "--Tax Aspects of the Trust's Investments in Partnerships--Sale of the Properties."

The Trust believes that, for purposes of both the 75% and the 95% gross income test, its investment in properties through the Partnerships will in major part give rise to qualifying income in the form of rents, and that gains on sales of its properties generally will also constitute qualifying income.

Even if the Trust fails to satisfy one or both of the 75% and 95% gross income tests for any taxable year, it may still qualify as a REIT for such year if it is entitled to relief under certain provisions of the Code. These relief provisions will generally be available if: (i) the Trust's failure to comply is due to reasonable cause and not to willful neglect; (ii) the Trust reports the nature and amount of each item of its income included in the tests on a schedule attached to its tax return; and (iii) any incorrect information on this schedule is not due to fraud with intent to evade tax. If these relief provisions apply, however, the Trust will nonetheless be subject to a 100% tax on the greater of

the amount by which it fails either the 75% or 95% gross income test, multiplied by a fraction intended to reflect the Trust's profitability.

**ANNUAL DISTRIBUTION REQUIREMENTS.** In order to qualify as a REIT, the Trust is required to distribute dividends to its shareholders each year in an amount at least equal to (A) the sum of (i) 95% of the Trust's REIT taxable income (computed without regard to the dividends received deduction and the Trust's net capital gain) and (ii) 95% of the net income (after tax), if any, for foreclosure property, minus (B) the sum of certain items of non-cash income. Such distributions must be paid in the taxable year to which they relate, or in the following taxable year if declared before the Trust timely files its tax return for such year and if paid on or before the first regular dividend payment after the declaration. To the extent that the Trust does not distribute all of its net capital gain or distributes at least 95%, but less than 100%, of its REIT taxable income, as adjusted, it will be subject to tax on the undistributed amount at regular capital gain or ordinary corporate tax rates, as the case may be.

The Trust intends to make timely distributions sufficient to satisfy the annual distribution requirements described in the first sentence of the preceding paragraph. In this regard, the Partnership Agreement authorizes the Trust in its capacity as general partner to take such steps as may be necessary to cause the Operating Partnership to distribute to its partners an amount sufficient to permit the Trust to meet the

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distribution requirements. It is possible that the Trust may not have sufficient cash or other liquid assets to meet the 95% distribution requirement, due to timing differences between the actual receipt of income and actual payment of expenses on the one hand, and the inclusion of such income and deduction of such expense in computing the Trust's REIT taxable income on the other hand; or for other reasons. The Trust will monitor closely the relationship between its REIT taxable income and cash flow and, if necessary, intends to borrow funds (or cause the Operating Partnership or other affiliates to borrow funds) in order to satisfy the distribution requirement. However, there can be no assurance that such borrowing would be available at such time.

If the Trust fails to meet the 95% distribution requirement as a result of an adjustment to the Trust's tax return by the Service, the Trust may retroactively cure the failure by paying a "deficiency dividend" (plus applicable penalties and interest) within a specified period.

**FAILURE TO QUALIFY.** If the Trust fails to qualify for taxation as a REIT in any taxable year and the relief provisions do not apply, the Trust will be subject to tax (including any applicable alternative minimum tax) on its taxable income at regular corporate rates. Distributions to shareholders in any year in which the Trust fails to qualify as a REIT will not be deductible by the Trust, nor generally will they be required to be made under the Code. In such event, to the extent of current and accumulated earnings and profits, all distributions to shareholders will be taxable as ordinary income, and subject to certain limitations in the Code, corporate distributees may be eligible for the dividends received deduction. Unless entitled to relief under specific statutory provisions, the Trust also will be disqualified from re-electing taxation as a REIT for the four taxable years following the year during which qualification was lost.

#### TAX ASPECTS OF THE TRUST'S INVESTMENTS IN PARTNERSHIPS

**GENERAL.** The Trust will hold a partnership interest in the Operating Partnership. In general, a partnership is a "pass-through" entity which is not subject to federal income tax. Rather, partners are allocated their proportionate shares of the items of income, gain, loss, deduction and credit of a partnership, and are potentially subject to tax thereon, without regard to whether a partner received a distribution from the partnership. The Trust will include its proportionate share of the foregoing partnership items for purposes of the various REIT gross income tests and in the computation of its REIT taxable income. See "--Taxation of the Trust--General" and "--Gross Income Tests."

Each partner's share of a partnership's tax attributes is determined in accordance with the partnership agreement, although the allocations will be adjusted for tax purposes if they do not comply with the technical provisions of Code Section 704(b) and the regulations thereunder. The Partnerships' allocations of tax attributes are intended to comply with these provisions. Notwithstanding these allocation provisions, for purposes of complying with the gross income and asset tests discussed above, the Trust will be deemed to own its proportionate share of each of the assets of the Partnerships and will be deemed to have received a share of the income of the Partnerships based on its capital interest in the Partnerships.

Accordingly, any resultant increase in the Trust's REIT taxable income from its interest in the Partnerships (whether or not a corresponding cash distribution is also received from the Partnerships) will increase its distribution requirements (see "--Taxation of the Trust--Annual Distribution Requirements"), but will not be subject to federal income tax in the hands of



the Trust provided that an amount equal to such income is distributed by the Trust to its shareholders. Moreover, for purposes of the REIT asset tests (see "--Taxation of the Trust--Asset Tests"), the Trust will include its proportionate share of assets held by the Partnerships.

**TAX ALLOCATIONS WITH RESPECT TO THE PROPERTIES.** Pursuant to Section 704(c) of the Code, income, gain, loss and deductions attributable to appreciated or depreciated property that is contributed to a partnership in exchange for an interest in the partnership must be allocated in a manner such that the contributing partner is charged with, or benefits from, respectively, the unrealized gain or unrealized loss associated with the property at the time of the contribution. The amount of such unrealized gain or unrealized loss is

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generally equal to the difference between the fair market value of the contributed property at the time of contribution, and the adjusted tax basis of such property at the time of contribution (a "Book-Tax Difference"). Such allocations are solely for federal income tax purposes and do not affect the book capital amounts or other economic arrangements among the partners. Consequently, the Partnership Agreement requires certain allocations to be made in a manner consistent with Section 704(c) of the Code.

Treasury Regulations under Section 704(c) provide partnerships with a choice of several methods of accounting for Book-Tax Differences. The Partnerships and the Trust have not yet determined which of the alternative methods of accounting for Book-Tax Differences will be elected, and accordingly, such determination could have differing timing and other effects on the Trust.

The Trust's properties acquired in taxable transactions will in general have a tax basis equal to their fair market value. Section 704(c) of the Code will not apply in such cases.

**SALE OF THE PROPERTIES.** The Trust's share of any gain realized by a Partnership on the sale of any "dealer property" generally will be treated as income from a prohibited transaction that is subject to a 100% penalty tax. See "--Taxation of the Trust--General" and "--Gross Income Tests--The 95% Test." Under existing law, whether property is dealer property is a question of fact that depends on all the facts and circumstances with respect to the particular transaction. The Company has held and the Partnerships intend to hold their properties for investment with a view to long-term appreciation, to engage in the business of acquiring, owning, operating and developing its properties and other commercial properties, and to make such occasional sales of properties, whether presently held or acquired subsequent to the date hereof, as are consistent with the Trust's investment objectives. Based upon the Trust's investment objectives, the Trust believes that overall, its current properties should not be considered dealer property and that the amount of income from prohibited transactions, if any, will not be material.

#### TAXATION OF SHAREHOLDERS

**TAXATION OF TAXABLE DOMESTIC SHAREHOLDERS.** As long as the Trust qualifies as a REIT, distributions made to the Trust's taxable domestic shareholders out of current or accumulated earnings and profits generally will be taxed to such shareholders as ordinary dividend income, except that, subject to the discussion below regarding the new tax rates contained in the Taxpayer Relief Act of 1997 (the "Taxpayer Relief Act"), distributions of net capital gain designated by the Trust as capital gain dividends will be taxed to such shareholders as long-term capital gain (to the extent they do not exceed the Trust's actual net capital gain for the fiscal year) without regard to the period for which the shareholder has held its shares of beneficial interest in the Trust. However, corporate shareholders may be required to treat up to 20% of capital gain dividends as ordinary income. To the extent that the Trust makes distributions in excess of current and accumulated earnings and profits, such distributions will be treated first as a tax-free return of capital to the shareholder, reducing the tax basis of such shareholder's Common Shares by the amount of such excess distribution (but not below zero), with distributions in excess of the shareholder's tax basis being taxed as capital gain (if the Common Shares are held by the shareholder as a capital asset). See "Distribution Policy." In addition, any dividend declared by the Trust in October, November or December of any year that is payable to a shareholder of record on a specific date in any such month shall be treated as both paid by the Trust and received by the shareholder on December 31 of such year, provided that the dividend is actually paid by the Trust during January of the following calendar year. Shareholders may not include in their individual income tax returns any net operating losses of the Trust. Federal income tax rules may also require that certain minimum tax adjustments and preferences be apportioned to the Trust's shareholders.

The Trust is permitted under the Code to elect to retain and pay income tax on its net capital gain for any taxable year. However, if the Trust so elects, a shareholder must include in income such shareholder's proportionate share of the Trust's undistributed capital gain for the taxable year, and will be deemed to have paid such shareholder's proportionate share of the income tax paid by the Trust with respect to such

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undistributed capital gain. Such tax would be credited against the shareholder's tax liability and subject to normal refund procedures. In addition, each shareholder's basis in such shareholder's Common Shares would be increased by the amount of undistributed capital gain (less the tax paid by the Trust) included in the shareholder's income.

The Taxpayer Relief Act alters the taxation of capital gain income for individuals (and for certain trusts and estates). Gain from the sale or exchange of certain investments held for more than 18 months will be taxed at a maximum rate of 20%. Gain from the sale or exchange of such investments held for 18 months or less, but for more than one year, will be taxed at a maximum rate of 28%. The Taxpayer Relief Act also provides a maximum rate of 25% for "unrecaptured section 1250 gain" recognized on the sale or exchange of certain real estate assets, introduces special rules for "qualified 5-year gain," and makes certain other changes to prior law. On November 10, 1997, the Service issued Notice 97-64, which provides generally that the Trust may classify portions of its designated capital gain dividend as (i) a 20% rate gain distribution (which would be taxed as capital gain in the 20% group), (ii) an unrecaptured Section 1250 gain distribution (which would be taxed as capital gain in the 25% group) or (iii) a 28% rate gain distribution (which would be taxed as capital gain in the 28% group). If no designation is made, the entire designated capital gain dividend will be treated as a 28% rate capital gain distribution. Notice 97-64 provides that a REIT must determine the maximum amounts that it may designate as 20% and 25% rate capital gain dividends by performing the computation required by the Code as if the REIT were an individual whose ordinary income was subject to a marginal tax rate of at least 28%.

In general, any loss upon a sale or exchange of Common Shares by a shareholder who has held such Common Shares for six months or less (after applying certain holding period rules) will be treated as a long-term capital loss, to the extent of prior distributions required to be treated by such shareholders as long-term capital gains.

**BACKUP WITHHOLDING.** The Trust will report to its domestic shareholders and to the Service the amount of distributions paid for each calendar year, and the amount of tax withheld, if any, with respect thereto. Under the backup withholding rules, a shareholder may be subject to backup withholding at a rate of 31% with respect to distributions paid unless such shareholder (i) is a corporation or comes with certain other exempt categories and, when required, demonstrates this fact or (ii) provides a taxpayer identification number, certifies as to no loss of exemption from backup withholding, and otherwise complies with applicable requirements of the backup withholding rules. A shareholder that does not provide the Trust with its correct taxpayer identification number may also be subject to penalties imposed by the Service. Any amount paid as backup withholding is available as a credit against the shareholder's income tax liability. In addition, the Trust may be required to withhold a portion of capital gain distributions made to any shareholders who fail to certify their non-foreign status to the Trust. See "--Taxation of the Shareholders--Taxation of Foreign Shareholders" below.

**TAXATION OF TAX-EXEMPT SHAREHOLDERS.** The Service has issued a revenue ruling in which it held that amounts distributed by a REIT to a tax-exempt employees' pension trust do not constitute unrelated business taxable income ("UBTI"). Subject to the discussion below regarding a "pension-held REIT," based upon such ruling, distributions by the Trust to a shareholder that is a tax-exempt entity should not constitute UBTI, provided that the tax-exempt entity has not financed the acquisition of its shares with "acquisition indebtedness" within the meaning of the Code, that the shares are not otherwise used in an unrelated trade or business of the tax-exempt entity, and that the Trust, consistent with its present intent, does not hold a residual interest in a real estate mortgage investment conduit ("REMIC") that is an entity or arrangement that satisfies the standards set forth in Section 860D of the Code.

If any pension or other retirement trust that qualifies under Section 401(a) of the Code (a "qualified pension trust") holds more than 10% by value of the interests in a "pension-held REIT" at any time during a taxable year, a portion of the dividends paid to the qualified pension trust by such REIT may constitute UBTI. For these purposes, a "pension-held REIT" is defined as a REIT (i) which would not have qualified

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as a REIT but for the provisions of the Code which look through such a qualified pension trust in determining ownership of shares of the REIT and (ii) as to which at least one qualified pension trust holds more than 25% by value of the interests of such REIT or one or more qualified pension trusts (each owning more than a 10% interest in the REIT) hold in the aggregate more than 50% by value of the interests in such REIT.

**TAXATION OF FOREIGN SHAREHOLDERS.** The rules governing United States federal income taxation of nonresident alien individuals, foreign corporations, foreign partnerships and other foreign shareholders (collectively, "Non-U.S. Shareholders") are highly complex and the following is only a brief summary of such rules. Prospective Non-U.S. Shareholders should consult with their own tax advisors to determine the impact of federal, state and local income tax laws

with regard to an investment in Common Shares, including any reporting requirements. The Trust will qualify as a "domestically-controlled REIT" so long as less than 50% in value of its shares of beneficial interest are held by foreign persons (i.e., non-resident aliens, and foreign corporations, partnerships, trusts and estates). The Trust currently anticipates that it will qualify as a domestically-controlled REIT. Under these circumstances, gain from the sale of Common Shares by a foreign person should not be subject to United States taxation, unless such gain is effectively connected with such person's United States trade or business or, in the case of an individual foreign person, such person is present within the United States for more than 182 days during the taxable year. However, notwithstanding the Trust's current expectation that the Trust will qualify as a domestically-controlled REIT, because the Common Shares will be publicly traded no assurance can be given that the Trust will continue to so qualify.

Distributions of cash generated by the Trust's real estate operations (but not by the sale or exchange of properties) that are paid to foreign persons generally will be subject to United States withholding tax at a rate of 30%, unless (i) an applicable tax treaty reduces that tax and the foreign shareholder files with the Trust the required form evidencing such lower rate, or (ii) the foreign shareholder files an IRS Form 4224 with the Trust claiming that the distribution is "effectively connected" income.

Distributions of proceeds attributable to the sale or exchange of United States real property interests by the Trust are subject to income and withholding taxes pursuant to the Foreign Investment in Real Property Tax Act of 1980 ("FIRPTA"), and may also be subject to branch profits tax in the hands of a shareholder that is a foreign corporation if it is not entitled to treaty relief or exemption. The Trust is required by applicable Treasury Regulations to withhold 35% of any distribution to a foreign person that could be designated by the Trust as a capital gain dividend. This amount is creditable against the foreign shareholder's FIRPTA tax liability.

The federal income taxation of foreign persons is a highly complex matter that may be affected by other considerations. Accordingly, foreign investors in the Trust should consult their own tax advisor regarding the income and withholding tax considerations with respect to their investment in the Trust.

#### OTHER TAX CONSIDERATIONS

**THE TAXPAYER RELIEF ACT.** The Taxpayer Relief Act modifies many of the provisions relating to the requirements for qualification as, and the taxation of, a REIT. Among other things, the Taxpayer Relief Act (i) replaces the rule that disqualifies a REIT for any year in which the REIT fails to comply with Treasury Regulations that are intended to enable the REIT to ascertain its ownership with a prescribed penalty for failing to do so; (ii) permits a REIT to render a DE MINIMIS amount of impermissible services to tenants, or in connection with the management of property, and still treat amounts received with respect to that property as rents from real property; (iii) permits a REIT to elect to retain and pay income tax on net long-term capital gains; (iv) repeals a rule that required that less than 30% of a REIT's gross income be derived from gain from the sale or other disposition of stock or securities held for less than one year, certain real property held for less than four years, and property that is sold or disposed of in a prohibited transaction; (v) lengthens the original grace period for foreclosure property from two years after the REIT

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acquired the property to a period ending on the last day of the third full taxable year following the taxable year in which the property was acquired; (vi) treats income from all hedges that reduce the interest rate risk of REIT liabilities, not just interest rate swaps and caps, as qualifying income under the 95% gross income test; and (vii) permits any corporation wholly owned by a REIT to be treated as a qualified subsidiary, regardless of whether the corporation has always been owned by a REIT. The changes are effective for taxable years beginning after the date of enactment, and thus will apply to the Trust's taxable year ending December 31, 1998.

**POSSIBLE LEGISLATIVE OR OTHER ACTIONS AFFECTING TAX CONSEQUENCES.** Shareholders should recognize that the present federal income tax treatment of an investment in the Trust may be modified by legislative, judicial or administrative action at any time and that any such action may affect investments and commitments previously made. The rules dealing with federal income taxation are constantly in review by persons involved in the legislative process and by the Service and the Treasury Department, resulting in revisions of regulations and revised interpretations of established concepts as well as statutory changes. No assurance can be given as to the form or content (including with respect to effective dates) of any tax legislation which may be enacted. Revisions in federal tax laws and interpretations thereof can adversely affect the tax consequences of an investment in the Trust.

**STATE AND LOCAL TAXES.** The Trust and the Partnerships may be subject to state or local taxation, and the Trust's shareholders may be subject to state or local taxes in various jurisdictions, including those in which they transact business or reside. The state and local tax treatment of the Trust and its shareholders may not conform to the federal income tax consequences discussed

above. Consequently, prospective shareholders should consult their own tax advisors regarding the effect of state and local tax laws on an investment in Common Shares. See "Risk Factors--Tax Risks--Other Tax Liabilities."

EACH SHAREHOLDER IS ADVISED TO CONSULT WITH SUCH SHAREHOLDER'S TAX ADVISOR REGARDING THE SPECIFIC TAX CONSEQUENCES TO SUCH SHAREHOLDER OF THE OWNERSHIP AND SALE OF COMMON SHARES IN AN ENTITY ELECTING TO BE TAXED AS A REAL ESTATE INVESTMENT TRUST, INCLUDING THE FEDERAL, STATE, LOCAL, FOREIGN AND OTHER TAX CONSEQUENCES OF SUCH, OWNERSHIP, SALE AND ELECTION AND OF POTENTIAL CHANGES IN APPLICABLE TAX LAWS.

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PROPOSAL 2 --  
ADOPTION OF THE PLAN

DESCRIPTION OF THE PLAN

Prior to the Reformation, the Board of Trustees will adopt, and the sole shareholder of the Trust will approve, the Plan for the purpose of attracting, retaining and motivating employees and directors of the Trust. The Plan authorizes the issuance of up to ten percent of the Common Shares outstanding from time to time, subject to adjustment on the event of certain recapitalization or reorganization transactions. The Plan will be administered by the Compensation Committee of the Board of Trustees or, with respect to certain matters, its delegate. As used in this summary, the term "Administrator" means the Compensation Committee or its delegate, as appropriate. Trustees, and employees of the Trust, the Operating Partnership and other subsidiaries of the Trust, and designated affiliates of the Trust will be eligible for selection by the Administrator to participate in the Plan. The maximum number of Common Shares with respect to which options may be granted during a calendar year to any participant under the Plan will be 200,000 Common Shares, subject to adjustment for certain recapitalization or reorganization transactions. No awards may be granted under the Plan after the tenth anniversary of the Plan's approval by the Shareholders.

The Plan provides for the grant of (i) share options intended to qualify as incentive stock options under Section 422 of the Code, (ii) share options not intended to qualify as incentive stock options under Section 422 of the Code ("nonqualified stock options") and (iii) Dividend Equivalents (as defined in the Plan) which may be granted alone or in conjunction with share options (each an "Award"). The Administrator will determine the type and number of Awards granted, the terms and conditions of any Award and adopt, amend, waive and rescind the rules and regulations necessary to administer the Plan, among other things. In connection with the grant of options under the Plan, the Administrator will determine the option exercise price, the term of the option and the time and method of exercising.

An option granted under the Plan may be exercised for any number of whole Common Shares less than the full number of Common Shares for which the option could be exercised. Unless otherwise agreed by the Administrator, Awards will not be transferable except by will or the laws of descent and distribution. A holder of an option will have no rights as a shareholder with respect to Common Shares subject to his or her option until the option is exercised. Any Common Shares subject to options which are forfeited (or expire without exercise) pursuant to the vesting requirement or other terms established at the time of grant will again be available for grant under the Plan. Payment of the exercise price of an option granted under the Plan may be made in cash, or, if permitted by the Administrator, by exchanging Common Shares having a fair market value equal to the option exercise price. Unless otherwise provided by the Administrator, all outstanding Awards will become fully exercisable upon a Change of Control.

BOARD RECOMMENDATION

The Board has determined that it is in the best interests of the Trust and the Shareholders to seek approval of the Plan. The Company believes that a long-term incentive plan is important to the retention of its senior management team, and also aligns the economic interests of its senior management team with the economic interests of its shareholders.

VOTE REQUIRED

Under Minnesota law, the adoption of the Plan requires the affirmative vote of a majority of the shares of Common Stock, represented and entitled to vote, at the Special Meeting. Abstentions and broker non-votes will not be counted as either "for" or "against" the approval of the Plan.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE APPROVAL OF THE PLAN.

FEDERAL INCOME TAX CONSEQUENCES

The following discussion summarizes the principal federal income tax consequences of the Plan. This discussion is based on current provisions of the

Code, the Treasury Regulations promulgated thereunder, and administrative and judicial interpretations thereof as in effect on the date hereof. The summary does not address any foreign, state or local tax consequences of participation in the Plan.

**STOCK OPTIONS.** In general, the grant of an option will not be a taxable event to the recipient (the "Participant") and it will not result in a deduction to the Company. The tax consequences associated with the exercise of an option and the subsequent disposition of Common Shares acquired on the exercise of such option depend on whether the option is an incentive stock option or a nonqualified stock option.

Upon the exercise of a nonqualified stock option, the Participant will recognize ordinary taxable income equal to the excess of the fair market value of the Common Shares received upon exercise over the exercise price. The Company will generally be able to claim a deduction in an equivalent amount. Any gain or loss upon a subsequent sale or exchange of the Common Shares will be capital gain or loss. If the holding period for the shares is not more than one year, the gain or loss will be short-term capital gain or loss. Short-term capital gain is taxable at the same rates as ordinary income. If the holding period is more than one year, the gain or loss will be long-term capital gain or loss. In general, long-term capital gain is subject to lower maximum federal income tax rates than ordinary income. Currently, the maximum rate for long-term capital gain on assets held for more than eighteen months is generally 20%, and the maximum rate on capital gain on assets held for more than one year but less than eighteen months ("mid-term gain") is 28%.

Generally, a Participant will not recognize ordinary taxable income at the time of exercise of an incentive stock option and no deduction will be available to the Company, provided the option is exercised while the Participant is an employee or within three months following termination of employment (longer, in the case of termination of employment by reason of disability or death). If an incentive stock option granted under the Plan is exercised after these periods, the exercise will be treated for federal income tax purposes as the exercise of a nonqualified stock option. Also, an incentive stock option granted under the Plan will be treated as a nonqualified stock option to the extent it (together with any other incentive stock options granted under plans of the Company and its subsidiaries) first becomes exercisable in any calendar year for Common Shares having a fair market value, determined as of the date of grant, in excess of \$100,000.

If Common Shares acquired upon exercise of an incentive stock option are sold or exchanged more than one year after the date of exercise and more than two years after the date of grant of the option, any gain or loss will be long-term capital gain or loss, taxable as discussed above at either a maximum rate of 20% or 28% depending on the holding period. If Common Shares acquired upon exercise of an incentive stock option are disposed of prior to the expiration of these one-year or two-year holding periods (a "Disqualifying Disposition"), the Participant will recognize ordinary income at the time of disposition, and the Company will generally be able to claim a deduction, in an amount equal to the excess of the fair market value of the Common Shares at the date of exercise over the exercise price. Any additional gain will be treated as capital gain, long-term, mid-term or short-term, depending on how long the shares of Common Stock have been held. Where Common Shares are sold or exchanged in a Disqualifying Disposition (other than certain related party transactions) for an amount less than their fair market value at the date of exercise, any ordinary income recognized in connection with the Disqualifying Disposition will be limited to the amount of gain, if any, recognized in the sale or exchange, and any loss will be a long-term or short-term capital loss, depending on how long the Common Shares have been held.

Although the exercise of an incentive stock option as described above would not produce ordinary taxable income to the Participant, it would result in an increase in the Participant's alternative minimum taxable income and may result in an alternative minimum tax liability.

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**DIVIDEND EQUIVALENT RIGHTS.** With respect to dividend equivalent rights under the Plan, generally, when a Participant receives payment with respect to the dividend equivalent right, the amount of cash and the fair market value of any other property received will be ordinary income to such Participant and will be allowed as a deduction for federal income tax purposes to the Company.

**PAYMENT OF WITHHOLDING TAXES.** The Company may withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy any federal, state or local withholding tax requirements associated with awards under the Plan.

**SPECIAL RULES.** Special rules may apply to a Participant who is subject to Section 16(b) of the Exchange Act as in effect from time to time (generally directors, officers and 10% stockholders). Certain additional special rules apply if the exercise price for an option is paid in shares previously owned by the Participant rather than in cash.

**LIMITATION ON DEDUCTIBILITY.** Section 162(m) of the Code generally limits

the deductible amount of annual compensation paid (including, unless an exception applies, compensation otherwise deductible in connection with awards granted under the Plan) by a public company to a "covered employee" (the chief executive officer and four other most highly compensated executive officers of the Company) to no more than \$1 million. The Company currently intends to structure stock options granted under the Plan to comply with an exception to nondeductibility under Section 162(m) of the Code.

#### INDEPENDENT ACCOUNTANTS

The Board of Trustees has selected Coopers & Lybrand L.L.P. ("Coopers & Lybrand") to serve as independent accountants for the Trust for the year ending December 31, 1998. Coopers & Lybrand was appointed by the Board on October 31, 1997 to be independent certified public accountants for the Company, replacing Lurie, Besikof, Lapidus & Co., LLP ("Lurie"). A representative of Coopers & Lybrand is expected to be present at the Special Meeting, have the opportunity to make a statement if he so desires, and will be available to respond to appropriate questions.

#### SHAREHOLDER PROPOSALS FOR THE 1999 ANNUAL MEETING OF SHAREHOLDERS

Any shareholder who wishes to present a proposal for action at the next annual meeting of shareholders and who wishes to have it set forth in the proxy statement and identified in the form of proxy prepared by the Company must notify the Company in such manner so that such notice is received by the Company by December 31, 1998. Any such proposal must be in the form required under the rules and regulations promulgated by the Commission.

#### OTHER MATTERS

The Board knows of no other matters that are intended to be brought before the Special Meeting. If other matters, of which the Board is not aware, are presented for action, it is the intention of the proxies named in the enclosed form of proxy to vote on such matters in their sole discretion.

#### LEGAL MATTERS

Certain legal matters in connection with the Common Shares being offered hereby will be passed upon for the Trust by Cahill Gordon & Reindel (a partnership including a professional corporation), New York, New York. Cahill Gordon & Reindel will rely, without independent investigation, on Ballard Spahr Andrews & Ingersoll, Baltimore, Maryland as to certain matters of Maryland law and on Maun & Simon, PLC, Minneapolis, Minnesota as to certain matters of Minnesota law.

#### 82 EXPERTS

As previously announced, on October 31, 1997, Coopers & Lybrand L.L.P. was appointed by the Board of Directors of the Company as the Company's independent accountants for the year ending December 31, 1997. The Company is not aware of any disagreements with Lurie during the Company's two most recent fiscal years and through October 31, 1997 on any matters of accounting principles or practices, financial statement disclosures, or auditing scope and procedures which, if not resolved to the satisfaction of Lurie, would have caused Lurie to make reference to the matters in their reports. Lurie has furnished to the Commission a letter agreeing with this statement.

The consolidated financial statements of the Company as of December 31, 1996 and 1995 and for each of the years in the three year period ended December 31, 1996 incorporated by reference in this Registration Statement have been incorporated by reference herein in reliance on the report of Coopers & Lybrand L.L.P., independent accountants, given on the authority of that firm as experts in accounting and auditing.

The consolidated financial statements of the Shidler Acquisition Properties as of December 31, 1996 and 1995 and for each of the years in the three year period ended December 31, 1996 incorporated by reference in this Registration Statement have been incorporated by reference herein in reliance on the report of Coopers & Lybrand L.L.P., independent accountants, given on the authority of that firm as experts in accounting and auditing.

The balance sheet of Corporate Office Properties Trust as of February 3, 1998 included in this Registration Statement has been included herein in reliance on the report of Coopers & Lybrand L.L.P., independent accountants, given on the authority of that firm as experts in accounting and auditing.

#### 83 INDEX TO FINANCIAL STATEMENTS

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<CAPTION>  
<S>  
CORPORATE OFFICE PROPERTIES TRUST

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REPORT OF INDEPENDENT ACCOUNTANTS

The Board of Trustees and Shareholder  
Corporate Office Properties Trust:

We have audited the accompanying balance sheet of Corporate Office Properties Trust (Company) as of February 3, 1998. This balance sheet is the responsibility of the Company's management. Our responsibility is to express an opinion on this balance sheet based upon our audit.

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

In our opinion, the balance sheet referred to above presents fairly, in all material respects, the financial position of Corporate Office Properties Trust as of February 3, 1998, in conformity with generally accepted accounting principles.

COOPERS & LYBRAND L.L.P.  
2400 Eleven Penn Center  
Philadelphia, Pennsylvania  
February 4, 1998

F-2  
CORPORATE OFFICE PROPERTIES TRUST

BALANCE SHEET

FEBRUARY 3, 1998

ASSETS

<TABLE>	
<S>	<C>
Cash.....	\$ 100
	-----
	-----

</TABLE>

SHAREHOLDER'S EQUITY

<TABLE>	
<S>	<C>
Preferred shares of beneficial interest, \$.01 per share; 5,000,000 shares authorized; none issued or outstanding.....	
Common shares of beneficial interest, \$.01 par value; 45,000,000 shares authorized; 1 issued and outstanding.....	0
Additional paid-in capital.....	100
	-----
Total shareholder's equity.....	\$100
	-----
	-----

</TABLE>

(See accompanying notes to balance sheet)

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CORPORATE OFFICE PROPERTIES TRUST

NOTES TO BALANCE SHEET

1. ORGANIZATION:

Corporate Office Properties Trust (the Company) was formed in the State of Maryland as a real estate investment trust on January 22, 1998 and issued one share to COPT, Inc. for a total consideration of \$100. The Company has executed an Agreement and Plan of Merger under which it will indirectly merge with Corporate Office Properties Trust, Inc. (the Merger). The Company intends to file a Form S-4 registration statement with Securities and Exchange Commission

in connection with the Merger.

The Company has had no operations. The purposes for which the Company was formed are to invest in and to acquire, hold, manage, administer, control and dispose of property, as a real estate investment trust. Upon consummation of the Merger, the Company intends to begin operations. The Company will have an indirect interest in certain suburban office buildings and hold a number of retail properties with related indebtedness.

## 2. FEDERAL INCOME TAXES:

At the earliest possible date, the Company intends to qualify as a real estate investment trust under the Internal Revenue Code of 1986, as amended. Accordingly, upon such qualification it will not be subject to federal income taxes on amounts distributed to shareholders provided it distributes at least 95 percent of its taxable income and meets certain other conditions. The Company may, however, be subject to state or local taxation in various jurisdictions.

## 3. PLANNED TRANSACTIONS:

The Company intends to consummate the Merger as soon as practicable following approval of the Merger by the shareholders of Corporate Office Properties Trust, Inc. There can be no assurance that the Merger will be consummated.

## 4. EMPLOYEE BENEFIT PLANS AND RELATED MATTERS:

The Company's Board of Trustees intends to adopt a long-term incentive plan under which the Board of Trustees is authorized to grant common share awards, and determine the form, payment, exercise provisions, and other terms thereof. The Company intends to reserve 10% of common shares outstanding from time to time for issuance under the incentive plan.

The Company intends to enter into an employment agreement with its president and chief executive officer. The agreement will have an initial term of three years, subject to automatic renewal for subsequent two year terms, and will cover matters including compensation, disability and termination. The agreement will also contain provisions which are intended to limit the president from competing with the Company throughout the term of the agreement and for a period of two years thereafter.

The Company will also enter into a noncompetition agreement with the chairman of the board of trustees. The agreement will be in effect during the period that he serves as chairman.

There can be no assurance that the aforementioned actions will be completed as intended.

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APPENDIX A

## AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER (the "Agreement"), dated as of January 31, 1998, is by and among Corporate Office Properties Trust, Inc., a Minnesota corporation (the "Company"), COPT, Inc., a Maryland corporation (the "Maryland Company") and Corporate Office Properties Trust, a Maryland real estate investment trust (the "Trust").

### RECITALS

WHEREAS, the Boards of Directors of the Company and the Maryland Company and the Board of Trustees of the Trust each have determined that it is in the best interests of their respective shareholders to effect the Mergers (as hereinafter defined) upon the terms and subject to the conditions set forth herein; and

NOW, THEREFORE, in consideration of the premises, and of the representations, warranties, covenants and agreements contained herein the parties hereto adopt the plan of merger encompassed by this Agreement and agree as follows:

### ARTICLE I

#### THE MERGERS; CLOSING; EFFECTIVE TIME

1.1. THE COMPANY MERGER. Subject to the terms and conditions of this Agreement, at the Effective Time (as defined in Section 1.4), the Company shall be merged with and into the Maryland Company and the separate corporate existence of the Company shall thereupon cease (the "Company Merger"). The Maryland Company shall be the surviving entity in the Company Merger (sometimes hereinafter referred to as the "Surviving Corporation") and shall continue to be governed by the laws of the State of Maryland and the separate existence of the Maryland Company with all its rights, privileges, immunities, powers and franchises shall continue unaffected by the Company Merger.

The Company Merger shall have the effects specified in the Minnesota



Business Corporation Act (the "MBCA") and the Maryland General Corporation Law (the "MGCL").

1.2. THE TRUST MERGER. Subject to the terms and conditions of this Agreement, at the Effective Time (as defined in Section 1.4), the Surviving Corporation shall be merged with and into the Trust and the separate corporate existence of the Surviving Corporation shall thereupon cease (the "Trust Merger" and, together with the Company Merger, the "Mergers"). The parties intend that the Mergers qualify as a reorganization under Section 368(a)(1) of the Internal Revenue Code of 1986, as amended. The Trust shall be the surviving entity in the Trust Merger (sometimes hereinafter referred to as the "Surviving Entity") and shall continue to be governed by the laws of the State of Maryland and the separate existence of the Trust with all its rights, privileges, immunities, powers and franchises shall continue unaffected by the Merger.

The Trust Merger shall have the effects specified in the MGCL.

1.3. CLOSING. The Closing of the Mergers (the "Closing") shall take place (i) at the offices of the Trust, One Logen Square, Suite 1105, Philadelphia, Pennsylvania 19103 at 10:00 a.m. local time on the first business day on which the last to be fulfilled or waived of the conditions set forth in Section 6.1 hereof shall be fulfilled or (ii) at such other place and time and/or on such other date as the Company, the Maryland Company and the Trust may agree.

1.4. EFFECTIVE TIME. Following the fulfillment or waiver of the conditions set forth in Section 6.1 hereof, and provided that this Agreement has not been terminated or abandoned pursuant to Article VII hereof, the Company and the Maryland Company will, at such time as they deem advisable, cause Articles

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of Merger (the "Minnesota Articles of Merger") to be signed and filed with the Secretary of State of the State of Minnesota as provided in Section 302A.641 of the MBCA and Articles of Merger (the "Maryland Articles of Merger") to be filed with the State Department of Assessments and Taxation of Maryland (the "SDAT") as provided in Section 3-105 of the MGCL. Following the fulfillment or waiver of the conditions set forth in Section 6.1 hereof, provided that this Agreement shall not have been terminated or abandoned pursuant to Article VII hereof, the Maryland Company and the Trust will, at such time as they deem advisable, cause Articles of Merger (the "Trust Articles of Merger") to be filed with the SDAT as provided in Section 3-105 of the MGCL. The Mergers shall become effective upon the latter of (i) the filing the Articles of Merger with the Secretary of State of the State of Minnesota and (ii) the acceptance for record of the Maryland Articles of Merger and the Trust Articles of Merger by the SDAT (the "Effective Time"). The parties hereto intend the Mergers to become effective simultaneously.

ARTICLE II  
DECLARATION OF TRUST AND BYLAWS  
OF THE SURVIVING CORPORATION  
AND THE SURVIVING ENTITY

2.1. SURVIVING CORPORATION. The Certificate of Incorporation and Bylaws of the Maryland Company in effect at the Effective Time shall be the Certificate of Incorporation and Bylaws of the Surviving Corporation, until duly amended in accordance with the terms thereof and the MGCL.

2.2. SURVIVING ENTITY. The Declaration of Trust and Bylaws of the Trust in effect at the Effective Time shall be the Declaration of Trust and Bylaws of the Surviving Entity, until duly amended in accordance with the terms thereof and the MGCL.

ARTICLE III  
TRUSTEES AND OFFICERS  
OF THE SURVIVING CORPORATION AND  
THE SURVIVING ENTITY

3.1. DIRECTORS. The directors of the Maryland Company at the Effective Time shall, from and after the Effective Time, be the directors of the Surviving Corporation until their successors have been duly elected or until their earlier death, resignation or removal in accordance with the Surviving Corporation's Certificate of Incorporation and Bylaws.

3.2. TRUSTEES. The trustees of the Trust at the Effective Time shall, from and after the Effective Time, be the trustees of the Surviving Entity until their successors have been duly elected or until their earlier death, resignation or removal in accordance with the Surviving Entity's Declaration of Trust and Bylaws.

3.3. OFFICERS. The officers of the Maryland Company at the Effective Time shall, from and after the Effective Time, be the officers of the Surviving Corporation until their successors have been duly appointed and qualified or until their earlier death, resignation or removal in accordance with the Surviving Corporation's Certificate of Incorporation and Bylaws. The officers of the Trust at the Effective Time shall, from and after the Effective Time, be the officers of the Surviving Entity until their successors have been duly appointed

and qualified or until their earlier death, resignation or removal in accordance with the Surviving Entity's Declaration of Trust and Bylaws.

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ARTICLE IV  
EFFECT OF THE MERGER ON CAPITAL STOCK;  
EXCHANGE OF CERTIFICATES

4.1. EFFECT ON CAPITAL STOCK. At the Effective Time, by virtue of the Mergers and without any action on the part of the holder of any capital stock of the Company:

(a) Each share of the common stock, par value \$0.01 per share (the "Company Stock"), of the Company issued and outstanding immediately prior to the Effective Time shall be converted into one validly issued, fully paid and nonassessable common share of beneficial interest, par value \$0.01 per share (the "Common Shares") of the Trust. Each certificate (each, a "Certificate") representing any such shares of Common Stock shall thereafter represent the right to receive Common Shares. At the Effective Time, all shares of Common Stock shall no longer be outstanding and shall be cancelled and retired and shall cease to exist.

(b) Each share of Common Stock issued and held in the Company's treasury at the Effective Time, shall by virtue of the Mergers and without any action on the part of the holder thereof, cease to be outstanding, shall be cancelled and retired without payment of any consideration therefor and shall cease to exist.

(c) At the Effective Time, each share of common stock, par value \$0.01 per share, of the Maryland Company issued and outstanding immediately prior to the Effective Time shall, by virtue of the Mergers and without any action on the part of the Maryland Company or the holder of such shares, be cancelled and retired without payment of any consideration therefor.

(d) At the Effective Time, each Common Share issued and outstanding immediately prior to the Effective Time shall, by virtue of the Mergers and without any action on the part of the Trust or the holder of such shares, be cancelled and retired without payment of any consideration therefor.

(e) Each option to purchase or otherwise acquire shares of Common Stock pursuant to the stock option plan of the Company granted and outstanding immediately prior to the Effective Time shall, by virtue of the Mergers and without any action on the part of the holder of such option, be converted into and become a right to purchase or otherwise acquire the same number of Common Shares at the same price per share and upon the same terms and subject to the same conditions as applicable to such options immediately prior to the Effective Time.

4.2. CONVERSION OF OUTSTANDING STOCK OF THE COMPANY. From and after the Effective Time, each issued and outstanding share of Common Stock and all rights in respect thereof shall be converted into one fully paid and nonassessable Common Share, and each Certificate nominally representing shares of Common Stock shall for all purposes be deemed to evidence the ownership of an equal number of Common Shares. The holders of Certificates shall not be required immediately to surrender the same in exchange for certificates for Common Shares, but, as Certificates nominally representing shares of Common Stock are surrendered for transfer, the Trust will cause to be issued certificates representing Common Shares, and, at any time upon surrender by any holder of Certificates nominally representing shares of Common Stock, the Trust will cause to be issued therefor certificates for an equal number of Common Shares.

ARTICLE V  
COVENANTS

5.1. NASDAQ LISTING. The Trust shall use its reasonable best efforts to cause the Common Shares to be issued in the Mergers to be approved for trading on the Nasdaq SmallCap Market tier of The Nasdaq Stock Market ("NASDAQ"), subject to official notice of issuance, prior to the Closing Date.

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5.2. INDEMNIFICATION; DIRECTORS' AND OFFICERS' INSURANCE. From and after the Effective Time, the Surviving Entity agrees that it will indemnify, and pay or reimburse reasonable expenses in advance of final disposition of a proceeding to, (i) any individual who is a present or former director or officer of the Company or the Maryland Company or (ii) any individual who, while a director of the Company and at the request of the Company, serves or has served another corporation, partnership, joint venture, trust, employee benefit plan or any other enterprise as a director, officer, partner or trustee of such corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, arising out of or pertaining to matters existing or occurring at or prior to the Effective Time, whether asserted or claimed prior to, at or after the Effective Time, to the fullest extent permitted by law.

ARTICLE VI  
CONDITIONS

6.1. CONDITION TO EACH PARTY'S OBLIGATION TO EFFECT THE MERGER. The respective obligations of the Company, the Maryland Company and the Trust to consummate the Mergers are subject to the fulfillment of each of the following conditions:

(a) The registration statement on Form S-4 to be filed by the Trust, which will include the proxy statement of the Company soliciting proxies to approve the Mergers, shall have been declared effective in accordance with the Securities Act of 1933, as amended, by the Securities and Exchange Commission and no stop order shall have been issued or threatened.

(b) This Agreement shall have been duly approved by (i) the requisite vote of holders of the shares of Common Stock, in accordance with applicable law and the Amended and Restated Articles of Incorporation and Bylaws of the Company, (ii) the Company, as sole shareholder of the Maryland Company, and (iii) the Maryland Company, as sole shareholder of the Trust.

(c) Holders of not more than 5.0% of the Common Stock issued and outstanding on the record date set for the special meeting of the Company's shareholders called to approve the Mergers shall have exercised their rights under Section 302A.471 of the MBCA.

(d) The Common Shares issuable to the Company's shareholders pursuant to this Agreement shall have been authorized for trading on the NASDAQ or the National Market tier of the Nasdaq Stock Market, subject to official notice of issuance.

(e) No order to restrain, enjoin or otherwise prevent the consummation of this Agreement or either of the Mergers shall have been entered by any court or administrative body and shall remain in full force and effect.

(f) The obligations to consummate the Mergers contemplated hereby shall not have been terminated pursuant to Article VII hereof.

(g) All consents and approvals, if any, necessary for the transactions contemplated hereby shall have been obtained and be in full force and effect.

#### ARTICLE VII TERMINATION

7.1. TERMINATION BY MUTUAL CONSENT. This Agreement may be terminated and the Mergers may be abandoned at any time prior to the Effective Time, before or after the approval by holders of the Common Stock, by the mutual consent of the Boards of Directors of the Company and the Maryland Company and the Board of Trustees of the Trust.

7.2. EFFECT OF TERMINATION AND ABANDONMENT. In the event of termination of this Agreement and abandonment of the Merger pursuant to this Article VII, no party hereto (or any of its

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directors, trustees or officers) shall have any liability or further obligation to any other party to this Agreement.

#### ARTICLE VIII MISCELLANEOUS AND GENERAL

8.1. MODIFICATION OR AMENDMENT. Subject to the applicable provisions of the MBCA and the MGCL, at any time prior to the Effective Time, the parties hereto may amend or modify this Agreement by written agreement, executed and delivered by duly authorized officers of the respective parties; provided, however, that after the Mergers have been approved by the Company's shareholders, no amendment or modification may change the amount or form of the consideration to be received by such shareholders in the Mergers.

8.2. WAIVER OF CONDITIONS. The conditions to each of the parties' obligations to consummate the relevant Merger are for the sole benefit of such party and may be waived by such party in whole or in part to the extent permitted by applicable law.

8.3. COUNTERPARTS. For the convenience of the parties hereto, this Agreement may be executed in any number of counterparts, each of which shall be deemed an original, and all of which shall constitute one and the same agreement.

8.4. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the States of Minnesota and Maryland, in the case of the Company Merger, and in accordance with the laws of the State of Maryland, in the case of the Trust Merger.

8.5. NO THIRD PARTY BENEFICIARIES. Except as provided in Section 5.2, no provision of this Agreement is intended, nor shall it be interpreted, to provide or create any third party beneficiary rights or any other rights of any kind in any client, customer, affiliate, stockholder, partner or employee or any other person or entity.

8.6. HEADINGS. The Article, Section and paragraph headings herein are for convenience of reference only and shall have no effect on the construction or meaning of this Agreement.

8.7. SERVICE OF PROCESS. (a) The Trust may be served with process in the State of Minnesota in a proceeding for the enforcement of an obligation of the Company, the Maryland Company or the Trust, and in a proceeding for the enforcement of the rights of a dissenting shareholder of the Company against the Maryland Company or the Trust. The Trust hereby irrevocably appoints the Secretary of State of the State of Minnesota as its agent to accept service of process in any such proceeding. The address to which a copy of such process shall be mailed by the Secretary of State to the Trust is One Logan Square, Suite 1105, Philadelphia, Pennsylvania 19103, Attn: Clay W. Hamlin, III.

(b) The Trust may be served with process in the State of Maryland in any proceeding for the enforcement of any obligation of the Company or the Maryland Company, as well as for enforcement of any obligations of the Trust arising from the Mergers, and it does hereby irrevocably appoint the Secretary of State of the State of Maryland as its agent to accept service of process in any such suit or other proceedings. The address to which a copy of such process shall be mailed by the Secretary of State to the Trust is One Logan Square, Suite 1105, Philadelphia, Pennsylvania 19103, Attn: Clay W. Hamlin, III.

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IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the duly authorized officers of the parties hereto on the date first hereinabove written.

CORPORATE OFFICE PROPERTIES  
TRUST, INC.

By: /s/ CLAY W. HAMLIN, III

-----  
Name: Clay W. Hamlin, III  
Title: President and Chief  
Executive Officer

COPT, INC.

By: /s/ CLAY W. HAMLIN, III

-----  
Name: Clay W. Hamlin, III  
Title: President

CORPORATE OFFICE PROPERTIES  
TRUST

By: /s/ CLAY W. HAMLIN, III

-----  
Name: Clay W. Hamlin, III  
Title: President and Chief  
Executive Officer

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APPENDIX B

CORPORATE OFFICE PROPERTIES TRUST  
AMENDED AND RESTATED DECLARATION OF TRUST  
Dated February , 1998

This DECLARATION OF TRUST is made as of the date set forth above by the undersigned Trustee (as defined herein):

ARTICLE I  
FORMATION

The Trust is a real estate investment trust within the meaning of Title 8. The Trust shall not be deemed to be a general partnership, limited partnership, joint venture, joint stock company or a corporation (but nothing herein shall preclude the Trust from being treated for tax purposes as an association under the Code).

ARTICLE II  
NAME

The name of the Trust is:

Corporate Office Properties Trust

Under circumstances in which the Board of Trustees of the Trust (the "Board of Trustees" or "Board") determines that the use of the name of the Trust is not practicable, the Trust may use any other designation or name for the Trust.

ARTICLE III  
PURPOSES AND POWERS

Section 3.1 PURPOSES. The purposes for which the Trust is formed are to invest in and to acquire, hold, manage, administer, control and dispose of property and interests (direct or indirect and of whatsoever nature) in and in respect of property, including, without limitation or obligation, engaging in business as a real estate investment trust under the Internal Revenue Code of 1986, as amended (the "Code").

Section 3.2 POWERS. The Trust shall have all of the powers granted to real estate investment trusts by Title 8 and all other powers set forth in the Declaration of Trust which are not inconsistent with law and are appropriate to promote and attain the purposes set forth in the Declaration of Trust.

ARTICLE IV  
RESIDENT AGENT

The name of the resident agent of the Trust in the State of Maryland is James J. Hanks, Jr., whose post office address is c/o Ballard Spahr Andrews & Ingersoll, 300 East Lombard Street, Baltimore, Maryland 21202. The resident agent is a citizen of and resides in the State of Maryland. The Trust may have such offices or places of business within or outside the State of Maryland as the Board of Trustees may from time to time determine.

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ARTICLE V  
BOARD OF TRUSTEES

Section 5.1 POWERS. Subject to any express limitations contained in the Declaration of Trust or in the Bylaws, (a) the business and affairs of the Trust shall be managed under the direction of the Board of Trustees and (b) the Board shall have full, exclusive and absolute power, control and authority over any and all property of the Trust. The Board may take any action as in its sole judgment and discretion is necessary or appropriate to conduct the business and affairs of the Trust. The Declaration of Trust shall be construed with the presumption in favor of the grant of power and authority to the Board. Any construction of the Declaration of Trust or determination made in good faith by the Board concerning its powers and authority hereunder shall be conclusive. The enumeration and definition of particular powers of the Trustees included in the Declaration of Trust or in the Bylaws shall in no way be limited or restricted by reference to or inference from the terms of this or any other provision of the Declaration of Trust or the Bylaws or construed or deemed by inference or otherwise in any manner to exclude or limit the powers conferred upon the Board or the Trustees under the general laws of the State of Maryland or any other applicable laws.

The Board, without any action by the shareholders of the Trust, shall have and may exercise, on behalf of the Trust, without limitation, the power to terminate the status of the Trust as a real estate investment trust under the Code; to determine that compliance with any restriction or limitations on ownership and transfers of shares of the Trust's beneficial interest set forth in Article VII of the Declaration of Trust is no longer required in order for the Trust to qualify as a REIT; to adopt, amend and repeal Bylaws; to elect officers in the manner prescribed in the Bylaws; to solicit proxies from holders of shares of beneficial interest of the Trust; and to do any other acts and deliver any other documents necessary or appropriate to the foregoing powers.

Section 5.2 NUMBER AND CLASSIFICATION. The number of Trustees (hereinafter the "Trustees") initially shall be 1, which number may be increased or decreased pursuant to the Bylaws of the Trust. The Trustees shall be elected at every third annual meeting of shareholders in the manner provided in the Bylaws or, in order to fill any vacancy on the Board of Trustees, in the manner provided in the Bylaws. The name and address of the Trustee who shall serve until the first annual meeting of shareholders and until his successor is duly elected and qualify is:

<TABLE>	
<S>	<C>
Name	Address
Clay W. Hamlin, III	1 Logan Square Philadelphia, PA 19103
</TABLE>	

This Trustee may increase the number of Trustees and fill any vacancy, whether resulting from an increase in the number of Trustees or otherwise, on the Board of Trustees prior to the first annual meeting of shareholders in the manner provided in the Bylaws. It shall not be necessary to list in the Declaration of Trust the names and addresses of any Trustees hereinafter elected.

At any meeting of shareholders, the Trustees (other than any Trustee elected solely by holders of one or more classes or series of Preferred Shares) may be classified, with respect to the terms for which they severally hold office, into

three classes, one class to hold office initially for a term expiring at the next succeeding annual meeting of shareholders, another class to hold office initially for a term expiring at the second succeeding annual meeting of shareholders and another class to hold office initially for a term expiring at the third succeeding annual meeting of shareholders, with the Trustees of each class to hold office until their successors are duly elected and qualify. At each annual meeting of shareholders, the successors to the class of Trustees whose term expires at such meeting shall be elected to hold office for a term expiring at the annual meeting of shareholders held in the third year following the year of their election.

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Section 5.3 RESIGNATION, REMOVAL OR DEATH. Any Trustee may resign by written notice to the Board, effective upon execution and delivery to the Trust of such written notice or upon any future date specified in the notice. Subject to the rights of holders of one or more classes or series of Preferred Shares to elect one or more Trustees, a Trustee may be removed at any time, only for cause and only at a meeting of the shareholders, by the affirmative vote of the holders of not less than two-thirds of the Shares then outstanding and entitled to vote generally in the election of Trustees.

#### ARTICLE VI SHARES OF BENEFICIAL INTEREST

Section 6.1 AUTHORIZED SHARES. The beneficial interest of the Trust shall be divided into shares of beneficial interest (the "Shares"). The Trust has authority to issue 50,000,000 shares of beneficial interest, consisting of 45,000,000 common shares of beneficial interest, \$0.01 par value per share ("Common Shares") and 5,000,000 preferred shares of beneficial interest, \$0.01 par value per share ("Preferred Shares"). The Board of Trustees, without any action by the shareholders of the Trust, may amend the Declaration of Trust from time to time to increase or decrease the aggregate number of Shares or the number of Shares of any class that the Trust has authority to issue. If shares of one class of stock are classified or reclassified into shares of another class of stock pursuant to Sections 6.2, 6.3 or 6.4 of this Article VI, the number of authorized shares of the former class shall be automatically decreased and the number of shares of the latter class shall be automatically increased, in each case by the number of shares so classified or reclassified.

Section 6.2 COMMON SHARES. Subject to the provisions of Article VII, each Common Share shall entitle the holder thereof to one vote on each matter upon which holders of Common Shares are entitled to vote. The Board of Trustees may reclassify any unissued Common Shares from time to time in one or more classes or series of Shares.

Section 6.3 PREFERRED SHARES. The Board of Trustees may classify any unissued Preferred Shares and reclassify any previously classified but unissued Preferred Shares of any series from time to time, in one or more series of Shares.

Section 6.4 CLASSIFIED OR RECLASSIFIED SHARES. Prior to issuance of classified or reclassified Shares of any class or series, the Board of Trustees by resolution shall (a) designate that class or series to distinguish it from all other classes and series of Shares; (b) specify the number of Shares to be included in the class or series; (c) set, subject to the provisions of Article VII and subject to the express terms of any class or series of Shares outstanding at the time, the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms and conditions of redemption for each class or series; and (d) cause the Trust to file articles supplementary with the State Department of Assessments and Taxation of Maryland (the "SDAT"). Any of the terms of any class or series of Shares set pursuant to clause (c) of this Section 6.4 may be made dependent upon facts ascertainable outside the Declaration of Trust (including the occurrence of any event, including a determination or action by the Trust or any other person or body) and may vary among holders thereof, provided that the manner in which such facts or variations shall operate upon the terms of such class or series of Shares is clearly and expressly set forth in the articles supplementary filed with the SDAT.

Section 6.5 AUTHORIZATION BY BOARD OF SHARE ISSUANCE. The Board of Trustees may authorize the issuance from time to time of Shares of any class or series, whether now or hereafter authorized, or securities or rights convertible into Shares of any class or series, whether now or hereafter authorized, for such consideration (whether in cash, property, past or future services, obligation for future payment or otherwise) as the Board of Trustees may deem advisable (or without consideration in the case of a Share split or Share dividend), subject to such restrictions or limitations, if any, as may be set forth in the Declaration of Trust or the Bylaws of the Trust.

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Section 6.6 DIVIDENDS AND DISTRIBUTIONS. The Board of Trustees may from time to time authorize and declare to shareholders such dividends or distributions, in cash or other assets of the Trust or in securities of the Trust or from any other source as the Board of Trustees in its discretion shall determine. The Board of Trustees shall endeavor to declare and pay such

dividends and distributions as shall be necessary for the Trust to qualify as a real estate investment trust under the Code; however, shareholders shall have no right to any dividend or distribution unless and until authorized and declared by the Board. The exercise of the powers and rights of the Board of Trustees pursuant to this Section 6.6 shall be subject to the provisions of any class or series of Shares at the time outstanding. Notwithstanding any other provision in the Declaration of Trust, no determination shall be made by the Board of Trustees nor shall any transaction be entered into by the Trust which would cause any Shares or other beneficial interest in the Trust not to constitute "transferable shares" or "transferable certificates of beneficial interest" under Section 856(a)(2) of the Code or which would cause any distribution to constitute a preferential dividend as described in Section 562(c) of the Code.

Section 6.7 GENERAL NATURE OF SHARES. All Shares shall be personal property entitling the shareholders only to those rights provided in the Declaration of Trust. The shareholders shall have no interest in the property of the Trust and shall have no right to compel any partition, division, dividend or distribution of the Trust or of the property of the Trust. The death of a shareholder shall not terminate the Trust. The Trust is entitled to treat as shareholders only those persons in whose names Shares are registered as holders of Shares on the beneficial interest ledger of the Trust.

Section 6.8 FRACTIONAL SHARES. The Trust may, without the consent or approval of any shareholder, issue fractional Shares, eliminate a fraction of a Share by rounding up or down to a full Share, arrange for the disposition of a fraction of a Share by the person entitled to it, or pay cash for the fair value of a fraction of a Share.

Section 6.9 DECLARATION AND BYLAWS. All shareholders are subject to the provisions of the Declaration of Trust and the Bylaws of the Trust. Except as otherwise specifically required by law, the Trustees shall have the sole power to adopt, amend and modify the Bylaws of the Trust.

Section 6.10 DIVISIONS AND COMBINATIONS OF SHARES. Subject to an express provision to the contrary in the terms of any class or series of beneficial interest hereafter authorized, the Board of Trustees shall have the power to divide or combine the outstanding shares of any class or series of beneficial interest, without a vote of shareholders.

#### ARTICLE VII RESTRICTION ON TRANSFER AND OWNERSHIP OF SHARES

Section 7.1 DEFINITIONS. For the purpose of this Article VII, the following terms shall have the following meanings:

AGGREGATE SHARE OWNERSHIP LIMIT. The term "Aggregate Share Ownership Limit" shall mean not more than 9.8 percent in value of the aggregate of the outstanding Equity Shares. The value of the outstanding Equity Shares shall be determined by the Board of Trustees in good faith, which determination shall be conclusive for all purposes hereof.

BENEFICIAL OWNERSHIP. The term "Beneficial Ownership" shall mean ownership of Equity Shares by a Person, whether the interest in Equity Shares is held directly or indirectly (including by a nominee), and shall include interests that would be treated as owned through the application of Section 544 of the Code, as modified by Section 856(h)(1)(B) of the Code. The terms "Beneficial Owner," "Beneficially Owns" and "Beneficially Owned" shall have the correlative meanings.

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BUSINESS DAY. The term "Business Day" shall mean any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which banking institutions in New York City are authorized or required by law, regulation or executive order to close.

CHARITABLE BENEFICIARY. The term "Charitable Beneficiary" shall mean one or more beneficiaries of the Charitable Trust as determined pursuant to Section 7.3.6, provided that each such organization must be described in Section 501(c)(3) of the Code and contributions to each such organization must be eligible for deduction under each of Sections 170(b)(1)(A), 2055 and 2522 of the Code.

CHARITABLE TRUST. The term "Charitable Trust" shall mean any trust provided for in Section 7.3.1.

CODE. The term "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

COMMON SHARE OWNERSHIP LIMIT. The term "Common Share Ownership Limit" shall mean not more than 9.8 percent (in value or in number of shares, whichever is more restrictive) of the aggregate of the outstanding Common Shares. The number and value of outstanding Common Shares shall be determined by the Board of Trustees in good faith, which determination shall be conclusive for all purposes hereof.

**CONSTRUCTIVE OWNERSHIP.** The term "Constructive Ownership" shall mean ownership of Equity Shares by a Person, whether the interest in Equity Shares is held directly or indirectly (including by a nominee), and shall include interests that would be treated as owned through the application of Section 318(a) of the Code, as modified by Section 856(d)(5) of the Code. The terms "Constructive Owner," "Constructively Owns" and "Constructively Owned" shall have the correlative meanings.

**DECLARATION OF TRUST.** The term "Declaration of Trust" shall mean this Declaration of Trust as filed for record with the SDAT, and any amendments thereto.

**EQUITY SHARES.** The term "Equity Shares" shall mean all classes or series of Shares, including, without limitation, Common Shares and Preferred Shares.

**EXCEPTED HOLDER.** The term "Excepted Holder" shall mean a Permitted Holder or a shareholder of the Trust for whom an Excepted Holder Limit is created by this Article VII or by the Board of Trustees pursuant to Section 7.2.7.

**EXCEPTED HOLDER LIMIT.** The term "Excepted Holder Limit" shall mean, (i) in the case of Permitted Holders, the percentage limit established by the Board of Trustees prior to their becoming shareholders of the Trust, subject to adjustment pursuant to Sections 7.2.7 and 7.2.8 and (ii) in the case of any other Excepted Holder, provided that the affected Excepted Holder agrees to comply with the requirements established by the Board of Trustees pursuant to Section 7.2.7, and subject to adjustment pursuant to Section 7.2.8, the percentage limit established by the Board of Trustees pursuant to Section 7.2.7.

**INITIAL DATE.** The term "Initial Date" shall mean the date upon which this Declaration of Trust containing this Article VII is filed for record with the SDAT.

**MARKET PRICE.** The term "Market Price" on any date shall mean, with respect to any class or series of outstanding Equity Shares, the Closing Price for such Equity Shares on such date. The "Closing Price" on any date shall mean the last sale price for such Equity Shares, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, for such Equity Shares, in either case as reported in the principal consolidated transaction reporting system with respect to the securities listed or admitted to trading on National Market or Small Cap tier of the Nasdaq Stock Market ("Nasdaq-NM") or, if such Equity Shares are not listed or admitted to trading on the Nasdaq-NM, as reported on the principal consolidated transaction reporting system with respect to the principal national securities exchange on which such Equity Shares are listed or admitted to trading or, if such Equity Shares are not listed or admitted to trading on the Nasdaq-NM or any national securities exchange, the last

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quoted price, or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by the principal automated quotation system that may then be in use or, if such Equity Shares are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in such Equity Shares selected by the Board of Trustees or, in the event that no trading price is available for such Equity Shares, the fair market value of Equity Shares, as determined in good faith by the Board of Trustees.

**PERMITTED HOLDER.** The term Permitted Holder shall mean Jay H. Shidler, Clay W. Hamlin, III, Westbrook Real Estate Fund I, L.P. and Westbrook Real Estate Co. Investment Partnership I, L.P. and any corporation, partnership, trust, estate or other legal entity controlled by any of the foregoing persons (or jointly controlled by Messrs. Shidler and Hamlin).

**PERSON.** The term "Person" shall mean an individual, corporation, partnership, estate, trust (including a trust qualified under Sections 401(a) or 501(c)(17) of the Code), a portion of a trust permanently set aside for or to be used exclusively for the purposes described in Section 642(c) of the Code, association, private foundation within the meaning of Section 509(a) of the Code, joint stock company or other entity and also includes a group as that term is used for purposes of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended, and a group to which an Excepted Holder Limit applies.

**PROHIBITED OWNER.** The term "Prohibited Owner" shall mean, with respect to any purported Transfer, any Person who, but for the provisions of Section 7.2.1, would Beneficially Own or Constructively Own Equity Shares, and if appropriate in the context, shall also mean any Person who would have been the record owner of Equity Shares that the Prohibited Owner would have so owned.

**REIT.** The term "REIT" shall mean a real estate investment trust within the meaning of Section 856 of the Code.

**RESTRICTION TERMINATION DATE.** The term "Restriction Termination Date" shall mean the first day after the Initial Date on which the Board of Trustees determines that it is no longer in the best interests of the Trust to attempt to, or continue to, qualify as a REIT or that compliance with the restrictions



and limitations on Beneficial Ownership, Constructive Ownership and Transfers of Equity Shares set forth herein is no longer required in order for the Trust to qualify as a REIT.

SDAT. The term "SDAT" shall mean the State Department of Assessments and Taxation of Maryland.

TRANSFER. The term "Transfer" shall mean any issuance, sale, transfer, gift, assignment, devise or other disposition, as well as any other event that causes any Person to acquire Beneficial Ownership or Constructive Ownership, or any agreement to take any such actions or cause any such events, of Equity Shares or the right to vote or receive dividends on Equity Shares, including (a) the granting or exercise of any option (or any disposition of any option), (b) any disposition of any securities or rights convertible into or exchangeable for Equity Shares or any interest in Equity Shares or any exercise of any such conversion or exchange right and (c) Transfers of interests in other entities that result in changes in Beneficial or Constructive Ownership of Equity Shares; in each case, whether voluntary or involuntary, whether owned of record, Constructively Owned or Beneficially Owned and whether by operation of law or otherwise; provided, however, that the term Transfer shall not include the initial issuance of Equity Shares in connection with the indirect merger of Corporate Office Properties Trust, Inc., a Minnesota corporation, with and into the Trust. The terms "Transferring" and "Transferred" shall have the correlative meanings.

TRUSTEE. The term "Trustee" shall mean the Person unaffiliated with the Trust and a Prohibited Owner, that is appointed by the Trust to serve as trustee of the Charitable Trust.

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## Section 7.2 EQUITY SHARES.

Section 7.2.1 OWNERSHIP LIMITATIONS. During the period commencing on the Initial Date and prior to the Restriction Termination Date:

### (a) BASIC RESTRICTIONS.

(i) (1) No Person, other than an Excepted Holder, shall Beneficially Own or Constructively Own Equity Shares in excess of the Aggregate Share Ownership Limit, (2) no Person, other than an Excepted Holder, shall Beneficially Own or Constructively Own Common Shares in excess of the Common Share Ownership Limit and (3) no Excepted Holder shall Beneficially Own or Constructively Own Equity Shares in excess of the Excepted Holder Limit for such Excepted Holder.

(ii) No Person shall Beneficially or Constructively Own Equity Shares to the extent that such Beneficial or Constructive Ownership of Equity Shares would result in the Trust being "closely held" within the meaning of Section 856(h) of the Code (without regard to whether the ownership interest is held during the last half of a taxable year), or otherwise failing to qualify as a REIT (including, but not limited to, Beneficial or Constructive Ownership that would result in the Trust owning (actually or Constructively) an interest in a tenant that is described in Section 856(d) (2) (B) of the Code if the income derived by the Trust from such tenant would cause the Trust to fail to satisfy any of the gross income requirements of Section 856(c) of the Code).

(iii) Notwithstanding any other provisions contained herein, any Transfer of Equity Shares (whether or not such Transfer is the result of a transaction entered into through the facilities of the Nasdaq-NM or any other national securities exchange or automated inter-dealer quotation system) that, if effective, would result in Equity Shares being beneficially owned by less than 100 Persons (determined under the principles of Section 856(a) (5) of the Code) shall be void AB INITIO, and the intended transferee shall acquire no rights in such Equity Shares.

(b) TRANSFER IN TRUST. If any Transfer of Equity Shares (whether or not such Transfer is the result of a transaction entered into through the facilities of the NYSE or any other national securities exchange or automated inter-dealer quotation system) occurs which, if effective, would result in any Person Beneficially Owning or Constructively Owning Equity Shares in violation of Section 7.2.1(a) (i) or (ii),

(i) then that number of Equity Shares the Beneficial or Constructive Ownership of which otherwise would cause such Person to violate Section 7.2.1(a) (i) or (ii) (rounded to the nearest whole share) shall be automatically transferred to a Charitable Trust for the benefit of a Charitable Beneficiary, as described in Section 7.3, effective as of the close of business on the Business Day prior to the date of such Transfer, and such Person shall acquire no rights in such Equity Shares; or

(ii) if the transfer to the Charitable Trust described in clause (i) of this sentence would not be effective for any reason to prevent the violation of Section 7.2.1(a) (i) or (ii), then the Transfer of that number of Equity Shares that otherwise would cause any Person to violate Section 7.2.1(a) (i) or (ii) shall be void AB INITIO, and the intended transferee shall acquire no rights in such Equity Shares.

Section 7.2.2 REMEDIES FOR BREACH. If the Board of Trustees or any duly authorized committee thereof shall at any time determine in good faith that a Transfer or other event has taken place that results in a violation of Section 7.2.1 or that a Person intends to acquire or has attempted to acquire Beneficial or Constructive Ownership of any Equity Shares in violation of Section 7.2.1 (whether or not such violation is intended), the Board of Trustees or a committee thereof shall take such action as it deems advisable to refuse to give effect to or to prevent such Transfer or other event, including, without limitation, causing the Trust to redeem Equity Shares, refusing to give effect to such Transfer on the books of the Trust or instituting proceedings to enjoin such Transfer or other event; PROVIDED, HOWEVER, that any Transfers or attempted Transfers or other events in violation of Section 7.2.1 shall automatically result in the transfer to the Charitable Trust described above, and, where applicable, such Transfer (or other event) shall be void AB INITIO as provided above irrespective of any action (or non-action) by the Board of Trustees or a committee thereof.

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Section 7.2.3 NOTICE OF RESTRICTED TRANSFER. Any Person who, as the result of a Transfer, attempted Transfer or intended Transfer acquires or attempts or intends to acquire Beneficial Ownership or Constructive Ownership of Equity Shares that will or may violate Section 7.2.1(a), or any Person who would have owned Equity Shares that resulted in a transfer to the Charitable Trust pursuant to the provisions of Section 7.2.1(b), shall immediately give written notice to the Trust of such event, or in the case of such a proposed or attempted transaction, give at least 15 days prior written notice, and shall provide to the Trust such other information as the Trust may request in order to determine the effect, if any, of such Transfer on the Trust's status as a REIT.

Section 7.2.4 OWNERS REQUIRED TO PROVIDE INFORMATION. From the Initial Date and prior to the Restriction Termination Date:

(a) every owner of more than five percent (or such other percentage as required by the Code or the Treasury Regulations promulgated thereunder) of the outstanding Equity Shares, within 30 days after the end of each taxable year, shall give written notice to the Trust stating the name and address of such owner, the number of Equity Shares and other Equity Shares Beneficially Owned and a description of the manner in which such shares are held. Each such owner shall provide to the Trust such additional information as the Trust may request in order to determine the effect, if any, of such Beneficial Ownership on the Trust's status as a REIT and to ensure compliance with the Aggregate Share Ownership Limit.

(b) each Person who is a Beneficial or Constructive Owner of Equity Shares and each Person (including the shareholder of record) who is holding Equity Shares for a Beneficial or Constructive Owner shall provide to the Trust such information as the Trust may request, in good faith, in order to determine the Trust's status as a REIT and to comply with requirements of any taxing authority or governmental authority or to determine such compliance.

Section 7.2.5 REMEDIES NOT LIMITED. Subject to Section 5.1 of the Declaration of Trust, nothing contained in this Section 7.2 shall limit the authority of the Board of Trustees to take such other action as it deems necessary or advisable to protect the Trust and the interests of its shareholders in preserving the Trust's status as a REIT.

Section 7.2.6 AMBIGUITY. In the case of an ambiguity in the application of any of the provisions of this Section 7.2, Section 7.3 or any definition contained in Section 7.1, the Board of Trustees shall have the power to determine the application of the provisions of this Section 7.2 or Section 7.3 or any such definition with respect to any situation based on the facts known to it. In the event Section 7.2 or 7.3 requires an action by the Board of Trustees and the Declaration of Trust fails to provide specific guidance with respect to such action, the Board of Trustees shall have the power to determine the action to be taken so long as such action is not contrary to the provisions of Sections 7.1, 7.2 or 7.3.

Section 7.2.7 EXCEPTIONS.

(a) Subject to Section 7.2.1(a) (ii), the Board of Trustees, in its sole discretion, may exempt a Person from the Aggregate Share Ownership Limit and the Common Share Ownership Limit, as the case may be, and may establish or increase an Excepted Holder Limit for a Person (including a Permitted Holder) if:

(i) the Board of Trustees obtains such representations and undertakings from such Person as are reasonably necessary to ascertain that no individual's Beneficial or Constructive Ownership of such Equity Shares will violate Section 7.2.1(a) (ii);

(ii) such Person does not and represents that it will not own, actually or Constructively, an interest in a tenant of the Trust (or a tenant of any entity owned or controlled by the Trust) that would cause the Trust to own, actually or Constructively, more than a 9.9% interest (as set forth in Section 856(d) (2) (B) of the Code) in such tenant and the Board of Trustees obtains such

representations and undertakings from such Person as are reasonably necessary to ascertain this fact (for this purpose, a tenant from whom the Trust (or an entity owned or controlled by the Trust) derives (and is expected to continue to derive) a sufficiently small amount of revenue such that, in the opinion of the Board of Trustees, rent from such tenant would not adversely affect the Trust's ability to qualify as a REIT, shall not be treated as a tenant of the Trust); and

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(iii) such Person agrees that any violation or attempted violation of such representations or undertakings (or other action which is contrary to the restrictions contained in Sections 7.2.1 through 7.2.6) will result in such Equity Shares being automatically transferred to a Charitable Trust in accordance with Sections 7.2.1(b) and 7.3.

(b) Prior to granting any exception pursuant to Section 7.2.7(a), the Board of Trustees may require a ruling from the Internal Revenue Service, or an opinion of counsel, in either case in form and substance satisfactory to the Board of Trustees in its sole discretion, as it may deem necessary or advisable in order to determine or ensure the Trust's status as a REIT. Notwithstanding the receipt of any ruling or opinion, the Board of Trustees may impose such conditions or restrictions as it deems appropriate in connection with granting such exception.

(c) Subject to Section 7.2.1(a)(ii), an underwriter which participates in a public offering or a private placement of Equity Shares (or securities convertible into or exchangeable for Equity Shares) may Beneficially Own or Constructively Own Equity Shares (or securities convertible into or exchangeable for Equity Shares) in excess of the Aggregate Share Ownership Limit, the Common Share Ownership Limit or both such limits, but only to the extent necessary to facilitate such public offering or private placement.

(d) The Board of Trustees may only reduce the Excepted Holder Limit for an Excepted Holder: (1) with the written consent of such Excepted Holder at any time, or (2) pursuant to the terms and conditions of the agreements and undertakings entered into with such Excepted Holder in connection with the establishment of the Excepted Holder Limit for that Excepted Holder. No Excepted Holder Limit shall be reduced to a percentage that is less than the Common Share Ownership Limit.

Section 7.2.8 INCREASE IN AGGREGATE SHARE OWNERSHIP AND COMMON SHARE OWNERSHIP LIMITS. The Board of Trustees may from time to time increase the Common Share Ownership Limit and the Aggregate Share Ownership Limit.

Section 7.2.9 LEGEND. Each certificate for Equity Shares shall bear substantially the following legend:

The shares represented by this Certificate are subject to restrictions on Beneficial Ownership, Constructive Ownership and Transfer for the purpose of the Trust's maintenance of its status as a real estate investment trust (a "REIT") under the Internal Revenue Code of 1986, as amended (the "Code"). Subject to certain further restrictions and except as expressly provided in the Declaration of Trust of the Trust, (i) no Person may Beneficially Own or Constructively Own Common Shares of the Trust in excess of 9.8 percent (in value or number of shares) of the outstanding Common Shares of the Trust unless such Person is an Excepted Holder or a Permitted Holder (in which case the Excepted Holder Limit shall be applicable); (ii) no Person may Beneficially Own or Constructively Own Equity Shares of the Trust in excess of 9.8 percent of the value of the total outstanding Equity Shares of the Trust, unless such Person is an Excepted Holder or a Permitted Holder (in which case the Excepted Holder Limit shall be applicable); (iii) no Person may Beneficially Own or Constructively Own Equity Shares that would result in the Trust being "closely held" under Section 856(h) of the Code or otherwise cause the Trust to fail to qualify as a REIT; and (iv) no Person may Transfer Equity Shares if such Transfer would result in Equity Shares of the Trust being owned by fewer than 100 Persons. Any Person who Beneficially Owns or Constructively Owns or attempts to Beneficially Own or Constructively Own Equity Shares which cause or will cause a Person to Beneficially Own or Constructively Own Equity Shares in excess or in violation of the above limitations must immediately notify the Trust. If any of the restrictions on transfer or ownership are violated, the Equity Shares represented hereby will be automatically transferred to a Trustee of a Charitable Trust for the benefit of one or more Charitable Beneficiaries. In addition, upon the occurrence of certain events, attempted Transfers in violation of the restrictions described above may be void AB INITIO. All capitalized terms in this legend have the meanings defined in the Declaration of Trust of the Trust, as the

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same may be amended from time to time, a copy of which, including the restrictions on transfer and ownership, will be furnished to each holder of Equity Shares of the Trust on request and without charge.

Instead of the foregoing legend, the certificate may state that the Trust will furnish a full statement about certain restrictions on transferability to a shareholder on request and without charge.

### Section 7.3 TRANSFER OF EQUITY SHARES IN TRUST.

Section 7.3.1 OWNERSHIP IN TRUST. Upon any purported Transfer or other event described in Section 7.2.1(b) that would result in a transfer of Equity Shares to a Charitable Trust, such Equity Shares shall be deemed to have been transferred to the Trustee as trustee of a Charitable Trust for the exclusive benefit of one or more Charitable Beneficiaries. Such transfer to the Trustee shall be deemed to be effective as of the close of business on the Business Day prior to the purported Transfer or other event that results in the transfer to the Charitable Trust pursuant to Section 7.2.1(b). The Trustee shall be appointed by the Trust and shall be a Person unaffiliated with the Trust and any Prohibited Owner. Each Charitable Beneficiary shall be designated by the Trust as provided in Section 7.3.6.

Section 7.3.2 STATUS OF SHARES HELD BY THE TRUSTEE. Equity Shares held by the Trustee shall be issued and outstanding Equity Shares of the Company. The Prohibited Owner shall have no rights in the shares held by the Trustee. The Prohibited Owner shall not benefit economically from ownership of any shares held in trust by the Trustee, shall have no rights to dividends or other distributions and shall not possess any rights to vote or other rights attributable to the shares held in the Charitable Trust.

Section 7.3.3 DIVIDEND AND VOTING RIGHTS. The Trustee shall have all voting rights and rights to dividends or other distributions with respect to Equity Shares held in the Charitable Trust, which rights shall be exercised for the exclusive benefit of the Charitable Beneficiary. Any dividend or other distribution paid prior to the discovery by the Trust that Equity Shares have been transferred to the Trustee shall be paid with respect to such Equity Shares to the Trustee upon demand and any dividend or other distribution authorized but unpaid shall be paid when due to the Trustee. Any dividends or distributions so paid over to the Trustee shall be held in trust for the Charitable Beneficiary. The Prohibited Owner shall have no voting rights with respect to shares held in the Charitable Trust and, subject to Maryland law, effective as of the date that Equity Shares have been transferred to the Trustee, the Trustee shall have the authority (at the Trustee's sole discretion) (i) to rescind as void any vote cast by a Prohibited Owner prior to the discovery by the Trust that Equity Shares have been transferred to the Trustee and (ii) to recast such vote in accordance with the desires of the Trustee acting for the benefit of the Charitable Beneficiary; provided, however, that if the Company has already taken irreversible trust action, then the Trustee shall not have the authority to rescind and recast such vote. Notwithstanding the provisions of this Article VII, until the Trust has received notification that Equity Shares have been transferred into a Charitable Trust, the Trust shall be entitled to rely on its share transfer and other shareholder records for purposes of preparing lists of shareholders entitled to vote at meetings, determining the validity and authority of proxies and otherwise conducting votes of shareholders.

Section 7.3.4 SALE OF SHARES BY TRUSTEE. Within 20 days of receiving notice from the Trust that Equity Shares have been transferred to the Charitable Trust, the Trustee of the Charitable Trust shall sell the shares held in the Charitable Trust to a person, designated by the Trustee, whose ownership of the shares will not violate the ownership limitations set forth in Section 7.2.1(a). Upon such sale, the interest of the Charitable Beneficiary in the shares sold shall terminate and the Trustee shall distribute the net proceeds of the sale to the Prohibited Owner and to the Charitable Beneficiary as provided in this Section 7.3.4. The Prohibited Owner shall receive the lesser of (1) the price paid by the Prohibited Owner for the shares or, if the Prohibited Owner did not give value for the shares in connection with the event causing the shares to be held in the Charitable Trust (e.g., in the case of a gift, devise or other such transaction), the Market Price of the shares on the day of the event causing the shares to be held in the Charitable Trust and (2) the price per share received by the Trustee from the sale or other disposition of the shares held in the

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Charitable Trust. Any net sales proceeds in excess of the amount payable to the Prohibited Owner shall be immediately paid to the Charitable Beneficiary. If, prior to the discovery by the Trust that Equity Shares have been transferred to the Trustee, such shares are sold by a Prohibited Owner, then (i) such shares shall be deemed to have been sold on behalf of the Charitable Trust and (ii) to the extent that the Prohibited Owner received an amount for such shares that exceeds the amount that such Prohibited Owner was entitled to receive pursuant to this Section 7.3.4, such excess shall be paid to the Trustee upon demand.

Section 7.3.5 PURCHASE RIGHT IN SHARES TRANSFERRED TO THE TRUSTEE. Equity Shares transferred to the Trustee shall be deemed to have been offered for sale to the Trust, or its designee, at a price per share equal to the lesser of (i) the price per share in the transaction that resulted in such transfer to the Charitable Trust (or, in the case of a devise or gift, the Market Price at the time of such devise or gift) and (ii) the Market Price on the date the Trust, or its designee, accepts such offer. The Trust shall have the right to accept such offer until the Trustee has sold the shares held in the Charitable Trust

pursuant to Section 7.3.4. Upon such a sale to the Trust, the interest of the Charitable Beneficiary in the shares sold shall terminate and the Trustee shall distribute the net proceeds of the sale to the Prohibited Owner.

Section 7.3.6 DESIGNATION OF CHARITABLE BENEFICIARIES. By written notice to the Trustee, the Trust shall designate one or more nonprofit organizations to be the Charitable Beneficiary of the interest in the Charitable Trust such that (i) Equity Shares held in the Charitable Trust would not violate the restrictions set forth in Section 7.2.1(a) in the hands of such Charitable Beneficiary and (ii) each such organization must be described in Section 501(c)(3) of the Code and contributions to each such organization must be eligible for deduction under each of Sections 170(b)(1)(A), 2055 and 2522 of the Code.

Section 7.4 NASDAQ-NM TRANSACTIONS. Nothing in this Article VII shall preclude the settlement of any transaction entered into through the facilities of the Nasdaq-NM or any other national securities exchange or automated inter-dealer quotation system. The fact that the settlement of any transaction is so permitted shall not negate the effect of any other provision of this Article VII and any transferee in such a transaction shall be subject to all of the provisions and limitations set forth in this Article VII.

Section 7.5 ENFORCEMENT. The Trust is authorized specifically to seek equitable relief, including injunctive relief, to enforce the provisions of this Article VII.

Section 7.6 NON-WAIVER. No delay or failure on the part of the Trust or the Board of Trustees in exercising any right hereunder shall operate as a waiver of any right of the Trust or the Board of Trustees, as the case may be, except to the extent specifically waived in writing.

#### ARTICLE VIII SHAREHOLDERS

Section 8.1 MEETINGS. There shall be an annual meeting of the shareholders, commencing with the calendar year 1999, to be held on proper notice at such time (after the delivery of the annual report) and convenient location as shall be determined by or in the manner prescribed in the Bylaws, for the election of the Trustees, if required, and for the transaction of any other business within the powers of the Trust. Except as otherwise provided in the Declaration of Trust or as specifically required by law, special meetings of shareholders may only be called in the manner provided in the Bylaws. If there are no Trustees, the officers of the Trust shall promptly call a special meeting of the shareholders entitled to vote for the election of successor Trustees. Any meeting may be adjourned and reconvened as the Trustees determine or as provided in the Bylaws.

Section 8.2 VOTING RIGHTS. Subject to the provisions of any class or series of Shares then outstanding, the shareholders shall be entitled to vote only on the following matters: (a) election of Trustees as provided in Section 5.2 and the removal of Trustees as provided in Section 5.3; (b) amendment of the Declaration of Trust as provided in Article X; (c) termination of the Trust as provided in Section 10.3;

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(d) merger or consolidation of the Trust, or the sale or disposition of substantially all of the Trust Property, as provided in Article XI; and (e) such other matters with respect to which the Board of Trustees has adopted a resolution declaring that a proposed action is advisable and directing that the matter be submitted to the shareholders for approval or ratification. Except with respect to the foregoing matters, no action taken by the shareholders at any meeting or by consent shall in any way bind the Board of Trustees.

Section 8.3 PREEMPTIVE AND APPRAISAL RIGHTS. Except as may be provided by the Board of Trustees in setting the terms of classified or reclassified Shares pursuant to Section 6.4, no holder of Shares shall, as such holder, (a) have any preemptive right to purchase or subscribe for any additional Shares of the Trust or any other security of the Trust which it may issue or sell or (b), except as expressly required by Title 8, have any right to require the Trust to pay him the fair value of his Shares in an appraisal or similar proceeding.

Section 8.4 EXTRAORDINARY ACTIONS. Except as specifically provided in Section 5.3 (relating to removal of Trustees), in Article X (relating to amendments to this Declaration of Trust), in Article XI (relating to mergers, consolidations or sales of trust property), and in Section 12.2 (relating to termination of the Trust) and except for any deletion or modification of the foregoing references in this Section 8.4, notwithstanding any provision of law permitting or requiring any action to be taken or authorized by the affirmative vote of the holders of a greater number of votes, any such action shall be effective and valid if taken or authorized by the affirmative vote of holders of Shares entitled to cast a majority of all the votes entitled to be cast on the matter.

Section 8.5 BOARD APPROVAL. The submission of any action to the shareholders for their consideration shall first be approved by the Board of

Trustees.

Section 8.6 ACTION BY SHAREHOLDERS WITHOUT A MEETING. The Bylaws of the Trust may provide that any action required or permitted to be taken by the shareholders may be taken without a meeting by the written consent of all shareholders entitled to cast votes on the matter.

ARTICLE IX  
LIABILITY LIMITATION, INDEMNIFICATION  
AND TRANSACTIONS WITH THE TRUST

Section 9.1 LIMITATION OF SHAREHOLDER LIABILITY. No shareholder shall be liable for any debt, claim, demand, judgment or obligation of any kind of, against or with respect to the Trust by reason of his being a shareholder, nor shall any shareholder be subject to any personal liability whatsoever, in tort, contract or otherwise, to any person in connection with the property or the affairs of the Trust by reason of his being a shareholder.

Section 9.2 LIMITATION OF TRUSTEE AND OFFICER LIABILITY. To the maximum extent that Maryland law in effect from time to time permits limitation of the liability of trustees and officers of a real estate investment trust, no Trustee or officer of the Trust shall be liable to the Trust or to any shareholder for money damages. Neither the amendment nor repeal of this Section 9.2, nor the adoption or amendment of any other provision of the Declaration of Trust inconsistent with this Section 9.2, shall apply to or affect in any respect the applicability of the preceding sentence with respect to any act or failure to act which occurred prior to such amendment, repeal or adoption. In the absence of any Maryland statute limiting the liability of trustees and officers of a Maryland real estate investment trust for money damages in a suit by or on behalf of the Trust or by any shareholder, no Trustee or officer of the Trust shall be liable to the Trust or to any shareholder for money damages except to the extent that (a) the Trustee or officer actually received an improper benefit or profit in money, property, or services, for the amount of the benefit or profit in money, property, or services actually received; or (b) a judgment or other final adjudication adverse to the Trustee or officer is entered in a proceeding based on a finding in the proceeding that the

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Trustee's or officer's action or failure to act was the result of active and deliberate dishonesty and was material to the cause of action adjudicated in the proceeding.

Section 9.3 INDEMNIFICATION. The Trust shall have the power, to the maximum extent permitted by Maryland law in effect from time to time, to obligate itself to indemnify, and to pay or reimburse reasonable expenses in advance of final disposition of a proceeding to, (a) any individual who is a present or former shareholder, Trustee or officer of the Trust or (b) any individual who, while a Trustee of the Trust and at the request of the Trust, serves or has served as a director, officer, partner, trustee, employee or agent of another real estate investment trust, corporation, partnership, joint venture, trust, employee benefit plan or any other enterprise from and against any claim or liability to which such person may become subject or which such person may incur by reason of his status as a present or former shareholder, Trustee or officer of the Trust. The Trust shall have the power, with the approval of its Board of Trustees, to provide such indemnification and advancement of expenses to a person who served a predecessor of the Trust in any of the capacities described in (a) or (b) above and to any employee or agent of the Trust or a predecessor of the Trust.

Section 9.4 TRANSACTIONS BETWEEN THE TRUST AND ITS TRUSTEES, OFFICERS, EMPLOYEES AND AGENTS. Subject to any express restrictions in the Declaration of Trust or adopted by the Trustees in the Bylaws or by resolution, the Trust may enter into any contract or transaction of any kind with any person, including any Trustee, officer, employee or agent of the Trust or any person affiliated with a Trustee, officer, employee or agent of the Trust, whether or not any of them has a financial interest in such transaction.

ARTICLE X  
AMENDMENTS

Section 10.1 GENERAL. The Trust reserves the right from time to time to make any amendment to the Declaration of Trust, now or hereafter authorized by law, including any amendment altering the terms or contract rights, as expressly set forth in the Declaration of Trust, of any Shares. All rights and powers conferred by the Declaration of Trust on shareholders, Trustees and officers are granted subject to this reservation. An amendment to the Declaration of Trust (a) shall be signed and acknowledged by at least a majority of the Trustees, or an officer duly authorized by at least a majority of the Trustees, (b) shall be filed for record as provided in Section 13.5 and (c) shall become effective as of the later of the time the SDAT accepts the amendment for record or the time established in the amendment, not to exceed 30 days after the amendment is accepted for record. All references to the Declaration of Trust shall include all amendments thereto.

Section 10.2 BY TRUSTEES. The Trustees may amend the Declaration of Trust

from time to time, in the manner provided by Title 8, without any action by the shareholders, to qualify as a real estate investment trust under the Code or under Title 8 and as otherwise provided in the Declaration of Trust.

Section 10.3 BY SHAREHOLDERS. Except as otherwise provided in the Declaration of Trust, any amendment to the Declaration of Trust shall be valid only if approved by the affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter.

ARTICLE XI  
MERGER, CONSOLIDATION OR SALE OF TRUST PROPERTY

Subject to the provisions of any class or series of Shares at the time outstanding, the Trust may (a) merge the Trust into another entity, (b) consolidate the Trust with one or more other entities into a new entity or (c) sell, lease, exchange or otherwise transfer all or substantially all of the Trust Property. Any such action must be approved by the Board of Trustees and, after notice to all shareholders entitled to vote on the matter, by the affirmative vote of two-thirds of all the votes entitled to be cast on the matter.

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ARTICLE XII  
DURATION AND TERMINATION OF TRUST

Section 12.1 DURATION. The Trust shall continue perpetually unless terminated pursuant to Section 12.2 or pursuant to any applicable provision of Title 8.

Section 12.2 TERMINATION.

(a) Subject to the provisions of any class or series of Shares at the time outstanding, the Trust may be terminated at any meeting of shareholders, by the affirmative vote of two-thirds of all the votes entitled to be cast on the matter. Upon the termination of the Trust:

(i) The Trust shall carry on no business except for the purpose of winding up its affairs.

(ii) The Trustees shall proceed to wind up the affairs of the Trust and all of the powers of the Trustees under the Declaration of Trust shall continue, including the powers to fulfill or discharge the Trust's contracts, collect its assets, sell, convey, assign, exchange, transfer or otherwise dispose of all or any part of the remaining property of the Trust to one or more persons at public or private sale for consideration which may consist in whole or in part of cash, securities or other property of any kind, discharge or pay its liabilities and do all other acts appropriate to liquidate its business.

(iii) After paying or adequately providing for the payment of all liabilities, and upon receipt of such releases, indemnities and agreements as they deem necessary for their protection, the Trust may distribute the remaining property of the Trust among the shareholders so that after payment in full or the setting apart for payment of such preferential amounts, if any, to which the holders of any Shares at the time outstanding shall be entitled, the remaining property of the Trust shall, subject to any participating or similar rights of Shares at the time outstanding, be distributed ratably among the holders of Common Shares at the time outstanding.

(b) After termination of the Trust, the liquidation of its business and the distribution to the shareholders as herein provided, a majority of the Trustees shall execute and file with the Trust's records a document certifying that the Trust has been duly terminated, and the Trustees shall be discharged from all liabilities and duties hereunder, and the rights and interests of all shareholders shall cease.

ARTICLE XIII  
MISCELLANEOUS

Section 13.1 GOVERNING LAW. The Declaration of Trust is executed by the undersigned Trustees and delivered in the State of Maryland with reference to the laws thereof, and the rights of all parties and the validity, construction and effect of every provision hereof shall be subject to and construed according to the laws of the State of Maryland without regard to conflicts of laws provisions thereof.

Section 13.2 RELIANCE BY THIRD PARTIES. Any certificate shall be final and conclusive as to any person dealing with the Trust if executed by the Secretary or an Assistant Secretary of the Trust or a Trustee, and if certifying to: (a) the number or identity of Trustees, officers of the Trust or shareholders; (b) the due authorization of the execution of any document; (c) the action or vote taken, and the existence of a quorum, at a meeting of the Board of Trustees or shareholders; (d) a copy of the Declaration of Trust or of the Bylaws as a true and complete copy as then in force; (e) an amendment to the Declaration of Trust; (f) the termination of the Trust; or (g) the existence of any fact relating to the affairs of the Trust. No purchaser, lender, transfer agent or

other person shall be bound to make any inquiry concerning the

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validity of any transaction purporting to be made by the Trust on its behalf or by any officer, employee or agent of the Trust.

Section 13.3 SEVERABILITY.

(a) The provisions of the Declaration of Trust are severable, and if the Board of Trustees shall determine, with the advice of counsel, that any one or more of such provisions (the "Conflicting Provisions") are in conflict with the Code, Title 8 or other applicable federal or state laws, the Conflicting Provisions, to the extent of the conflict, shall be deemed never to have constituted a part of the Declaration of Trust, even without any amendment of the Declaration of Trust pursuant to Article X and without affecting or impairing any of the remaining provisions of the Declaration of Trust or rendering invalid or improper any action taken or omitted prior to such determination. No Trustee shall be liable for making or failing to make such a determination. In the event of any such determination by the Board of Trustees, the Board shall amend the Declaration of Trust in the manner provided in Section 10.2.

(b) If any provision of the Declaration of Trust shall be held invalid or unenforceable in any jurisdiction, such holding shall apply only to the extent of any such invalidity or unenforceability and shall not in any manner affect, impair or render invalid or unenforceable such provision in any other jurisdiction or any other provision of the Declaration of Trust in any jurisdiction.

Section 13.4 CONSTRUCTION. In the Declaration of Trust, unless the context otherwise requires, words used in the singular or in the plural include both the plural and singular and words denoting any gender include all genders. The title and headings of different parts are inserted for convenience and shall not affect the meaning, construction or effect of the Declaration of Trust. In defining or interpreting the powers and duties of the Trust and its Trustees and officers, reference may be made by the Trustees or officers, to the extent appropriate and not inconsistent with the Code or Title 8, to Titles 1 through 3 of the Corporations and Associations Article of the Annotated Code of Maryland. In furtherance and not in limitation of the foregoing, in accordance with the provisions of Title 3, Subtitles 6 and 7, of the Corporations and Associations Article of the Annotated Code of Maryland, the Trust shall be included within the definition of "corporation" for purposes of such provisions.

Section 13.5 RECORDATION. The Declaration of Trust and any amendment hereto shall be filed for record with the SDAT and may also be filed or recorded in such other places as the Trustees deem appropriate, but failure to file for record the Declaration of Trust or any amendment hereto in any office other than in the State of Maryland shall not affect or impair the validity or effectiveness of the Declaration of Trust or any amendment hereto. A restated Declaration of Trust shall, upon filing, be conclusive evidence of all amendments contained therein and may thereafter be referred to in lieu of the original Declaration of Trust and the various amendments thereto.

IN WITNESS WHEREOF, this Declaration of Trust has been signed on this 22nd day of January, 1998 by the undersigned Trustee of the Trust, who acknowledges, that this document is his act, and that to the best of his knowledge, information, and belief, the matters and facts set forth herein are true in all material respects and that the statement is made under the penalties for perjury.

<TABLE>  
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Clay W. Hamlin, III  
Trustee  
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APPENDIX C

BYLAWS OF  
CORPORATE OFFICE PROPERTIES TRUST  
(THE "TRUST")

ARTICLE I

OFFICES

Section 1. PRINCIPAL OFFICE. The principal office of the Trust shall be located at such place or places as the Trustees may designate.

Section 2. ADDITIONAL OFFICES. The Trust may have additional offices at such places as the Board of Trustees may from time to time determine or the business of the Trust may require.



## ARTICLE II

### MEETINGS OF SHAREHOLDERS

Section 1. PLACE. All meetings of shareholders shall be held at the principal office of the Trust or at such other place within the United States as shall be stated in the notice of the meeting.

Section 2. ANNUAL MEETING. An annual meeting of the shareholders for the election of Trustees and the transaction of any business within the powers of the Trust shall be held within a reasonable period, but not less than 30 days, following delivery of the annual report, referred to in Section 12 of this Article II, but in any event within six months after the end of each full fiscal year at a convenient location and on proper notice, on a date and at the time set by the Trustees, beginning with the year 1999. Failure to hold an annual meeting does not invalidate the Trust's existence or affect any otherwise valid acts of the Trust.

Section 3. SPECIAL MEETINGS. The chairman of the board or the president or a majority of the Trustees may call special meetings of the shareholders. Special meetings of shareholders shall also be called by the secretary upon the written request of the holders of shares entitled to cast not less than a majority of all the votes entitled to be cast at such meeting. Such request shall state the purpose of such meeting and the matters proposed to be acted on at such meeting. The secretary shall inform such shareholders of the reasonably estimated cost of preparing and mailing notice of the meeting and, upon payment by such shareholders to the Trust of such costs, the secretary shall give notice to each shareholder entitled to notice of the meeting. Unless requested by shareholders entitled to cast a majority of all the votes entitled to be cast at such meeting, a special meeting need not be called to consider any matter which is substantially the same as a matter voted on at any meeting of the shareholders held during the preceding twelve months.

Section 4. NOTICE. Not less than ten nor more than 90 days before each meeting of shareholders, the secretary shall give to each shareholder entitled to vote at such meeting and to each shareholder not entitled to vote who is entitled to notice of the meeting written or printed notice stating the time and place of the meeting and, in the case of a special meeting or as otherwise may be required by any statute, the purpose for which the meeting is called, either by mail or by presenting it to such shareholder personally or by leaving it at his residence or usual place of business. If mailed, such notice shall be deemed to be given when deposited in the United States mail addressed to the shareholder at his post office address as it appears on the records of the Trust, with postage thereon prepaid.

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Section 5. SCOPE OF NOTICE. Any business of the Trust may be transacted at an annual meeting of shareholders without being specifically designated in the notice, except such business as is required by any statute to be stated in such notice. No business shall be transacted at a special meeting of shareholders except as specifically designated in the notice.

Section 6. ORGANIZATION. At every meeting of the shareholders, the Chairman of the Board, if there be one, shall conduct the meeting or, in the case of vacancy in office or absence of the Chairman of the Board, one of the following officers present shall conduct the meeting in the order stated: the Vice Chairman of the Board, if there be one, the President, the Vice Presidents in their order of rank and seniority, or a Chairman chosen by the shareholders entitled to cast a majority of the votes which all shareholders present in person or by proxy are entitled to cast, shall act as Chairman, and the Secretary, or, in his absence, an assistant secretary, or in the absence of both the Secretary and assistant secretaries, a person appointed by the Chairman shall act as Secretary.

Section 7. QUORUM. At any meeting of shareholders, the presence in person or by proxy of shareholders entitled to cast a majority of all the votes entitled to be cast at such meeting shall constitute a quorum; but this section shall not affect any requirement under any statute or the Declaration of Trust for the vote necessary for the adoption of any measure. If, however, such quorum shall not be present at any meeting of the shareholders, the shareholders entitled to vote at such meeting, present in person or by proxy, shall have the power to adjourn the meeting from time to time to a date not more than 120 days after the original record date without notice other than announcement at the meeting. At such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally notified.

Section 8. VOTING. A plurality of all the votes cast at a meeting of shareholders duly called and at which a quorum is present shall be sufficient to elect a Trustee. Each share may be voted for as many individuals as there are Trustees to be elected and for whose election the share is entitled to be voted. A majority of the votes cast at a meeting of shareholders duly called and at which a quorum is present shall be sufficient to approve any other matter which may properly come before the meeting, unless more than a majority of the votes cast is required herein or by statute or by the Declaration of Trust. Unless

otherwise provided in the Declaration of Trust, each outstanding share, regardless of class, shall be entitled to one vote on each matter submitted to a vote at a meeting of shareholders.

Section 9. PROXIES. A shareholder may cast the votes entitled to be cast by the shares owned of record by him either in person or by proxy executed in writing by the shareholder or by his duly authorized agent. Such proxy shall be filed with the secretary of the Trust before or at the time of the meeting. No proxy shall be valid after eleven months from the date of its execution, unless otherwise provided in the proxy.

Section 10. VOTING OF SHARES BY CERTAIN HOLDERS. Shares of the Trust registered in the name of a corporation, partnership, trust or other entity, if entitled to be voted, may be voted by the president or a vice president, a general partner or trustee thereof, as the case may be, or a proxy appointed by any of the foregoing individuals, unless some other person who has been appointed to vote such shares pursuant to a bylaw or a resolution of the governing board of such corporation or other entity or agreement of the partners of the partnership presents a certified copy of such bylaw, resolution or agreement, in which case such person may vote such shares. Any trustee or other fiduciary may vote shares registered in his name as such fiduciary, either in person or by proxy.

Shares of the Trust directly or indirectly owned by it shall not be voted at any meeting and shall not be counted in determining the total number of outstanding shares entitled to be voted at any given time, unless they are held by it in a fiduciary capacity, in which case they may be voted and shall be counted in determining the total number of outstanding shares at any given time.

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The Trustees may adopt by resolution a procedure by which a shareholder may certify in writing to the Trust that any shares registered in the name of the shareholder are held for the account of a specified person other than the shareholder. The resolution shall set forth the class of shareholders who may make the certification, the purpose for which the certification may be made, the form of certification and the information to be contained in it; if the certification is with respect to a record date or closing of the share transfer books, the time after the record date or closing of the share transfer books within which the certification must be received by the Trust; and any other provisions with respect to the procedure which the Trustees consider necessary or desirable. On receipt of such certification, the person specified in the certification shall be regarded as, for the purposes set forth in the certification, the shareholder of record of the specified shares in place of the shareholder who makes the certification.

Notwithstanding any other provision contained herein or in the Declaration of Trust or these Bylaws, Title 3, Subtitle 7 of the Corporations and Associations Article of the Annotated Code of Maryland (or any successor statute) shall not apply to any acquisition by any person of shares of beneficial interest of the Trust. This section may be repealed, in whole or in part, at any time, whether before or after an acquisition of control shares and, upon such repeal, may, to the extent provided by any successor bylaw, apply to any prior or subsequent control share acquisition.

Section 11. INSPECTORS. At any meeting of shareholders, the chairman of the meeting may appoint one or more persons as inspectors for such meeting. Such inspectors shall ascertain and report the number of shares represented at the meeting based upon their determination of the validity and effect of proxies, count all votes, report the results and perform such other acts as are proper to conduct the election and voting with impartiality and fairness to all the shareholders.

Each report of an inspector shall be in writing and signed by him or by a majority of them if there is more than one inspector acting at such meeting. If there is more than one inspector, the report of a majority shall be the report of the inspectors. The report of the inspector or inspectors on the number of shares represented at the meeting and the results of the voting shall be PRIMA FACIE evidence thereof.

Section 12. REPORTS TO SHAREHOLDERS.

The Trustees shall submit to the shareholders at or before the annual meeting of shareholders a report of the business and operations of the Trust during such fiscal year, containing a balance sheet and a statement of income and surplus of the Trust, accompanied by the certification of an independent certified public accountant, and such further information as the Trustees may determine is required pursuant to any law or regulation to which the Trust is subject. Within the earlier of 20 days after the annual meeting of shareholders or 120 days after the end of the fiscal year of the Trust, the Trustees shall place the annual report on file at the principal office of the Trust and with any governmental agencies as may be required by law and as the Trustees may deem appropriate.

Section 13. NOMINATIONS AND PROPOSALS BY SHAREHOLDERS.

(a) ANNUAL MEETINGS OF SHAREHOLDERS. (1) Nominations of persons for election to the Board of Trustees and the proposal of business to be considered by the shareholders may be made at an annual meeting of shareholders (i) pursuant to the Trust's notice of meeting, (ii) by or at the direction of the Trustees or (iii) by any shareholder of the Trust who was a shareholder of record both at the time of giving of notice provided for in this Section 13(a) and at the time of the annual meeting, who is entitled to vote at the meeting and who complied with the notice procedures set forth in this Section 13(a).

(2) For nominations or other business to be properly brought before an annual meeting by a shareholder pursuant to clause (iii) of paragraph (a) (1) of this Section 13, the shareholder must have given timely notice thereof in writing to the secretary of the Trust and such other business must otherwise be a proper matter for action by shareholders. To be timely, a shareholder's notice shall be delivered to the secretary at the principal executive offices of the Trust not later than the close of business on the 60th day nor earlier than the close of business on the 90th day prior to the first anniversary of the preceding year's

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annual meeting; provided, however, that in the event that the date of the annual meeting is advanced by more than 30 days or delayed by more than 60 days from such anniversary date or if the Trust has not previously held an annual meeting, notice by the shareholder to be timely must be so delivered not earlier than the close of business on the 90th day prior to such annual meeting and not later than the close of business on the later of the 60th day prior to such annual meeting or the tenth day following the day on which public announcement of the date of such meeting is first made by the Trust. In no event shall the public announcement of a postponement or adjournment of an annual meeting to a later date or time commence a new time period for the giving of a shareholder's notice as described above. Such shareholder's notice shall set forth (i) as to each person whom the shareholder proposes to nominate for election or reelection as a Trustee all information relating to such person that is required to be disclosed in solicitations of proxies for election of Trustees in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act") (including such person's written consent to being named in the proxy statement as a nominee and to serving as a Trustee if elected); (ii) as to any other business that the shareholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such shareholder and of the beneficial owner, if any, on whose behalf the proposal is made; and (iii) as to the shareholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made, (x) the name and address of such shareholder, as they appear on the Trust's books, and of such beneficial owner and (y) the number of each class of shares of the Trust which are owned beneficially and of record by such shareholder and such beneficial owner.

(3) Notwithstanding anything in the second sentence of paragraph (a) (2) of this Section 13 to the contrary, in the event that the number of Trustees to be elected to the Board of Trustees is increased and there is no public announcement by the Trust naming all of the nominees for Trustee or specifying the size of the increased Board of Trustees at least 70 days prior to the first anniversary of the preceding year's annual meeting, a shareholder's notice required by this Section 13(a) shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the secretary at the principal executive offices of the Trust not later than the close of business on the tenth day following the day on which such public announcement is first made by the Trust.

(b) SPECIAL MEETINGS OF SHAREHOLDERS. Only such business shall be conducted at a special meeting of shareholders as shall have been brought before the meeting pursuant to the Trust's notice of meeting. Nominations of persons for election to the Board of Trustees may be made at a special meeting of shareholders at which Trustees are to be elected (i) pursuant to the Trust's notice of meeting, (ii) by or at the direction of the Board of Trustees or (iii) provided that the Board of Trustees has determined that Trustees shall be elected at such special meeting, by any shareholder of the Trust who was a shareholder of record both at the time of giving of notice provided for in this Section 13(b) and at the time of the special meeting, who is entitled to vote at the meeting and who complied with the notice procedures set forth in this Section 13(b). In the event the Trust calls a special meeting of shareholders for the purpose of electing one or more Trustees to the Board of Trustees, any such shareholder may nominate a person or persons (as the case may be) for election to such position as specified in the Trust's notice of meeting, if the shareholder's notice containing the information required by paragraph (a) (2) of this Section 13 shall be delivered to the secretary at the principal executive offices of the Trust not earlier than the close of business on the 90th day prior to such special meeting and not later than the close of business on the later of the 60th day prior to such special meeting or the tenth day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Trustees to be elected at such meeting. In no event shall the public announcement of a postponement or adjournment of a special meeting to a later date or time commence a new time

period for the giving of a shareholder's notice as described above.

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(c) GENERAL. (1) Only such persons who are nominated in accordance with the procedures set forth in this Section 13 shall be eligible to serve as Trustees and only such business shall be conducted at a meeting of shareholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 13. The chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in this Section 13 and, if any proposed nomination or business is not in compliance with this Section 13, to declare that such nomination or proposal shall be disregarded.

(2) For purposes of this Section 13, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable news service or in a document publicly filed by the Trust with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(3) Notwithstanding the foregoing provisions of this Section 13, a shareholder shall also comply with all applicable requirements of state law and of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 13. Nothing in this Section 13 shall be deemed to affect any rights of shareholders to request inclusion of proposals in the Trust's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

Section 14. INFORMAL ACTION BY SHAREHOLDERS. Any action required or permitted to be taken at a meeting of shareholders may be taken without a meeting if a consent in writing, setting forth such action, is signed by each shareholder entitled to vote on the matter and any other shareholder entitled to notice of a meeting of shareholders (but not to vote thereat) has waived in writing any right to dissent from such action, and such consent and waiver are filed with the minutes of proceedings of the shareholders.

Section 15. VOTING BY BALLOT. Voting on any question or in any election may be VIVA VOCE unless the presiding officer shall order or any shareholder shall demand that voting be by ballot.

### ARTICLE III

#### TRUSTEES

Section 1. GENERAL POWERS; QUALIFICATIONS; TRUSTEES HOLDING OVER. The business and affairs of the Trust shall be managed under the direction of its Board of Trustees. A Trustee shall be an individual at least 21 years of age who is not under legal disability. In case of failure to elect Trustees at an annual meeting of the shareholders, the Trustees holding over shall continue to direct the management of the business and affairs of the Trust until their successors are elected and qualify.

Section 2. NUMBER. At any regular meeting or at any special meeting called for that purpose, a majority of the entire Board of Trustees may establish, increase or decrease the number of Trustees and may be classified into any class as provided for by the Declaration of Trust.

Section 3. ANNUAL AND REGULAR MEETINGS. An annual meeting of the Trustees shall be held immediately after and at the same place as the annual meeting of shareholders, no notice other than this Bylaw being necessary. The Trustees may provide, by resolution, the time and place, either within or without the State of Maryland, for the holding of regular meetings of the Trustees without other notice than such resolution.

Section 4. SPECIAL MEETINGS. Special meetings of the Trustees may be called by or at the request of the chairman of the board or the president or by a majority of the Trustees then in office. The person or persons authorized to call special meetings of the Trustees may fix any place, either within or without the State of Maryland, as the place for holding any special meeting of the Trustees called by them.

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Section 5. NOTICE. Notice of any special meeting shall be given by written notice delivered personally, telegraphed, facsimile-transmitted or mailed to each Trustee at his business or residence address. Personally delivered or telegraphed notices shall be given at least two days prior to the meeting. Notice by mail shall be given at least five days prior to the meeting. Telephone or facsimile-transmission notice shall be given at least 24 hours prior to the meeting. If mailed, such notice shall be deemed to be given when deposited in the United States mail properly addressed, with postage thereon prepaid. If given by telegram, such notice shall be deemed to be given when the telegram is delivered to the telegraph company. Telephone notice shall be deemed given when the Trustee is personally given such notice in a telephone call to which he is a party. Facsimile-transmission notice shall be deemed given upon completion of the transmission of the message to the number given to the Trust by the Trustee and receipt of a completed answer-back indicating receipt. Neither the business

to be transacted at, nor the purpose of, any annual, regular or special meeting of the Trustees need be stated in the notice, unless specifically required by statute or these Bylaws.

Section 6. QUORUM. A majority of the Trustees shall constitute a quorum for transaction of business at any meeting of the Trustees, provided that, if less than a majority of such Trustees are present at said meeting, a majority of the Trustees present may adjourn the meeting from time to time without further notice, and provided further that if, pursuant to the Declaration of Trust or these Bylaws, the vote of a majority of a particular group of Trustees is required for action, a quorum must also include a majority of such group.

The Trustees present at a meeting which has been duly called and convened may continue to transact business until adjournment, notwithstanding the withdrawal of enough Trustees to leave less than a quorum.

Section 7. VOTING. The action of the majority of the Trustees present at a meeting at which a quorum is present shall be the action of the Trustees, unless the concurrence of a greater proportion is required for such action by applicable statute.

Section 8. TELEPHONE MEETINGS. Trustees may participate in a meeting by means of a conference telephone or similar communications equipment if all persons participating in the meeting can hear each other at the same time. Participation in a meeting by these means shall constitute presence in person at the meeting.

Section 9. INFORMAL ACTION BY TRUSTEES. Any action required or permitted to be taken at any meeting of the Trustees may be taken without a meeting, if a consent in writing to such action is signed by each Trustee and such written consent is filed with the minutes of proceedings of the Trustees.

Section 10. VACANCIES. If for any reason any or all the Trustees cease to be Trustees, such event shall not terminate the Trust or affect these Bylaws or the powers of the remaining Trustees hereunder (even if fewer than two Trustees remain). Any vacancy (including a vacancy created by an increase in the number of Trustees) shall be filled, at any regular meeting or at any special meeting called for that purpose, by a majority of the Trustees. Any individual so elected as Trustee shall hold office for the unexpired term of the Trustee he is replacing.

Section 11. COMPENSATION; FINANCIAL ASSISTANCE.

(a) COMPENSATION. Trustees shall not receive any stated salary for their services as Trustees but, by resolution of the Trustees, may receive compensation per year and/or per meeting and/or per visit to real property owned or to be acquired by the Trust and for any service or activity they performed or engaged in as Trustees. Trustees may be reimbursed for expenses of attendance, if any, at each annual, regular or special meeting of the Trustees or of any committee thereof; and for their expenses, if any, in connection with each property visit and any other service or activity performed or engaged in as Trustees; but nothing herein contained shall be construed to preclude any Trustees from serving the Trust in any other capacity and receiving compensation therefor.

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(b) FINANCIAL ASSISTANCE TO TRUSTEES. The Trust may lend money to, guarantee an obligation of or otherwise assist a Trustee or a trustee of its direct or indirect subsidiary. The loan, guarantee or other assistance may be with or without interest, unsecured, or secured in any manner that the Board of Trustees approves, including a pledge of Shares.

Section 12. REMOVAL OF TRUSTEES. The shareholders may, at any time, remove any Trustee only in the manner provided in the Declaration of Trust.

Section 13. LOSS OF DEPOSITS. No Trustee shall be liable for any loss which may occur by reason of the failure of the bank, trust company, savings and loan association, or other institution with whom moneys or shares have been deposited.

Section 14. SURETY BONDS. Unless required by law, no Trustee shall be obligated to give any bond or surety or other security for the performance of any of his duties.

Section 15. RELIANCE. Each Trustee, officer, employee and agent of the Trust shall, in the performance of his or her duties with respect to the Trust, be fully justified and protected with regard to any act or failure to act in reliance in good faith upon the books of account or other records of the Trust, upon an opinion of counsel or upon reports made to the Trust by any of its officers or employees or by the adviser, accountants, appraisers or other experts or consultants selected by the Trustees or officers of the Trust, regardless of whether such counsel or expert may also be a Trustee.

Section 16. INTERESTED TRUSTEE TRANSACTIONS. Section 2-419 of the Maryland General Corporation Law (the "MGCL") shall be available for and apply to any

contract or other transaction between the Trust and any of its Trustees or between the Trust and any other trust, corporation, firm or other entity in which any of its Trustees is a trustee or director or has a material financial interest.

Section 17. CERTAIN RIGHTS OF TRUSTEES, OFFICERS, EMPLOYEES AND AGENTS. The Trustees shall have no responsibility to devote their full time to the affairs of the Trust. Any Trustee or officer, employee or agent of the Trust (other than a full-time officer, employee or agent of the Trust), in his personal capacity or in a capacity as an affiliate, employee, or agent of any other person, or otherwise, may have business interests and engage in business activities similar or in addition to those of or relating to the Trust.

#### ARTICLE IV

##### COMMITTEES

Section 1. NUMBER, TENURE AND QUALIFICATIONS. The Trustees may appoint from among its members an Executive Committee, an Audit Committee, a Compensation Committee and other committees, composed of one or more Trustees, to serve at the pleasure of the Trustees.

Section 2. POWERS. The Trustees may delegate to committees appointed under Section 1 of this Article any of the powers of the Trustees, except as prohibited by law.

Section 3. MEETINGS. In the absence of any member of any such committee, the members thereof present at any meeting, whether or not they constitute a quorum, may appoint another Trustee to act in the place of such absent member. Notice of committee meetings shall be given in the same manner as notice for special meetings of the Board of Trustees.

One-third, but not less than two (if there are two or more members of the committee), of the members of any committee shall be present in person at any meeting of such committee in order to constitute a quorum for the transaction of business at such meeting, and the act of a majority present shall be the act of such committee. The Board of Trustees may designate a chairman of any committee, and such chairman or any two (if there are two or more members of the committee) members of any committee may

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fix the time and place of its meetings unless the Board shall otherwise provide. In the absence or disqualification of any member of any such committee, the members thereof present at any meeting and not disqualified from voting, whether or not they constitute a quorum, may unanimously appoint another Trustee to act at the meeting in the place of such absent or disqualified members.

Each committee shall keep minutes of its proceedings and shall report the same to the Board of Trustees at the next succeeding meeting, and any action by the committee shall be subject to revision and alteration by the Board of Trustees, provided that no rights of third persons shall be affected by any such revision or alteration.

Section 4. TELEPHONE MEETINGS. Members of a committee of the Trustees may participate in a meeting by means of a conference telephone or similar communications equipment if all persons participating in the meeting can hear each other at the same time. Participation in a meeting by these means shall constitute presence in person at the meeting.

Section 5. INFORMAL ACTION BY COMMITTEES. Any action required or permitted to be taken at any meeting of a committee of the Trustees may be taken without a meeting, if a consent in writing to such action is signed by each member of the committee and such written consent is filed with the minutes of proceedings of such committee.

Section 6. VACANCIES. Subject to the provisions hereof, the Board of Trustees shall have the power at any time to change the membership of any committee, to fill all vacancies, to designate alternate members to replace any absent or disqualified member or to dissolve any such committee.

#### ARTICLE V

##### OFFICERS

Section 1. GENERAL PROVISIONS. The officers of the Trust shall include a president, a secretary and a treasurer and may include a chairman of the board, a vice chairman of the board, a chief executive officer, a chief operating officer, a chief financial officer, one or more vice presidents, one or more assistant secretaries and one or more assistant treasurers. In addition, the Trustees may from time to time appoint such other officers with such powers and duties as they shall deem necessary or desirable. The officers of the Trust shall be elected by the Trustees. Each officer shall hold office until his successor is elected and qualifies or until his death, resignation or removal in the manner hereinafter provided. Any two or more offices except president and vice president may be held by the same person. In their discretion, the Trustees

may leave unfilled any office except that of president and secretary. Election of an officer or agent shall not of itself create contract rights between the Trust and such officer or agent.

Section 2. REMOVAL AND RESIGNATION. Any officer or agent of the Trust may be removed by the Trustees if in their judgment the best interests of the Trust would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Any officer of the Trust may resign at any time by giving written notice of his resignation to the Trustees, the chairman of the board, the president or the secretary. Any resignation shall take effect at any time subsequent to the time specified therein or, if the time when it shall become effective is not specified therein, immediately upon its receipt. The acceptance of a resignation shall not be necessary to make it effective unless otherwise stated in the resignation. Such resignation shall be without prejudice to the contract rights, if any, of the Trust.

Section 3. VACANCIES. A vacancy in any office may be filled by the Trustees for the balance of the term.

Section 4. CHIEF EXECUTIVE OFFICER. The Trustees may designate a chief executive officer from among the elected officers. The chief executive officer shall have responsibility for implementation of the policies of the Trust, as determined by the Trustees, and for the administration of the business affairs of

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the Trust. In the absence of both the chairman and vice chairman of the board, the chief executive officer shall preside over the meetings of the Trustees and of the shareholders at which he shall be present.

Section 5. CHIEF OPERATING OFFICER. The Trustees may designate a chief operating officer from among the elected officers. Said officer will have the responsibilities and duties as set forth by the Trustees or the chief executive officer.

Section 6. CHIEF FINANCIAL OFFICER. The Trustees may designate a chief financial officer from among the elected officers. Said officer will have the responsibilities and duties as set forth by the Trustees or the chief executive officer.

Section 7. CHAIRMAN AND VICE CHAIRMAN OF THE BOARD. The chairman of the board shall preside over the meetings of the Trustees and of the shareholders at which he shall be present and shall in general oversee all of the business and affairs of the Trust. In the absence of the chairman of the board, the vice chairman of the board shall preside at such meetings at which he shall be present. The chairman and the vice chairman of the board may execute any deed, mortgage, bond, contract or other instrument, except in cases where the execution thereof shall be expressly delegated by the Trustees or by these Bylaws to some other officer or agent of the Trust or shall be required by law to be otherwise executed. The chairman of the board and the vice chairman of the board shall perform such other duties as may be assigned to him or them by the Trustees.

Section 8. PRESIDENT. In the absence of the chairman, the vice chairman of the board and the chief executive officer, the president shall preside over the meetings of the Trustees and of the shareholders at which he shall be present. In the absence of a designation of a chief executive officer by the Trustees, the president shall be the chief executive officer and shall be ex officio a member of all committees that may, from time to time, be constituted by the Trustees. The president may execute any deed, mortgage, bond, contract or other instrument, except in cases where the execution thereof shall be expressly delegated by the Trustees or by these Bylaws to some other officer or agent of the Trust or shall be required by law to be otherwise executed; and in general shall perform all duties incident to the office of president and such other duties as may be prescribed by the Trustees from time to time.

Section 9. VICE PRESIDENTS. In the absence of the president or in the event of a vacancy in such office, the vice president (or in the event there be more than one vice president, the vice presidents in the order designated at the time of their election or, in the absence of any designation, then in the order of their election) shall perform the duties of the president and when so acting shall have all the powers of and be subject to all the restrictions upon the president; and shall perform such other duties as from time to time may be assigned to him by the president or by the Trustees. The Trustees may designate one or more vice presidents as executive vice president or as vice president for particular areas of responsibility.

Section 10. SECRETARY. The secretary shall (a) keep the minutes of the proceedings of the shareholders, the Trustees and committees of the Trustees in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; (c) be custodian of the trust records and of the seal of the Trust; (d) keep a register of the post office address of each shareholder which shall be furnished to the secretary by such shareholder; (e) have general charge of the share transfer books of the Trust; and (f) in general perform such other duties as

from time to time may be assigned to him by the chief executive officer, the president or by the Trustees.

Section 11. TREASURER. The treasurer shall have the custody of the funds and securities of the Trust and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Trust and shall deposit all moneys and other valuable effects in the name and to the credit of the Trust in such depositories as may be designated by the Trustees.

The treasurer shall disburse the funds of the Trust as may be ordered by the Trustees, taking proper vouchers for such disbursements, and shall render to the president and Trustees, at the regular meetings of

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the Trustees or whenever they may require it, an account of all his transactions as treasurer and of the financial condition of the Trust.

If required by the Trustees, the treasurer shall give the Trust a bond in such sum and with such surety or sureties as shall be satisfactory to the Trustees for the faithful performance of the duties of his office and for the restoration to the Trust, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, moneys and other property of whatever kind in his possession or under his control belonging to the Trust.

Section 12. ASSISTANT SECRETARIES AND ASSISTANT TREASURERS. The assistant secretaries and assistant treasurers, in general, shall perform such duties as shall be assigned to them by the secretary or treasurer, respectively, or by the president or the Trustees. The assistant treasurers shall, if required by the Trustees, give bonds for the faithful performance of their duties in such sums and with such surety or sureties as shall be satisfactory to the Trustees.

Section 13. SALARIES. The salaries and other compensation of the officers shall be fixed from time to time by the Trustees and no officer shall be prevented from receiving such salary or other compensation by reason of the fact that he is also a Trustee.

#### ARTICLE VI

##### CONTRACTS, LOANS, CHECKS AND DEPOSITS

Section 1. CONTRACTS. The Trustees may authorize any officer or agent to enter into any contract or to execute and deliver any instrument in the name of and on behalf of the Trust and such authority may be general or confined to specific instances. Any agreement, deed, mortgage, lease or other document executed by one or more of the Trustees or by an authorized person shall be valid and binding upon the Trustees and upon the Trust when authorized or ratified by action of the Trustees.

Section 2. CHECKS AND DRAFTS. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Trust shall be signed by such officer or agent of the Trust in such manner as shall from time to time be determined by the Trustees.

Section 3. DEPOSITS. All funds of the Trust not otherwise employed shall be deposited from time to time to the credit of the Trust in such banks, trust companies or other depositories as the Trustees may designate.

#### ARTICLE VII

##### SHARES

Section 1. CERTIFICATES. Each shareholder shall be entitled to a certificate or certificates which shall represent and certify the number of shares of each class of beneficial interests held by him in the Trust. Each certificate shall be signed by the chief executive officer, the president or a vice president and countersigned by the secretary or an assistant secretary or the treasurer or an assistant treasurer and may be sealed with the seal, if any, of the Trust. The signatures may be either manual or facsimile. Certificates shall be consecutively numbered; and if the Trust shall, from time to time, issue several classes of shares, each class may have its own number series. A certificate is valid and may be issued whether or not an officer who signed it is still an officer when it is issued. Each certificate representing shares which are restricted as to their transferability or voting powers, which are preferred or limited as to their dividends or as to their allocable portion of the assets upon liquidation or which are redeemable at the option of the Trust, shall have a statement of such restriction, limitation, preference or redemption provision, or a

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summary thereof, plainly stated on the certificate. In lieu of such statement or summary, the Trust may set forth upon the face or back of the certificate a statement that the Trust will furnish to any shareholder, upon request and without charge, a full statement of such information.

Section 2. TRANSFERS. Certificates shall be treated as negotiable and



title thereto and to the shares they represent shall be transferred by delivery thereof to the same extent as those of a Maryland stock corporation. Upon surrender to the Trust or the transfer agent of the Trust of a share certificate duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, the Trust shall issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

The Trust shall be entitled to treat the holder of record of any share or shares as the holder in fact thereof and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of the State of Maryland.

Notwithstanding the foregoing, transfers of shares of beneficial interest of the Trust will be subject in all respects to the Declaration of Trust and all of the terms and conditions contained therein.

Section 3. REPLACEMENT CERTIFICATE. Any officer designated by the Trustees may direct a new certificate to be issued in place of any certificate previously issued by the Trust alleged to have been lost, stolen or destroyed upon the making of an affidavit of that fact by the person claiming the certificate to be lost, stolen or destroyed. When authorizing the issuance of a new certificate, an officer designated by the Trustees may, in his discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or the owner's legal representative to advertise the same in such manner as he shall require and/or to give bond, with sufficient surety, to the Trust to indemnify it against any loss or claim which may arise as a result of the issuance of a new certificate.

Section 4. CLOSING OF TRANSFER BOOKS OR FIXING OF RECORD DATE. The Trustees may set, in advance, a record date for the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders or determining shareholders entitled to receive payment of any dividend or the allotment of any other rights, or in order to make a determination of shareholders for any other proper purpose. Such date, in any case, shall not be prior to the close of business on the day the record date is fixed and shall be not more than 90 days and, in the case of a meeting of shareholders not less than ten days, before the date on which the meeting or particular action requiring such determination of shareholders of record is to be held or taken.

In lieu of fixing a record date, the Trustees may provide that the share transfer books shall be closed for a stated period but not longer than 20 days. If the share transfer books are closed for the purpose of determining shareholders entitled to notice of or to vote at a meeting of shareholders, such books shall be closed for at least ten days before the date of such meeting.

If no record date is fixed and the share transfer books are not closed for the determination of shareholders, (a) the record date for the determination of shareholders entitled to notice of or to vote at a meeting of shareholders shall be at the close of business on the day on which the notice of meeting is mailed or the 30th day before the meeting, whichever is the closer date to the meeting; and (b) the record date for the determination of shareholders entitled to receive payment of a dividend or an allotment of any other rights shall be the close of business on the day on which the resolution of the Trustees, declaring the dividend or allotment of rights, is adopted.

When a determination of shareholders entitled to vote at any meeting of shareholders has been made as provided in this section, such determination shall apply to any adjournment thereof, except when (i) the determination has been made through the closing of the transfer books and the stated period of closing has expired or (ii) the meeting is adjourned to a date more than 120 days after the record date fixed for the original meeting, in either of which case a new record date shall be determined as set forth herein.

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Section 5. STOCK LEDGER. The Trust shall maintain at its principal office or at the office of its counsel, accountants or transfer agent, an original or duplicate share ledger containing the name and address of each shareholder and the number of shares of each class held by such shareholder.

Section 6. FRACTIONAL SHARES; ISSUANCE OF UNITS. The Trustees may issue fractional shares or provide for the issuance of scrip, all on such terms and under such conditions as they may determine. Notwithstanding any other provision of the Declaration of Trust or these Bylaws, the Trustees may issue units consisting of different securities of the Trust. Any security issued in a unit shall have the same characteristics as any identical securities issued by the Trust, except that the Trustees may provide that for a specified period securities of the Trust issued in such unit may be transferred on the books of the Trust only in such unit.

ARTICLE VIII

ACCOUNTING YEAR

The Trustees shall have the power, from time to time, to fix the fiscal year of the Trust by a duly adopted resolution.

#### ARTICLE IX

##### DISTRIBUTIONS

Section 1. AUTHORIZATION. Dividends and other distributions upon the shares of beneficial interest of the Trust may be authorized and declared by the Trustees, subject to the provisions of law and the Declaration of Trust. Dividends and other distributions may be paid in cash, property or shares of the Trust, subject to the provisions of law and the Declaration of Trust.

Section 2. CONTINGENCIES. Before payment of any dividends or other distributions, there may be set aside out of any funds of the Trust available for dividends or other distributions such sum or sums as the Trustees may from time to time, in their absolute discretion, think proper as a reserve fund for contingencies, for equalizing dividends or other distributions, for repairing or maintaining any property of the Trust or for such other purpose as the Trustees shall determine to be in the best interest of the Trust, and the Trustees may modify or abolish any such reserve in the manner in which it was created.

#### ARTICLE X

##### INVESTMENT POLICY

Subject to the provisions of the Declaration of Trust, the Board of Trustees may from time to time adopt, amend, revise or terminate any policy or policies with respect to investments by the Trust as it shall deem appropriate in its sole discretion.

#### ARTICLE XI

##### SEAL

Section 1. SEAL. The Trustees may authorize the adoption of a seal by the Trust. The seal shall have inscribed thereon the name of the Trust and the year of its formation. The Trustees may authorize one or more duplicate seals and provide for the custody thereof.

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Section 2. AFFIXING SEAL. Whenever the Trust is permitted or required to affix its seal to a document, it shall be sufficient to meet the requirements of any law, rule or regulation relating to a seal to place the word "(SEAL)" adjacent to the signature of the person authorized to execute the document on behalf of the Trust.

#### ARTICLE XII

##### INDEMNIFICATION AND ADVANCE OF EXPENSES

To the maximum extent permitted by Maryland law in effect from time to time, the Trust shall indemnify (a) any Trustee, officer or shareholder or any former Trustee, officer or shareholder (including among the foregoing, for all purposes of this Article XII and without limitation, any individual who, while a Trustee, officer or shareholder and at the request of the Trust, serves or has served another real estate investment trust, corporation, partnership, joint venture, trust, employee benefit plan or any other enterprise as a trustee, director, officer, partner, employee or agent of such real estate investment trust, corporation, partnership, joint venture, trust, employee benefit plan or other enterprise) who has been successful, on the merits or otherwise, in the defense of a proceeding to which he was made a party by reason of service in such capacity, against reasonable expenses incurred by him in connection with the proceeding, (b) any Trustee or officer or any former Trustee or officer against any claim or liability to which he may become subject by reason of such status unless it is established that (i) his act or omission was material to the matter giving rise to the proceeding and was committed in bad faith or was the result of active and deliberate dishonesty, (ii) he actually received an improper personal benefit in money, property or services or (iii) in the case of a criminal proceeding, he had reasonable cause to believe that his act or omission was unlawful and (c) each shareholder or former shareholder against any claim or liability to which he may become subject by reason of such status. In addition, the Trust shall, without requiring a preliminary determination of the ultimate entitlement to indemnification, pay or reimburse, in advance of final disposition of a proceeding, reasonable expenses incurred by a Trustee, officer or shareholder or former Trustee, officer or shareholder made a party to a proceeding by reason of such status, provided that, in the case of a Trustee or officer, the Trust shall have received (i) a written affirmation by the Trustee or officer of his good faith belief that he has met the applicable standard of conduct necessary for indemnification by the Trust as authorized by these Bylaws and (ii) a written undertaking by or on his behalf to repay the amount paid or reimbursed by the Trust if it shall ultimately be determined that the applicable standard of conduct was not met. The Trust may, with the approval of its Trustees, provide such indemnification or payment or reimbursement of expenses

to any Trustee, officer or shareholder or any former Trustee, officer or shareholder who served a predecessor of the Trust and to any employee or agent of the Trust or a predecessor of the Trust. Neither the amendment nor repeal of this Article, nor the adoption or amendment of any other provision of the Declaration of Trust or these Bylaws inconsistent with this Article, shall apply to or affect in any respect the applicability of this Article with respect to any act or failure to act which occurred prior to such amendment, repeal or adoption.

Any indemnification or payment or reimbursement of the expenses permitted by these Bylaws shall be furnished in accordance with the procedures provided for indemnification or payment or reimbursement of expenses, as the case may be, under Section 2-418 of the MGCL for directors of Maryland corporations. The Trust may provide to Trustees, officers and shareholders such other and further indemnification or payment or reimbursement of expenses, as the case may be, to the fullest extent permitted by the MGCL, as in effect from time to time, for directors of Maryland corporations.

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ARTICLE XIII

WAIVER OF NOTICE

Whenever any notice is required to be given pursuant to the Declaration of Trust or Bylaws or pursuant to applicable law, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. Neither the business to be transacted at nor the purpose of any meeting need be set forth in the waiver of notice, unless specifically required by statute. The attendance of any person at any meeting shall constitute a waiver of notice of such meeting, except where such person attends a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

ARTICLE XIV

AMENDMENT OF BYLAWS

The Trustees shall have the exclusive power to adopt, alter or repeal any provision of these Bylaws and to make new Bylaws.

ARTICLE XV

MISCELLANEOUS

All references to the Declaration of Trust shall include any amendments thereto.

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APPENDIX D

CORPORATE OFFICE PROPERTIES TRUST  
1998 LONG TERM INCENTIVE PLAN

1. PURPOSES.

The purposes of the 1998 Long Term Incentive Plan are to advance the interests of Corporate Office Properties Trust and its shareholders by providing a means to attract, retain, and motivate employees and directors of the Company upon whose judgment, initiative and efforts the continued success, growth and development of the Company is dependent.

2. DEFINITIONS.

For purposes of the Plan, the following terms shall be defined as set forth below:

(a) "Affiliate" means any entity other than the Company and its Subsidiaries that is designated by the Committee as a participating employer under the Plan, provided that the Company directly or indirectly owns at least 20% of the combined voting power of all classes of stock of such entity or at least 20% of the ownership interests in such entity.

(b) "Award" means any Option or Dividend Equivalent granted to an Eligible Person under the Plan.

(c) "Award Agreement" means any written agreement, contract, or other instrument or document evidencing an Award.

(d) "Beneficiary" means the person, persons, trust or trusts which have been designated by such Eligible Person in his or her most recent written beneficiary designation filed with the Company to receive the benefits specified under this Plan upon the death of the Eligible Person, or, if there is no designated Beneficiary or surviving designated Beneficiary, then the person, persons, trust or trusts entitled by will or the laws of descent

and distribution to receive such benefits.

(e) "Board" means the Board of Directors of the Company.

(f) "Code" means the Internal Revenue Code of 1986, as amended from time to time. References to any provision of the Code shall be deemed to include successor provisions thereto and regulations thereunder.

(g) "Committee" means the Compensation Committee of the Board, or such other Board committee (which may include the entire Board), as may be designated by the Board to administer the Plan.

(h) "Company" means Corporate Office Properties Trust, a Maryland business trust, or any successor.

(i) "Director" means a member of the Board who is not an employee of the Company, a Subsidiary or an Affiliate.

(j) "Dividend Equivalent" means a right, granted under Section 5(c), to receive cash, Shares, or other property equal in value to dividends paid with respect to a specified number of Shares. Dividend Equivalents may be awarded on a free-standing basis or in connection with another Award, and may be paid currently or on a deferred basis.

(k) "Eligible Person" means (i) an employee of the Company, a Subsidiary or an Affiliate, including any director who is an employee, or (ii) a Director.

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(l) "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time. References to any provision of the Exchange Act shall be deemed to include successor provisions thereto and regulations thereunder.

(m) "Fair Market Value" means, with respect to Shares or other property, the fair market value of such Shares or other property determined by such methods or procedures as shall be established from time to time by the Committee. If the Shares are listed on any established stock exchange or a national market system, unless otherwise determined by the Committee in good faith, the Fair Market Value of Shares shall mean the mean between the high and low selling prices per Share on the immediately preceding date (or, if the Shares were not traded on that day, the next preceding day that the Shares were traded) on the principal exchange or market system on which the Shares are traded, as such prices are officially quoted on such exchange or market system.

(n) "ISO" means any Option intended to be and designated as an incentive stock option within the meaning of Section 422 of the Code.

(o) "NQSO" means any Option that is not an ISO.

(p) "Option" means a right, granted under Section 5(b), to purchase Shares.

(q) "Participant" means an Eligible Person who has been granted an Award under the Plan.

(r) "Plan" means this 1998 Long Term Incentive Plan.

(s) "Rule 16b-3" means Rule 16b-3, as from time to time in effect and applicable to the Plan and Participants, promulgated by the Securities and Exchange Commission under Section 16 of the Exchange Act.

(t) "Shares" means common shares of beneficial interest, \$.01 par value per share, of the Company.

(u) "Subsidiary" means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if each of the corporations (other than the last corporation in the unbroken chain) owns shares possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in the chain.

3. ADMINISTRATION.

(a) AUTHORITY OF THE COMMITTEE. The Plan shall be administered by the Committee, and the Committee shall have full and final authority to take the following actions, in each case subject to and consistent with the provisions of the Plan:

(i) to select Eligible Persons to whom Awards may be granted;

(ii) to designate Affiliates;

(iii) to determine the type or types of Awards to be granted to each Eligible Person;

(iv) to determine the type and number of Awards to be granted, the number of Shares to which an Award may relate, the terms and conditions of any Award granted under the Plan (including, but not limited to, any exercise price, grant price, or purchase price, and any bases for adjusting such exercise, grant or purchase price, any restriction or condition, any schedule for lapse of restrictions or conditions relating to transferability or forfeiture, exercisability, or settlement of an Award, and waiver or accelerations thereof, and waivers of performance conditions relating to an Award, based in each case on such considerations as the Committee shall determine), and all other matters to be determined in connection with an Award;

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(v) to determine whether, to what extent, and under what circumstances an Award may be settled, or the exercise price of an Award may be paid, in cash, Shares, other Awards, or other property, or an Award may be canceled, forfeited, exchanged, or surrendered;

(vi) to determine whether, to what extent, and under what circumstances cash, Shares, other Awards, or other property payable with respect to an Award will be deferred either automatically, at the election of the Committee, or at the election of the Eligible Person;

(vii) to prescribe the form of each Award Agreement, which need not be identical for each Eligible Person;

(viii) to adopt, amend, suspend, waive, and rescind such rules and regulations and appoint such agents as the Committee may deem necessary or advisable to administer the Plan;

(ix) to correct any defect or supply any omission or reconcile any inconsistency in the Plan and to construe and interpret the Plan and any Award, rules and regulations, Award Agreement, or other instrument hereunder;

(x) to accelerate the exercisability or vesting of all or any portion of any Award or to extend the period during which an Award is exercisable; and

(xi) to make all other decisions and determinations as may be required under the terms of the Plan or as the Committee may deem necessary or advisable for the administration of the Plan.

(b) MANNER OF EXERCISE OF COMMITTEE AUTHORITY. The Committee shall have sole discretion in exercising its authority under the Plan. Any action of the Committee with respect to the Plan shall be final, conclusive, and binding on all persons, including the Company, Subsidiaries, Affiliates, Eligible Persons, any person claiming any rights under the Plan from or through any Eligible Person, and shareholders. The express grant of any specific power to the Committee, and the taking of any action by the Committee, shall not be construed as limiting any power or authority of the Committee. The Committee may delegate to officers or employees of the Company or any Subsidiary or Affiliate the authority, subject to such terms as the Committee shall determine, to perform administrative functions and, with respect to Awards granted to persons not subject to Section 16 of the Exchange Act, to perform such other functions as the Committee may determine, to the extent permitted under Rule 16b-3 (if applicable) and applicable law.

(c) LIMITATION OF LIABILITY. Each member of the Committee shall be entitled to, in good faith, rely or act upon any report or other information furnished to him or her by any officer or other employee of the Company or any Subsidiary or Affiliate, the Company's independent certified public accountants, or other professional retained by the Company to assist in the administration of the Plan. No member of the Committee, nor any officer or employee of the Company acting on behalf of the Committee, shall be personally liable for any action, determination, or interpretation taken or made in good faith with respect to the Plan, and all members of the Committee and any officer or employee of the Company acting on their behalf shall, to the extent permitted by law, be fully indemnified and protected by the Company with respect to any such action, determination, or interpretation.

#### 4. SHARES SUBJECT TO THE PLAN.

(a) Subject to adjustment as provided in Section 4(c) hereof, the total number of Shares reserved for issuance in connection with Awards under the Plan shall be 10 percent of the number of issued and outstanding Shares at the time the Award is granted; provided however, that no more than 200,000 Shares shall be cumulatively available for Awards of ISOs hereunder. No Award may be granted if the number of Shares to which such Award relates, when added to the number of Shares previously issued under the Plan, exceeds the number of Shares reserved under the preceding sentence. If any Awards are forfeited, canceled, terminated, exchanged or surrendered or such Award is settled in cash or otherwise terminates without a distribution of Shares to the Participant, any Shares counted against the number of Shares reserved and available under the Plan with respect to such Award shall, to the extent of any such forfeiture,

settlement, termination, cancellation, exchange or surrender, again be available for Awards under the Plan. Upon the exercise of any Award granted in tandem with any other Awards, such related Awards shall be canceled to the extent of the number of Shares as to which the Award is exercised.

(b) Subject to adjustment as provided in Section 4(c) hereof, the maximum number of Shares with respect to which Options may be granted during a calendar year to any Eligible Person under this Plan shall be 200,000 Shares.

(c) In the event that the Committee shall determine that any dividend in Shares, recapitalization, Share split, reverse split, reorganization, merger, consolidation, spin-off, combination, repurchase, or share exchange, or other similar corporate transaction or event, affects the Shares such that an adjustment is appropriate in order to prevent dilution or enlargement of the rights of Eligible Persons under the Plan, then the Committee shall make such equitable changes or adjustments as it deems appropriate and, in such manner as it may deem equitable, adjust any or all of (i) the number and kind of shares which may thereafter be issued under the Plan, (ii) the number and kind of shares, other securities or other consideration issued or issuable in respect of outstanding Awards, and (iii) the exercise price, grant price, or purchase price relating to any Award; provided, however, in each case that, with respect to ISOs, such adjustment shall be made in accordance with Section 424(a) of the Code, unless the Committee determines otherwise.

(d) Any Shares distributed pursuant to an Award may consist, in whole or in part, of authorized and unissued Shares or treasury Shares including Shares acquired by purchase in the open market or in private transactions.

#### 5. SPECIFIC TERMS OF AWARDS.

(a) GENERAL. Awards may be granted on the terms and conditions set forth in this Section 5. In addition, the Committee may impose on any Award or the exercise thereof, at the date of grant or thereafter (subject to Section 8(d)), such additional terms and conditions, not inconsistent with the provisions of the Plan, as the Committee shall determine, including terms regarding forfeiture of Awards or continued exercisability of Awards in the event of termination of employment by the Eligible Person.

(b) OPTIONS. The Committee is authorized to grant Options, which may be NQSOs or ISOs, to Eligible Persons on the following terms and conditions:

(i) EXERCISE PRICE. The exercise price per Share purchasable under an Option shall be determined by the Committee, and the Committee may, without limitation, set an exercise price that is based upon achievement of performance criteria if deemed appropriate by the Committee.

(ii) OPTION TERM. The term of each Option shall be determined by the Committee.

(iii) TIME AND METHOD OF EXERCISE. The Committee shall determine at the date of grant or thereafter the time or times at which an Option may be exercised in whole or in part (including, without limitation, upon achievement of performance criteria if deemed appropriate by the Committee), the methods by which such exercise price may be paid or deemed to be paid (including, without limitation, broker-assisted exercise arrangements), the form of such payment (including, without limitation, cash, Shares, notes or other property), and the methods by which Shares will be delivered or deemed to be delivered to Eligible Persons.

(iv) ISOS. The terms of any ISO granted under the Plan shall comply in all respects with the provisions of Section 422 of the Code, including but not limited to the requirement that the ISO shall be granted within ten years from the earlier of the date of adoption or shareholder approval of the Plan. ISOs may only be granted to employees of the Company or a Subsidiary.

(c) DIVIDEND EQUIVALENTS. The Committee is authorized to grant Dividend Equivalents to Eligible Persons. The Committee may provide, at the date of grant or thereafter, that Dividend Equivalents shall be

paid or distributed when accrued or shall be deemed to have been reinvested in additional Shares, or other investment vehicles as the Committee may specify, provided that Dividend Equivalents (other than freestanding Dividend Equivalents) shall be subject to all conditions and restrictions of the underlying Awards to which they relate.

#### 6. CERTAIN PROVISIONS APPLICABLE TO AWARDS.

(a) STAND-ALONE, ADDITIONAL, TANDEM AND SUBSTITUTE AWARDS. Awards granted under the Plan may, in the discretion of the Committee, be granted to Eligible Persons either alone or in addition to, in tandem with, or in exchange or substitution for, any other Award granted under the Plan or any award granted under any other plan or agreement of the Company, a predecessor of the Company

or any Subsidiary or Affiliate, or any business entity to be acquired by the Company or a Subsidiary or Affiliate, or any other right of an Eligible Person to receive payment from the Company, a predecessor of the Company or any Subsidiary or Affiliate. Awards may be granted in addition to or in tandem with such other Awards or awards, and may be granted either as of the same time as or a different time from the grant of such other Awards or awards. The per Share exercise price of any Option, or purchase price of any other Award conferring a right to purchase Shares, which is granted in connection with the substitution of awards granted under any other plan or agreement of the Company, a predecessor of the Company or any Subsidiary or Affiliate or any business entity to be acquired by the Company or any Subsidiary or Affiliate shall be determined by the Committee, in its discretion.

(b) TERMS OF AWARDS. The term of each Award granted to an Eligible Person shall be for such period as may be determined by the Committee; provided, however, that in no event shall the term of any ISO exceed a period of ten years from the date of its grant (or such shorter period as may be applicable under Section 422 of the Code).

(c) FORM OF PAYMENT UNDER AWARDS. Subject to the terms of the Plan and any applicable Award Agreement, payments to be made by the Company or a Subsidiary or Affiliate upon the grant, maturation, or exercise of an Award may be made in such forms as the Committee shall determine at the date of grant or thereafter, including, without limitation, cash, Shares, notes or other property, and may be made in a single payment or transfer, in installments, or on a deferred basis. The Committee may make rules relating to installment or deferred payments with respect to Awards, including the rate of interest to be credited with respect to such payments.

(d) NONTRANSFERABILITY. Unless otherwise set forth by the Committee in an Award Agreement, Awards shall not be transferable by an Eligible Person except by will or the laws of descent and distribution (except pursuant to a Beneficiary designation) and shall be exercisable during the lifetime of an Eligible Person only by such Eligible Person or his guardian or legal representative. An Eligible Person's rights under the Plan may not be pledged, mortgaged, hypothecated, or otherwise encumbered, and shall not be subject to claims of the Eligible Person's creditors.

#### 7. CHANGE OF CONTROL PROVISIONS.

(a) ACCELERATION OF EXERCISABILITY AND LAPSE OF RESTRICTIONS; CASH-OUT OF AWARDS. Unless otherwise provided by the Committee at the time of the Award grant, all outstanding Awards pursuant to which the Participant may have rights the exercise of which is restricted or limited shall become fully exercisable at the time of a Change of Control.

(b) DEFINITIONS OF CERTAIN TERMS. For purposes of this Section 7, the following definitions, in addition to those set forth in Section 2, shall apply:

(i) "Change of Control" means and shall be deemed to have occurred if:

(a) any Person (within the meaning of the Exchange Act), other than the Company or a Permitted Person, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the

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Exchange Act), directly or indirectly, of Voting Securities representing more than 20 percent or more of the total voting power of all the then-outstanding Voting Securities; or

(b) during any period of two consecutive years, individuals who at the beginning of such period constituted the Board (together with any new directors whose election by such Board or whose nomination for election by the shareholders of the Company was approved by a vote of 66 2/3% of the directors of the Company then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board then in office;

(c) the stockholders of the Company approve a merger, consolidation, recapitalization or reorganization of the Company or a Subsidiary, reverse split of any class of Voting Securities, or an acquisition of securities or assets by the Company or a Subsidiary, or consummation of any such transaction if stockholder approval is not obtained, other than (I) any such transaction in which the holders of outstanding Voting Securities immediately prior to the transaction receive (or, in the case of a transaction involving a Subsidiary and not the Company, retain), with respect to such Voting Securities, voting securities of the surviving or transferee entity representing more than 60 percent of the total voting power outstanding immediately after such transaction, with the voting power of each such continuing holder relative to other such continuing holders not substantially altered in the transaction, or (II) any such transaction which would result in Permitted Persons beneficially owning more than 50 percent of the voting securities of the surviving entity outstanding immediately after such transaction, or (III) the

merger of Corporate Office Properties Trust, Inc. indirectly with and into the Company; or

(d) the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets other than any such transaction which would result in Permitted Persons owning or acquiring more than 50 percent of the assets owned by the Company immediately prior to the transaction.

(ii) "Permitted Person" means (a) a majority-owned subsidiary of the Company; (b) an employee or group of employees of the Company or any majority-owned subsidiary of the Company; (c) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any majority-owned subsidiary of the Company; (d) a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportion as their ownership of Voting Securities; (e) the Operating Partnership; or (f) Jay H. Shidler, Clay W. Hamlin III, Westbrook Real Estate Fund I, L.P. or Westbrook Real Estate Co. Investment Partnership I, L.P. or any corporation, partnership, trust, estate or other legal entity controlled by any of the foregoing Persons (or jointly controlled by Messrs. Shidler and Hamlin).

(iii) "Voting Securities or Security" means any securities of the Company or a Subsidiary or Affiliate which carry the right to vote generally in the election of directors.

#### 8. GENERAL PROVISIONS.

(a) COMPLIANCE WITH LEGAL AND TRADING REQUIREMENTS. The Plan, the granting and exercising of Awards thereunder, and the other obligations of the Company or a Subsidiary or Affiliate under the Plan and any Award Agreement, shall be subject to all applicable federal and state laws, rules and regulations, and to such approvals by any regulatory or governmental agency as may be required. The Company, in its discretion, may postpone the issuance or delivery of Shares under any Award until completion of such stock exchange or market system listing or registration or qualification of such Shares or other required action under any state or federal law, rule or regulation as the Company may consider appropriate, and may require any Participant to make such representations and furnish such information as it may consider appropriate in connection with the issuance or delivery of Shares in compliance with applicable laws,

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rules and regulations. No provisions of the Plan shall be interpreted or construed to obligate the Company to register any Shares under federal or state law.

(b) NO RIGHT TO CONTINUED EMPLOYMENT OR SERVICE. Neither the Plan nor any action taken thereunder shall be construed as giving any employee or director the right to be retained in the employ or service of the Company or any Subsidiary or Affiliate, nor shall it interfere in any way with the right of the Company or any Subsidiary or Affiliate to terminate any employee's or director's employment or service at any time.

(c) TAXES. The Company or any Subsidiary or Affiliate is authorized to withhold from any Award granted, any payment relating to an Award under the Plan, including from a distribution of Shares, or any payroll or other payment to an Eligible Person, amounts of withholding and other taxes due in connection with any transaction involving an Award, and to take such other action as the Committee may deem advisable to enable the Company or any Subsidiary or Affiliate and any Eligible Person to satisfy obligations for the payment of withholding taxes and other tax obligations relating to any Award. This authority shall include authority to withhold or receive Shares or other property and to make cash payments in respect thereof in satisfaction of an Eligible Person's tax obligations.

(d) CHANGES TO THE PLAN AND AWARDS. The Board may amend, alter, suspend, discontinue, or terminate the Plan without the consent of shareholders of the Company or Participants, except that any such amendment, alteration, suspension, discontinuation, or termination shall be subject to the approval of the Company's shareholders to the extent such shareholder approval is required under Section 422 of the Code; provided, however, that, without the consent of an affected Participant, no amendment, alteration, suspension, discontinuation, or termination of the Plan may materially and adversely affect the rights of such Participant under any Award theretofore granted to him or her. The Committee may waive any conditions or rights under, amend any terms of, or amend, alter, suspend, discontinue or terminate, any Award theretofore granted, prospectively or retrospectively; provided, however, that, without the consent of a Participant, no amendment, alteration, suspension, discontinuation or termination of any Award may materially and adversely affect the rights of such Participant under any Award theretofore granted to him or her.

(e) NO RIGHTS TO AWARDS; NO SHAREHOLDER RIGHTS. No Eligible Person or employee shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment of Eligible Persons and employees.



No Award shall confer on any Eligible Person any of the rights of a shareholder of the Company unless and until Shares are duly issued or transferred to the Eligible Person in accordance with the terms of the Award.

(f) UNFUNDED STATUS OF AWARDS. The Plan is intended to constitute an "unfunded" plan for incentive compensation. With respect to any payments not yet made to a Participant pursuant to an Award, nothing contained in the Plan or any Award shall give any such Participant any rights that are greater than those of a general creditor of the Company; provided, however, that the Committee may authorize the creation of trusts or make other arrangements to meet the Company's obligations under the Plan to deliver cash, Shares, other Awards, or other property pursuant to any Award, which trusts or other arrangements shall be consistent with the "unfunded" status of the Plan unless the Committee otherwise determines with the consent of each affected Participant.

(g) NONEXCLUSIVITY OF THE PLAN. Neither the adoption of the Plan by the Board nor its submission to the shareholders of the Company for approval shall be construed as creating any limitations on the power of the Board to adopt such other incentive arrangements as it may deem desirable, including, without limitation, the granting of options and other awards otherwise than under the Plan, and such arrangements may be either applicable generally or only in specific cases.

(h) NOT COMPENSATION FOR BENEFIT PLANS. No Award payable under this Plan shall be deemed salary or compensation for the purpose of computing benefits under any benefit plan or other arrangement of the Company for the benefit of its employees or directors unless the Company shall determine otherwise.

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(i) NO FRACTIONAL SHARES. No fractional Shares shall be issued or delivered pursuant to the Plan or any Award. The Committee shall determine whether cash, other Awards, or other property shall be issued or paid in lieu of such fractional Shares or whether such fractional Shares or any rights thereto shall be forfeited or otherwise eliminated.

(j) GOVERNING LAW. The validity, construction, and effect of the Plan, any rules and regulations relating to the Plan, and any Award Agreement shall be determined in accordance with the laws of the State of New York without giving effect to principles of conflict of laws.

(k) EFFECTIVE DATE; PLAN TERMINATION. The Plan shall become effective upon its approval by shareholders of the Company (the "Effective Date"). The Plan shall terminate as to future awards on the date which is ten (10) years after the Effective Date.

(l) TITLES AND HEADINGS. The titles and headings of the sections in the Plan are for convenience of reference only. In the event of any conflict, the text of the Plan, rather than such titles or headings, shall control.

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APPENDIX E

### 302A.471. RIGHTS OF DISSENTING SHAREHOLDERS

SUBDIVISION 1. ACTIONS CREATING RIGHTS. A shareholder of a corporation may dissent from, and obtain payment for the fair value of the shareholder's shares in the event of, any of the following corporate actions:

(a) An amendment of the articles that materially and adversely affects the rights or preferences of the shares of the dissenting shareholder in that it:

(1) alters or abolishes a preferential right of the shares;

(2) creates, alters, or abolishes a right in respect of the redemption of the shares, including a provision respecting a sinking fund for the redemption or repurchase of the shares;

(3) alters or abolishes a preemptive right of the holder of the shares to acquire shares, securities other than shares, or rights to purchase shares or securities other than shares;

(4) excludes or limits the right of a shareholder to vote on a matter, or to cumulate votes, except as the right may be excluded or limited through the authorization or issuance of securities of an existing or new class or series with similar or different voting rights; except that an amendment to the articles of an issuing public corporation that provides that section 302A.671 does not apply to a control share acquisition does not give rise to the right to obtain payment under this section;

(b) A sale, lease, transfer, or other disposition of all or substantially all of the property and assets of the corporation, but not including a transaction permitted without shareholder approval in section 302A.661, subdivision 1, or a disposition in dissolution described in

section 302A.725, subdivision 2, or a disposition pursuant to an order of a court, or a disposition for cash on terms requiring that all or substantially all of the net proceeds of disposition be distributed to the shareholders in accordance with their respective interests within one year after the date of disposition;

(c) A plan of merger, whether under this chapter or under chapter 322B, to which the corporation is a party, except as provided in subdivision 3;

(d) A plan of exchange, whether under this chapter or under chapter 322B, to which the corporation is a party as the corporation whose shares will be acquired by the acquiring corporation, if the shares of the shareholder are entitled to be voted on the plan; or

(e) Any other corporate action taken pursuant to a shareholder vote with respect to which the articles, the bylaws, or a resolution approved by the board directs that dissenting shareholders may obtain payment for their shares.

SUBD. 2. BENEFICIAL OWNERS. (a) A shareholder shall not assert dissenters' rights as to less than all of the shares registered in the name of the shareholder, unless the shareholder dissents with respect to all the shares that are beneficially owned by another person but registered in the name of the shareholder and discloses the name and address of each beneficial owner on whose behalf the shareholder dissents. In that event, the rights of the dissenter shall be determined as if the shares as to which the shareholder has dissented and the other shares were registered in the names of different shareholders.

(b) The beneficial owner of shares who is not the shareholder may assert dissenters' rights with respect to shares held on behalf of the beneficial owner, and shall be treated as a dissenting shareholder under the terms of this section and section 302A.473, if the beneficial owner submits to the corporation at the time of or before the assertion of the rights a written consent of the shareholder.

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SUBD. 3. RIGHTS NOT TO APPLY. (a) Unless the articles, the bylaws, or a resolution approved by the board otherwise provide, the right to obtain payment under this section does not apply to a shareholder of the surviving corporation in a merger, if the shares of the shareholder are not entitled to be voted on the merger.

(b) If a date is fixed according to section 302A.445, subdivision 1, for the determination of shareholders entitled to receive notice of and to vote on an action described in subdivision 1, only shareholders as of the date fixed, and beneficial owners as of the date fixed who hold through shareholders, as provided in subdivision 2, may exercise dissenters' rights.

SUBD. 4. OTHER RIGHTS. The shareholders of a corporation who have a right under this section to obtain payment for their shares do not have a right at law or in equity to have a corporate action described in subdivision 1 set aside or rescinded, except when the corporate action is fraudulent with regard to the complaining shareholder or the corporation.

#### 302A.473. PROCEDURES FOR ASSERTING DISSENTERS' RIGHTS

SUBDIVISION 1. DEFINITIONS. (a) For purposes of this section, the terms defined in this subdivision have the meanings given them.

(b) "Corporation" means the issuer of the shares held by a dissenter before the corporate action referred to in section 302A.471, subdivision 1 or the successor by merger of that issuer.

(c) "Fair value of the shares" means the value of the shares of a corporation immediately before the effective date of the corporate action referred to in section 302A.471, subdivision 1.

(d) "Interest" means interest commencing five days after the effective date of the corporate action referred to in section 302A.471, subdivision 1, up to and including the date of payment, calculated at the rate provided in section 549.09 for interest on verdicts and judgments.

SUBD. 2. NOTICE OF ACTION. If a corporation calls a shareholder meeting at which any action described in section 302A.471, subdivision 1 is to be voted upon, the notice of the meeting shall inform each shareholder of the right to dissent and shall include a copy of section 302A.471 and this section and a brief description of the procedure to be followed under these sections.

SUBD. 3. NOTICE OF DISSENT. If the proposed action must be approved by the shareholders, a shareholder who is entitled to dissent under section 302A.471 and who wishes to exercise dissenters' rights must file with the corporation before the vote on the proposed action a written notice of intent to demand the fair value of the shares owned by the shareholder and must not vote the shares in favor of the proposed action.

SUBD. 4. NOTICE OF PROCEDURE; DEPOSIT OF SHARES. (a) After the proposed action has been approved by the board and, if necessary, the shareholders, the corporation shall send to all shareholders who have complied with subdivision 3 and to all shareholders entitled to dissent if no shareholder vote was required, a notice that contains:

(1) The address to which a demand for payment and certificates of certificated shares must be sent in order to obtain payment and the date by which they must be received;

(2) Any restrictions on transfer of uncertificated shares that will apply after the demand for payment is received;

(3) A form to be used to certify the date on which the shareholder, or the beneficial owner on whose behalf the shareholder dissents, acquired the shares or an interest in them and to demand payment; and

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(4) A copy of section 302A.471 and this section and a brief description of the procedures to be followed under these sections.

(b) In order to receive the fair value of the shares, a dissenting shareholder must demand payment and deposit certificated shares or comply with any restrictions on transfer of uncertificated shares within 30 days after the notice required by paragraph (a) was given, but the dissenter retains all other rights of a shareholder until the proposed action takes effect.

SUBD. 5. PAYMENT; RETURN OF SHARES. (a) After the corporate action takes effect, or after the corporation receives a valid demand for payment, whichever is later, the corporation shall remit to each dissenting shareholder who has complied with subdivisions 3 and 4 the amount the corporation estimates to be the fair value of the shares, plus interest, accompanied by:

(1) The corporation's closing balance sheet and statement of income for a fiscal year ending not more than 16 months before the effective date of the corporate action, together with the latest available interim financial statements;

(2) An estimate by the corporation of the fair value of the shares and a brief description of the method used to reach the estimate; and

(3) A copy of section 302A.471 and this section, and a brief description of the procedure to be followed in demanding supplemental payment.

(b) The corporation may withhold the remittance described in paragraph (a) from a person who was not a shareholder on the date the action dissented from was first announced to the public or who is dissenting on behalf of a person who was not a beneficial owner on that date. If the dissenter has complied with subdivisions 3 and 4, the corporation shall forward to the dissenter the materials described in paragraph (a), a statement of the reason for withholding the remittance, and an offer to pay to the dissenter the amount listed in the materials if the dissenter agrees to accept that amount in full satisfaction. The dissenter may decline the offer and demand payment under subdivision 6. Failure to do so entitles the dissenter only to the amount offered. If the dissenter makes demand, subdivisions 7 and 8 apply.

(c) If the corporation fails to remit payment within 60 days of the deposit of certificates or the imposition of transfer restrictions on uncertificated shares, it shall return all deposited certificates and cancel all transfer restrictions. However, the corporation may again give notice under subdivision 4 and require deposit or restrict transfer at a later time.

SUBD. 6. SUPPLEMENTAL PAYMENT; DEMAND. If a dissenter believes that the amount remitted under subdivision 5 is less than the fair value of the shares plus interest, the dissenter may give written notice to the corporation of the dissenter's own estimate of the fair value of the shares, plus interest, within 30 days after the corporation mails the remittance under subdivision 5, and demand payment of the difference. Otherwise, a dissenter is entitled only to the amount remitted by the corporation.

SUBD. 7. PETITION; DETERMINATION. If the corporation receives a demand under subdivision 6, it shall, within 60 days after receiving the demand, either pay to the dissenter the amount demanded or agreed to by the dissenter after discussion with the corporation or file in court a petition requesting that the court determine the fair value of the shares, plus interest. The petition shall be filed in the county in which the registered office of the corporation is located, except that a surviving foreign corporation that receives a demand relating to the shares of a constituent domestic corporation shall file the petition in the county in this state in which the last registered office of the constituent corporation was located. The petition shall name as parties all dissenters who have demanded payment under subdivision 6 and who have not reached agreement with the corporation. The corporation shall, after filing the petition, serve all parties with a summons and copy of the petition under the rules of civil procedure. Nonresidents of this state may be served by registered or certified mail or by publication as provided by law. Except as otherwise

provided, the rules of civil procedure apply to this proceeding. The jurisdiction of the court is plenary and exclusive.

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The court may appoint appraisers, with powers and authorities the court deems proper, to receive evidence on and recommend the amount of the fair value of the shares. The court shall determine whether the shareholder or shareholders in question have fully complied with the requirements of this section, and shall determine the fair value of the shares, taking into account any and all factors the court finds relevant, computed by any method or combination of methods that the court, in its discretion, sees fit to use, whether or not used by the corporation or by a dissenter. The fair value of the shares as determined by the court is binding on all shareholders, wherever located. A dissenter is entitled to judgment in cash for the amount by which the fair value of the shares as determined by the court, plus interest, exceeds the amount, if any, remitted under subdivision 5, but shall not be liable to the corporation for the amount, if any, by which the amount, if any, remitted to the dissenter under subdivision 5 exceeds the fair value of the shares as determined by the court, plus interest.

SUBD. 8. COSTS; FEES; EXPENSES. (a) The court shall determine the costs and expenses of a proceeding under subdivision 7, including the reasonable expenses and compensation of any appraisers appointed by the court, and shall assess those costs and expenses against the corporation, except that the court may assess part or all of those costs and expenses against a dissenter whose action in demanding payment under subdivision 6 is found to be arbitrary, vexatious, or not in good faith.

(b) If the court finds that the corporation has failed to comply substantially with this section, the court may assess all fees and expenses of any experts or attorneys as the court deems equitable. These fees and expenses may also be assessed against a person who has acted arbitrarily, vexatiously, or not in good faith in bringing the proceeding, and may be awarded to a party injured by those actions.

(c) The court may award, in its discretion, fees and expenses to an attorney for the dissenters out of the amount awarded to the dissenters, if any.

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 20. INDEMNIFICATION OF TRUSTEES AND OFFICERS

The Maryland REIT Law permits a Maryland real estate investment trust to include in its Declaration of Trust a provision limiting the liability of its trustees and officers to the trust and its shareholders for money damages except for liability resulting from (a) actual receipt of an improper benefit or profit in money, property or services or (b) active and deliberate dishonesty established by a final judgment as being material to the cause of action. The Declaration of Trust of the Trust contains such a provision which eliminates such liability to the maximum extent permitted by the Maryland REIT Law.

The Declaration of Trust of the Trust authorizes it, to the maximum extent permitted by Maryland law, to obligate itself to indemnify and to pay or reimburse reasonable expenses in advance of final disposition of a proceeding to (a) any present or former trustee or officer or (b) any individual who, while a trustee of the Trust and at the request of the Trust, serves or has served another real estate investment trust, corporation, partnership, joint venture, trust, employee benefit plan or any other enterprise as a trustee, director, officer or partner of such real estate investment trust, corporation, partnership, joint venture, trust, employee benefit plan or other enterprise from and against any claim or liability to which such person may become subject or which such person may incur by reason of his or her status as a present or former Trustee or officer of the Trust. The Bylaws of the Trust obligate it, to the maximum extent permitted by Maryland law, to indemnify and to pay or reimburse reasonable expenses in advance of final disposition of a proceeding to (a) any present or former trustee or officer who is made a party to the proceeding by reason of his service in that capacity or (b) any individual who, while a Trustee or officer of the Trust and at the request of the Trust, serves or has served another real estate investment trust, corporation, partnership, joint venture, trust, employee benefit plan or any other enterprise as a trustee, director, officer or partner of such real estate investment trust, corporation, partnership, joint venture, trust, employee benefit plan or other enterprise and who is made a party to the proceeding by reason of his service in that capacity, against any claim or liability to which he may become subject by reason of such status. The Declaration of Trust and Bylaws also permit the Trust to indemnify and advance expenses to any person who served a predecessor of the Trust in any of the capacities described above and to any employee or agent of the Trust to indemnify a trustee or officer who has been successful, on the merits or otherwise, in the defense of any proceeding to which he is made a party by reason of his service in that capacity.

The Maryland REIT Law permits a Maryland real estate investment trust to indemnify and advance expenses to its trustees, officers, employees and agents

to the same extent as permitted by the Maryland General Corporation Law (the "MGCL") for directors and officers of Maryland corporations. The MGCL permits a corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made party by reason of their service in those or other capacities unless it is established that (a) the act or omission of the director or officer was material to the matter giving rise to the proceeding and (i) was committed in bad faith or (ii) was the result of active and deliberate dishonesty, (b) the director or officer actually received an improper personal benefit in money, property or services or (c) in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful. However, under the MGCL, a Maryland corporation may not indemnify for an adverse judgment in a suit by or in the right of the corporation or for a judgment of liability on the basis that personal benefit was improperly received, unless in either case a court orders indemnification and then only for expenses. In addition, the MGCL permits a corporation to advance reasonable expenses to a director or officer upon the corporation's receipt of (a) a written affirmation by the director or officer of his good faith belief that he has met the standard of conduct

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necessary for indemnification by the corporation and (b) a written undertaking by or on his behalf to repay the amount paid or reimbursed by the corporation if it shall ultimately be determined that the standard of conduct was not met.

The Operating Partnership Agreement provides that the Operating Partnership shall indemnify the Trust, as general partner, and each director, officer and shareholder of the Trust and each person (including any affiliate) designated as an agent by the Trust to the fullest extent permitted under the Delaware Revised Uniform Limited Partnership Act from and against any and all losses (including reasonable attorney's fees), and any other amounts arising out of or in connection with any claim, relating to or resulting (directly or indirectly) from the operations of the Operating Partnership, in which such indemnified party becomes involved, or reasonably believes it may become involved, as a result of its acting in the referred to capacity.

ITEM 21. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Exhibits

<TABLE>  
<CAPTION>  
EXHIBIT

NO.	DESCRIPTION
<C>	<S>
2.1	Agreement and Plan of Merger, dated as of January 31, 1998, between the Registrant, the Maryland Company and the Company (included as Appendix A to the Proxy Statement/Prospectus forming a part of this Registration Statement).
2.2	Formation/Contribution Agreement dated September 7, 1997, as amended, by and among the Company and certain subsidiary corporations and partnerships regarding the Transactions (filed with the Company's Current Report on Form 8-K on October 29, 1997 and incorporated herein by reference).
2.3	Agreement and Plan of Reorganization between the Company and Crown Advisors, Inc. (filed with the Company's Current Report on Form 8-K on October 29, 1997 and incorporated herein by reference).
2.4	Limited Partnership Agreement of the Operating Partnership dated October 14, 1997 (filed with the Company's Current Report on Form 8-K on October 29, 1997 and incorporated herein by reference).
2.5	Amended and Restated Partnership Agreement of Blue Bell Investment Company (filed with the Company's Current Report on Form 8-K on October 29, 1997 and incorporated herein by reference).
2.6	Amended and Restated Partnership Agreement of South Brunswick Investors, L.P. (filed with the Company's Current Report on Form 8-K on October 29, 1997 and incorporated herein by reference).
2.7	Amended and Restated Partnership Agreement of ComCourt Investors, L.P. (filed with the Company's Current Report on Form 8-K on October 29, 1997 and incorporated herein by reference).
2.8	Amended and Restated Partnership Agreement of 6385 Flank, L.P. (filed with the Company's Current Report on Form 8-K on October 29, 1997 and incorporated herein by reference).
3.1	Amended and Restated Declaration of Trust of Registrant (included as Appendix B to the Proxy Statement/Prospectus forming a part of this Registration Statement)
3.2	Bylaws of Registrant (included as Appendix C to the Proxy Statement/Prospectus forming a part of this Registration Statement).

</TABLE>

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<TABLE>  
<CAPTION>

EXHIBIT NO.	DESCRIPTION
<C>	<S>
4.1	Form of certificate for the Registrant's Common Shares of Beneficial Interest, \$0.01 par value per share.
5.1	Opinion of Cahill Gordon & Reindel regarding the legality of the securities being registered hereby.
8.1	Opinion of Cahill Gordon & Reindel as to certain tax matters.
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	Registration Rights Agreement dated October 14, 1997 for the benefit of certain shareholders of the Registrant (filed with the Company's Current Report on Form 8-K on October 29, 1997 and incorporated herein by reference).
10.3	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).
10.4	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).
10.5	Corporate Office Properties Trust 1998 Long Term Incentive Plan (included as Appendix D to the Proxy Statement/Prospectus forming a part of this Registration Statement).
10.6	Lease Agreement between Blue Bell Investment Company, L.P. and Unysis Corporation dated March 12, 1997 with respect to lot A.
10.7	Lease Agreement between Blue Bell Investment Company, L.P. and Unysis Corporation dated March 12, 1997 with respect to lot B.
10.8	Lease Agreement between Blue Bell Investment Company, L.P. and Unysis Corporation dated March 12, 1997 with respect to lot C.
10.9	Amended and Restated Lease between South Brunswick Investors, L.P. and International Business Machines Corporation dated August 11, 1995, as amended.
10.10	Agreement of Lease between South Brunswick Investors, L.P. and Teleport Communications Group Inc. dated February 20, 1996, as amended.
10.11	Agreement of Lease between South Brunswick Investors, L.P. and Teleport Communications Group Inc. dated August 19, 1996.
13.1	The Company's Annual Report on Form 10-KSB40 for the year ended December 31, 1996, as amended (other than the audited financial information of the Company set forth therein).
13.2	The Company's Quarterly Report on Form 10-QSB for the quarter ended September 30, 1997.
16.1	Letter to the Commission from Lurie, Besikof, Lapidus & Co., LLP dated November 4, 1997 (filed with Company's Current Report on Form 8-K on November 6, 1997 and incorporated herein by reference).
21	Subsidiaries of Registrant.
23.1	Consent of Cahill Gordon & Reindel (included in Exhibits 5.1 and 8.1).
23.2	Consent of Coopers & Lybrand L.L.P.
24.1	Powers of attorney (included on signature page to the Registration Statement).

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<TABLE>  
<CAPTION>  
EXHIBIT

EXHIBIT NO.	DESCRIPTION
<C>	<S>
99.1	Form of proxy to be mailed to stockholders of the Company in connection with the Mergers.

(b) Financial Statement Schedules

N/A

ITEM 22. UNDERTAKINGS

(a) The undersigned Registrant hereby undertakes as follows: that prior to any public reoffering of the securities registered hereunder through use of a prospectus which is a part of this Registration Statement, by any person or party who is deemed to be an underwriter within the meaning of rule 145(c), the issuer undertakes that such reoffering prospectus will contain the information called for by the applicable registration form with respect to reofferings by



<C>	<S>	<C>
/s/ JAY H. SHIDLER ----- (Jay H. Shidler)	Chairman of the Board and Trustee	February 5, 1998
/s/ CLAY W. HAMLIN, III ----- (Clay W. Hamlin, III)	President And Chief Executive Officer, Trustee (Principal Executive Officer)	February 5, 1998
/s/ THOMAS D. CASSEL ----- (Thomas D. Cassel)	Vice President, Finance (Principal Accounting and Financial Officer)	February 5, 1998
----- (Vernon R. Beck)	Vice Chairman of the Board and Trustee	February 5, 1998
/s/ ALLEN C. GEHRKE ----- (Allen C. Gehrke)	Trustee	February 5, 1998
/s/ KENNETH D. WETHE ----- (Kenneth D. Wethe)	Trustee	February 5, 1998
----- (William H. Walton)	Trustee	February 5, 1998
----- (Kenneth S. Sweet, Jr.)	Trustee	February 5, 1998

</TABLE>

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EXHIBIT INDEX

<TABLE>  
<CAPTION>

PAGE	EXHIBIT NO.	DESCRIPTION
NUMBER		
<C>	<S>	<C>
2.1		Agreement and Plan of Merger, dated as of January 31, 1998, between the Registrant, the Maryland Company and the Company (included as Appendix A to the Proxy Statement/Prospectus forming a part of this Registration Statement).
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3.2		Bylaws of Registrant (included as Appendix C to the Proxy Statement/Prospectus forming a part of this Registration Statement).
4.1		Form of certificate for the Registrant's Common Shares of Beneficial Interest, \$0.01 par value per share.



- 5.1 Opinion of Cahill Gordon & Reindel regarding the legality of the securities being registered hereby.
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 <TABLE>  
 <CAPTION>

PAGE  
 EXHIBIT NO. DESCRIPTION  
 NUMBER

PAGE EXHIBIT NO. NUMBER	DESCRIPTION	<C>
<C>	<S>	<C>
10.4	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).	
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24.1	Powers of attorney (included on signature page to the Registration Statement).	
99.1	Form of proxy to be mailed to stockholders of the Company in connection with the Mergers.	

</TABLE>

[Face of Certificate]

Number \*0\*

Shares \*0\*

See Reverse for  
Important Notice  
on Transfer Restrictions  
and Other Information

THIS CERTIFICATE IS TRANSFERABLE CUSIP \_\_\_\_\_  
IN THE CITIES OF \_\_\_\_\_

CORPORATE OFFICE PROPERTIES TRUST  
a Real Estate Investment Trust  
Formed Under the Laws of the State of Maryland

THIS CERTIFIES THAT \*\*Specimen\*\*

is the owner of \*Zero (0)\*\*

fully paid and nonassessable common shares of beneficial interest, \$0.01 par  
value per share, of

CORPORATE OFFICE PROPERTIES TRUST

(the "Trust"), transferable on the books of the Trust by the holder hereof in  
person or by its duly authorized attorney upon surrender of this Certificate  
properly endorsed. This Certificate and the shares represented hereby are  
issued and shall be held subject to all of the provisions of the Declaration  
of Trust and Bylaws of the Trust and any amendments thereto. This  
Certificate is not valid unless countersigned and registered by the Transfer  
Agent and Registrar.

IN WITNESS WHEREOF, the Trust has caused this Certificate to be executed on  
its behalf by its duly authorized officers.

DATED \_\_\_\_\_

Countersigned and Registered:

Transfer Agent  
and Registrar

[IMPRESSION OF  
TRUST SEAL]

\_\_\_\_\_  
President

By: \_\_\_\_\_  
Authorized Signature

\_\_\_\_\_  
Secretary

[Reverse of Certificate]

IMPORTANT NOTICE

The Trust will furnish to any shareholder, on request and without charge, a  
full statement of the information required by Section 8-203(d) of the  
Corporations and Associations Article of the Annotated Code of Maryland with  
respect to the designations and any preference, conversion and other rights,  
voting powers, restrictions, limitations as to dividends and other  
distributions, qualifications, and terms and conditions of redemption of the  
shares of each class of beneficial interest which the Trust has authority to  
issue and, if the Trust is authorized to issue any preferred or special class  
in series, (i) the differences in the relative rights and preferences between  
the shares of each series to the extent set, and (ii) the authority of the  
Board of Trustees to set such rights and preferences of subsequent series.  
The foregoing summary does not purport to be complete and is subject to and  
qualified in its entirety by reference to the Declaration of Trust of the  
Trust, a copy of which will be sent without charge to each shareholder who so  
requests. Such request must be made to the Secretary of the Trust at its  
principal office or to the Transfer Agent.

The shares represented by this Certificate are subject to restrictions on  
Beneficial Ownership, Constructive Ownership and Transfer for the purpose of  
the Trust's maintenance of its status as a real estate investment trust (a  
"REIT") under the Internal Revenue Code of 1986, as amended (the "Code").  
Subject to certain further restrictions and except as expressly provided in  
the Declaration of Trust of the Trust, (i) no Person may Beneficially Own or  
Constructively Own Common Shares of the Trust in excess of 9.8 percent (in  
value or number of shares) of the outstanding Common Shares of the Trust  
unless such Person is an Excepted Holder or a Permitted Holder (in which case  
the Excepted Holder Limit shall be applicable); (ii) no Person may  
Beneficially Own or Constructively Own Equity Shares of the Trust in excess



February 5, 1998

Corporate Office Properties Trust  
One Logan Square, Suite 1105  
Philadelphia, Pennsylvania 19103

Ladies and Gentlemen:

We have acted as counsel for Corporate Office Properties Trust (the "Trust") in connection with the Registration Statement on Form S-4 (the "Registration Statement"), filed by the Trust with the Securities and Exchange Commission (the "Commission") for registration under the Securities Act of 1933, as amended (the "Securities Act"), of common shares of beneficial interest, par value \$0.01 per share (the "Common Shares"). Capitalized terms used and not otherwise defined herein shall have the meanings ascribed to such terms in the Registration Statement.

In connection therewith, we have examined, among other things, originals or copies, certified or otherwise identified to our satisfaction, of the Declaration of Trust and Bylaws of the Trust, resolutions of the Board of Trustees of the Trust with respect to the filing of the Registration Statement and such other documents as we have deemed necessary or appropriate for the purpose of rendering this opinion.

In our examination of documents, instruments and other papers, we have assumed the genuineness of all signatures on original and certified documents and the conformity to original and certified documents of all copies submitted to us as conformed, photostatic or

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other copies. As to matters of fact, we have relied upon representations of officers of the Trust.

Based upon the foregoing examination, information supplied and assumptions, it is our opinion that the Common Shares have been duly authorized by all necessary action of the Trust and when the Common Shares have been issued and delivered in exchange for shares of Common Stock in accordance with the terms of Merger Agreement, such Common Shares will be validly issued, fully paid and non-assessable.

We are attorneys admitted to practice in the State of New York. We express no opinion concerning the laws of any jurisdiction other than the laws of the United States of America and the laws of the State of New York. With respect to matters of Maryland law, we have relied, without independent investigation, upon the opinion of Ballard Spahr Andrews & Ingersoll, a copy of which is attached hereto.

We hereby consent to the reference to our firm in the Registration Statement under the caption "Legal Matters" and to the inclusion of this opinion as an exhibit to the Registration Statement. Our consent to such reference does not constitute a consent under Section 7 of the Securities Act as in consenting to such reference we have not certified any part of the Registration Statement and do not otherwise come within the categories of persons whose consent is required under Section 7 or under the rules and regulations of the Commission thereunder.

Very truly yours,

/s/ CAHILL GORDON & REINDEL

February 5, 1998

Corporate Office Properties Trust  
One Logan Square, Suite 1105  
Philadelphia, Pennsylvania 19103

Re: Corporate Office Properties Trust  
Registration Statement on Form S-4

Ladies and Gentlemen:

We have served as Maryland counsel to Corporate Office Properties Trust, a Maryland real estate investment trust (the "Company"), in connection with certain matters of Maryland law arising out of the registration of up to 2,341,083 common shares (the "Shares") of beneficial interest, \$.01 par value per share, of the Company ("Common Shares"), to be issued by the Company in connection with the mergers (the "Mergers") of (a) Corporate Office Properties Trust, Inc., a Minnesota corporation (the "Minnesota Corporation"), with and into COPT, Inc., a Maryland corporation and a wholly-owned subsidiary of the Minnesota Corporation (the "Maryland Corporation"), and (b) the Maryland Corporation with and into the Company, both pursuant to the Agreement and Plan of Merger, dated as of January 31, 1998 (the "Merger Agreement"), by and among the Company, the Minnesota Corporation and the Maryland Corporation, as described in the above-referenced Registration Statement, under the Securities Act of 1933, as amended (the "1933 Act"). Capitalized terms used but not defined herein shall have the meanings given to them in the Registration Statement.

In connection with our representation of the Company, and as a basis for the opinion hereinafter set forth, we have examined originals, or copies certified or otherwise identified to our satisfaction, of the following documents (hereinafter collectively referred to as the "Documents"):

1. The Registration Statement in the form in which it was transmitted to the Securities and Exchange Commission (the "Commission") on February 5, 1998, including the related form

Corporate Office Properties Trust  
February 5, 1998  
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of Proxy Statement and Prospectus (the "Proxy Statement/Prospectus") included therein;

2. The Declaration of Trust of the Company, certified as of a recent date by the State Department of Assessments and Taxation of Maryland (the "SDAT");

3. The Bylaws of the Company, certified as of a recent date by its Secretary;

4. Resolutions adopted by the Board of Trustees, or a duly authorized committee thereof, of the Company relating to (i) the authorization, sale, issuance and registration of the Shares and (ii) the approval of the Merger Agreement, certified as of a recent date by the Secretary of the Company;

5. The Merger Agreement;

6. A certificate of the SDAT, as of a recent date, as to the good standing of the Company;

7. A certificate executed by an officer of the Company, dated the date hereof; and

8. Such other documents and matters as we have deemed necessary or appropriate to express the opinion set forth in this letter, subject to the assumptions, limitations and qualifications stated herein.

In expressing the opinion set forth below, we have assumed, and so far as is known to us there are no facts inconsistent with, the following:

1. Each of the parties (other than the Company) executing any of the Documents has duly and validly executed and delivered each of the Documents to which such party is a signatory, and such party's obligations set forth therein are legal, valid and binding and are enforceable in accordance with all stated terms.

2. Each individual executing any of the Documents on behalf of a party (other than the Company) is duly authorized to do so.

3. Each individual executing any of the Documents, whether on behalf of such individual or another person, is legally competent to do so.

Corporate Office Properties Trust  
February 5, 1998  
Page 3

4. All Documents submitted to us as originals are authentic. The form and content of the Documents submitted to us as unexecuted drafts do not differ in any respect relevant to this opinion from the form and content of such Documents as executed and delivered. All Documents submitted to us as certified or photostatic copies conform to the original documents. All

signatures on all such Documents are genuine. All public records reviewed or relied upon by us or on our behalf are true and complete. All statements and information contained in the Documents are true and complete. There are no oral or written modifications or amendments to the Documents, by action or omission of the parties or otherwise.

5. All shares of stock of the Minnesota Corporation issued and outstanding immediately prior to the Merger are duly authorized, validly issued, fully paid and non-assessable.

The phrase "known to us" is limited to the actual knowledge, without independent inquiry, of the lawyers at our firm who have performed legal services in connection with the issuance of this opinion.

Based upon the foregoing, and subject to the assumptions, limitations and qualifications stated herein, it is our opinion that:

1. The Company is a real estate investment trust duly formed and existing under and by virtue of the laws of the State of Maryland and is in good standing with the SDAT.

2. The Shares have been duly and validly authorized and, when and if issued in accordance with the resolutions of the Board of Trustees of the Company authorizing their issuance and with the Merger Agreement, will be duly and validly issued, fully paid and nonassessable.

The foregoing opinion is limited to the substantive laws of the State of Maryland and we do not express any opinion herein concerning any other law. We express no opinion as to compliance with the securities (or "blue sky") laws of the State of Maryland.

We assume no obligation to supplement this opinion if any applicable law changes after the date hereof or if we become aware of any fact that might change the opinion expressed herein after the date hereof.

Corporate Office Properties Trust  
February 5, 1998  
Page 4

This opinion is being furnished to you for your submission to the Commission as an exhibit to the Registration Statement and, accordingly, may not be relied upon by, quoted in any manner to, or delivered to any other person or entity (other than Cahill Gordon Reindel, counsel to the Company) without, in each instance, our prior written consent.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the use of the name of our firm in the section entitled "Legal Matters" in the Registration Statement. In giving this consent, we do not admit that we are within the category of persons whose consent is required by Section 7 of the 1933 Act.

Very truly yours,

[Letterhead of Cahill Gordon & Reindel]

February 4, 1998

(212) 701-3000

Corporate Office Properties Trust, Inc.  
One Logan Square, Suite 1105  
Philadelphia, PA 19103

Ladies and Gentlemen:

We have acted as special tax counsel to Corporate Office Properties Trust, Inc., a Minnesota corporation (the "Company"), and Corporate Office Properties Trust, a Maryland real estate investment trust ("Trust"), in connection with the Proxy Statement/Prospectus filed by them with the Securities and Exchange Commission on February 5, 1998 (the "Proxy Statement/Prospectus").\* We have been asked to provide our opinion as to certain federal income tax matters arising under the Internal Revenue Code of 1986, as amended (the "Code"), relating to the Company's and the Trust's qualification for taxation as a real estate investment trust (a "REIT") for federal income tax purposes.

\* Capitalized terms used in this letter that are not otherwise defined herein have the meanings ascribed to them in the Proxy Statement/Prospectus. References to the Company shall include the Trust following the Mergers.

The opinions set forth in this letter are based on relevant provisions of the Code, Treasury Regulations thereunder and interpretations of the foregoing as expressed in court decisions and administrative determinations as of the date hereof (or, where applicable, as in effect during earlier periods in question). These provisions and interpretations are subject to changes that might result in modifications of our opinions.

For purposes of rendering the opinions contained in this letter, we have reviewed the Proxy Statement/Prospectus and such other documents, law and facts as we have deemed necessary. In our review, we have assumed the genuineness of all signatures; the proper execution of all documents; the authenticity of all documents submitted to us as originals; the conformity to originals of all documents submitted to us as copies; and the authenticity of the originals of any copies.

These opinions also are premised on certain written representations made by the Company in a certificate dated the date hereof (the "Certificate"), the assumptions identified herein and the assumptions and representations described in the Proxy Statement/Prospectus under the heading "Federal Income Tax Considerations" (the "Tax Section"). For purposes of our opinions, we have not made an independent investigation of the matters relating to such assumptions or representations. We have relied on the representation in the Certificate that the information contained in the Certificate and the Proxy Statement/Prospectus, or otherwise furnished to us, accurately describes all material facts relevant to our opinions.

Based upon and subject to the foregoing, we are of the opinion that, for federal income tax purposes, (a) the Company has properly elected and otherwise qualified to be taxed as a REIT for the taxable years commencing on and after January 1, 1992, and ending prior to January 1, 1998, and (b) the proposed method of operation as described in the Proxy Statement/Prospectus and as represented by the Company will enable the Company to continue to satisfy the requirements for such qualification for subsequent taxable years.

We refer, however, to the discussion in the Proxy Statement/Prospectus under the heading "Federal Income Tax Considerations" regarding the possible impact of the Company's failure to make certain demands of information from its shareholders, as required by Treasury Regulations.

We express no opinion other than the opinions expressly set forth herein. Our opinions are not binding on the Internal Revenue Service (the "IRS") and the IRS may disagree with our opinions. Although we believe that our opinions would be sustained if challenged, there can be no assurance that this will be

materially and adversely different from that described above and in the Tax Section. In addition, any variation in the facts from those set forth in the Proxy Statement/Prospectus, the representations contained in the Certificate or otherwise provided to us may affect the conclusions stated in our opinions. Moreover, the Company's qualification and taxation as a REIT depend upon the Company's ability to meet, for each taxable year, various tests imposed under the Code. These include, among others, tests relating to asset composition, operating results, distribution levels and diversity of stock ownership. We will not review (and have not reviewed) the Company's compliance with these tests. Accordingly, no assurance can be given that the actual results of the Company's operations for any taxable year will satisfy (or has satisfied) the requirements for the Company to maintain its qualification as a REIT.

We hereby consent to the reference to our firm in the Proxy Statement/Prospectus under the caption "Federal Income Tax Considerations" and to the inclusion of this opinion as an exhibit to the Registration Statement of which the Proxy Statement/Prospectus forms a part. Our consent to such reference does not constitute a consent under Section 7 of the Securities Act of 1933, as amended, as in consenting to such reference we have not certified any part of such Registration Statement and do not otherwise come within the categories of persons whose consent is required under Section 7 or under the rules and regulations of the Securities and Exchange Commission thereunder.

Very truly yours,

/s/ Cahill Gordon & Reindel  
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LEASE AGREEMENT

THIS LEASE AGREEMENT (the "Lease"), is made as of March 12, 1997 between BLUE BELL INVESTMENT COMPANY, L.P., a Delaware limited partnership, whose address is c/o Clay W. Hamlin, III, The Shidler Group/Philadelphia, One Logan Square, Suite 1105, Philadelphia, Pennsylvania 19103 (the "Landlord"), and UNISYS CORPORATION, a Delaware corporation, whose address is P.O. Box 500, Township Line and Union Meeting Roads, Blue Bell, Pennsylvania 19424 (the "Tenant").

W I T N E S S E T H:

Landlord and Tenant entered into a Lease as of June 30, 1992 (the "First Lease") for Tenant's leasing of certain real estate of which the Leased Premises (defined below) are a part. Pursuant to Paragraph 17.6 of the First Lease, Landlord and Tenant are dividing the First Lease into Separate Leases (as defined in the First Lease) to replace the First Lease. This Lease is one of the Separate Leases.

In consideration of the mutual covenants and agreements contained herein, the parties, intending to be legally bound hereby, agree as follows:

ARTICLE I

DEFINITIONS

1.1 Defined Terms. For purposes of this Lease, the following terms shall have the following meanings:

"Additional Rent" shall have the meaning set forth in paragraph 3.2.

"Appraiser" shall have the meaning set forth in Subparagraph 12.2(d).

"Award" shall mean all compensation, sums, or anything of value awarded, paid or received on a total or partial Condemnation.

"Bankruptcy Code" shall have the meaning set forth in Subparagraph 13.7(g).

"Base Annual Rent" shall have the meaning set forth in Paragraph 3.1.

"Building" shall mean the building constituting a portion of the Leased Premises, which building, as of the Commencement Date consists of approximately, 532,430 rentable square feet.

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"Commencement Date" shall mean the date of this Lease.

"Condemnation" shall mean (i) any taking by the exercise of the power of eminent domain, whether by legal proceedings or otherwise, or (ii) a voluntary sale or transfer by Landlord to any condemnor, either under threat of condemnation or while legal proceedings for condemnation are pending.

"Condemnor" shall have the meaning set forth in Paragraph 12.2.

"Date of Taking" shall mean the date the condemnor has the right to possession of the property being condemned.

"Environmental Indemnity" shall mean the Environmental Indemnity Agreement of even date herewith between Landlord and Tenant and relating to the real property constituting the Leased Premises.

"Extension Periods" means the First Extension Period and the Second Extension Period.

"First Extension Period" shall have the meaning set forth in Subparagraph 2.2(b).

"Fair Market Rent" shall mean the fair market rental value determined as if the Leased Premises were available in the then rental market at the time such determination is to be made for comparable buildings in comparable metropolitan Philadelphia locations and assuming that Landlord has had a reasonable time to locate a willing tenant who rents with the knowledge of the uses to which the Leased Premises can be adapted without major structural, building systems or interior renovation, and that neither Landlord nor the prospective tenant is

under any compulsion to rent.

"Fair Market Value" shall mean the aggregate amount which would be obtainable in an arm's length transaction at the time such determination is to be made for the purchase of a fee simple title of the Leased Premises (assuming, for valuation purposes only, that the same are free and clear of all mortgage or similar liens) between an informed and willing buyer under no compulsion to buy and an informed and willing seller under no compulsion to sell.

"HVAC" shall have the meaning set forth in Subparagraph 6.1(a).

"Improvements" means the Landlord's Improvements and the Leasehold Improvements.

"Initial Lease Term" shall have the meaning set forth in Subparagraph 2.2(a).

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"Landlord's Improvements" shall mean all improvements, fixtures, equipment and other property on the Leased Premises on the Commencement Date (except for Trade Fixtures and Vendor Supplied Equipment) and all improvements, fixtures and equipment constructed on the Leased Premises at Landlord's expense during the Lease Term.

"Laws" shall mean any judicial decision, statute, constitution, ordinance, resolution, regulation, rule, administrative order or other requirement of any municipal, county, state, local, federal or other government agency or authority having jurisdiction over the parties to this Lease or the Leased Premises, or both, in effect either at the Commencement Date or any time during the Lease Term, including, without limitation, any regulation, order or policy of any quasi-official entity or body (e.g. board of fire examiners, public utilities or special district).

"Lease Term" shall mean the Initial Lease Term and, to the extent that Tenant exercises its options to extend beyond the Initial Lease Term, shall also include the First Extension Period and the Second Extension Period.

"Leased Premises" shall mean the real property described in Exhibit A hereto, including all Improvements thereon.

"Leasehold Improvements" shall mean all improvements, additions, alterations and fixtures installed on the Leased Premises at Tenant's expense after the Commencement Date at any time which are permanently attached or affixed to the Leased Premises.

"Lender" shall mean any beneficiary, mortgagee, secured party or other holder of any deed of trust, mortgage or other written security device or agreement affecting Landlord's interest in the Leased Premises and any note and other obligations secured thereby and shall also mean any lender making a loan or otherwise extending credit in connection with the purchase of the Leased Premises from Tenant.

"Less Than Substantially All" shall mean a portion of the Leased Premises that is not all or Substantially All of the Leased Premises.

"Minor Work" shall have the meaning set forth in Subparagraph 5.1(a).

"Nondisturbance and Subordination Agreement" shall have the meaning set forth in Subparagraph 17.3(b).

"Operating Expenses" shall include all expenses of any nature relating to the operation, maintenance, repair or upkeep of the Leased Premises, all of which shall be borne by Tenant, including, without limitation, those expenses referred to in Paragraphs 6.1, 6.2, 7.1 and 7.2.

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"Paragraph 12.2 Value" shall have the meaning set forth in Paragraph 12.2 hereof.

"Present Value" shall mean with respect to any amount due at a future time or times referred to in this Lease, the discounted value of such amount computed by discounting such amount by Thirty-day LIBOR as of the date of such determination.

"Prime" shall mean the interest rate quoted by Citibank, N.A, New York, New York, or its successors, as the publicly announced applicable lending rate for its most creditworthy commercial customers.

"Private Restrictions" shall mean all recorded covenants, conditions and

restrictions, agreements, other documents, reciprocal easement agreements and any unrecorded documents known to Tenant, in effect on the Commencement Date, or thereafter entered into or consented to by Tenant, or otherwise expressly permitted by this Lease, affecting the Leased Premises from time to time.

"Real Property Taxes" shall have the meaning set forth in Paragraph 8.1 hereof.

"Rent" shall mean Base Annual Rent and Additional Rent.

"Second Extension Period" shall have the meaning set forth in Subparagraph 2.2(b) hereof.

"Subdivision Plan" shall mean that certain Subdivision Plan prepared by Chambers Associates, Inc., Consulting Engineers and Surveyors, Center Square, Pennsylvania, dated September 1, 1990, last revised February 25, 1991, and recorded March 8, 1991 in Plan Book A-52 page 357.

"Substantially All" shall mean a portion of the Leased Premises (that is, less than all of the Leased Premises) which leaves remaining a balance that may not be economically operated for the purpose for which the Leased Premises was operated prior to the Condemnation in question, in Landlord's and Tenant's reasonable judgment.

"Thirty-day LIBOR" shall mean the London Interbank Offered Rate for thirty (30) days, fixed at 11 a.m. (London time), as quoted to Landlord by Citibank, N.A., New York, New York, or its successors.

"Trade Fixtures" shall mean all movable equipment, furniture, furnishings and other personal property belonging to Tenant on the Leased Premises or installed in the Leased Premises by Tenant at Tenant's expense which are not permanently attached to the Leased Premises; provided, however, that all of Tenant's signs and Tenant's equipment not necessary for the operation of the Leased Premises without regard to the particular business

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conducted thereon (i.e. systems and facilities not integral to the buildings and other improvements) shall be Trade Fixtures whether or not permanently attached or affixed to the Leased Premises.

"Trust Agreement" means the Trust Agreement of even date with this Lease among Landlord, Tenant and the United States Trust Company of New York, as trustee, as such Trust Agreement may be amended and shall include any specific successor Trust Agreement relating solely to this Lease and entered into pursuant to Paragraph IX.B of the Trust Agreement.

"Vendor Supplied Equipment" shall mean property on the Leased Premises belonging to a third party, other than Landlord or Tenant.

## ARTICLE II

### DEMISE AND ACCEPTANCE

2.1. Demise of Premises. Landlord hereby demises and leases to Tenant, and Tenant hereby leases from Landlord, the Leased Premises for the Lease Term, upon and subject to the terms and conditions of this Lease. During the Lease Term, Tenant shall have the nonexclusive right to use for vehicular access purposes the access roads through Lot A, Lot B and Lot C shown on the Subdivision Plan in common with the owners and tenants, and their respective invitees, of such Lot A, Lot B and Lot C.

#### 2.2. Term.

(a) This Lease shall be for a period commencing on the Commencement Date and ending at midnight on June 30, 2009 (the "Initial Lease Term").

(b) Provided that there exists no default by Tenant under this Lease at the time of exercise, and at the commencement of the applicable Extension Period, Tenant shall have the option to extend the Initial Lease Term for two (2) periods, the first for sixty (60) months (referred to herein as the "First Extension Period") and the second for fifty nine months (59) (the "Second Extension Period"). Tenant may exercise its option only by written notice to Landlord given (i) with respect to the First Extension Period, not later than five hundred and forty seven (547) days prior to the expiration of the Initial Lease Term, and (ii) with respect to the Second Extension Period, not less than five hundred and forty seven (547) days prior to the expiration of the First Extension Period. If Tenant elects to exercise its first option to extend, the First Extension Period shall commence on the first (1st) day

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following the expiration of the Initial Lease Term. If Tenant elects to exercise its second option to extend, the Second Extension Period shall commence on the first (1st) day following the expiration of the First Extension Period. Tenant shall not have the option to extend the Lease Term for the Second Extension Period unless Tenant have first exercised Tenant's option to extend the Lease Term for the First Extension Period. Such extensions of the Lease Term shall be upon the same terms and conditions as set forth in this Lease, except that Tenant shall not have any further rights to extend the Lease Term beyond the Second Extension Period and the Base Annual Rent under this Lease shall be increased and determined as set forth on Exhibit C.

(c) Acceptance of Premises. Tenant confirms that Tenant accepted possession of the Leased Premises in the condition existing as of the Commencement Date. Landlord makes no warranty, express or implied, as to the condition of the Leased Premises or the suitability of the Leased Premises for Tenant's use or for any other purpose. Tenant acknowledges that it has had possession of the Leased Premises prior to the date of this Lease and is fully aware of and thoroughly familiar with the condition (including, without limitation, environmental conditions) of the Leased Premises.

### ARTICLE III

#### RENT

3.1. Base Annual Rent. Commencing on the Commencement Date and continuing throughout the Lease Term, Tenant shall pay to Landlord as annual rent (the "Base Annual Rent") the amounts determined in accordance with, and during the periods indicated on Exhibit C hereto. The Base Annual Rent for each period indicated on Exhibit C shall be paid in equal quarterly installments in advance on the first day of each quarterly period. A quarterly period shall mean a period of three (3) calendar months, and the quarterly periods shall commence on April 1, 1997. Tenant has paid Base Annual Rent through March 31, 1997.

3.2. Additional Rent. Commencing on the Commencement Date and continuing throughout the Lease Term, Tenant shall pay, as additional rent, all other amounts due and payable by Tenant under this Lease (collectively, the "Additional Rent").

3.3. Payment of Rent. All Rent required to be paid in quarterly installments shall be paid in advance on the first day of each quarterly period during the Lease Term. All Rent (including Base Annual Rent and Additional Rent) shall be paid in lawful money of the United States, without any abatement, deduction or offset whatsoever, except to the extent otherwise specifically provided in Paragraph 8.5 (relating to tax contests), Paragraph 10.1 (with respect to Landlord's negligence or willful misconduct), Paragraph 11.1 (relating to failure to make insurance proceeds available to Tenant), and Paragraph 12.2 (relating to partial condemnation), and Paragraph 17.10 (relating to indemnity for brokerage fees), and

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without any prior demand therefor, to Landlord at the address for Landlord first above written or such other address or by wired funds (at Tenant's election) to Landlord's account, as Landlord may designate by written notice to Tenant from time to time (including, without limitation to a Lender, or Lenders) or as otherwise specified by the provisions of this Lease. Tenant's obligation to pay Base Annual Rent shall be prorated to account for a partial quarterly period at the commencement and the expiration or sooner termination of the Lease Term and the prorated amount for the partial period at the commencement of the Lease Term shall be due and payable on the Commencement Date. Tenant's obligation to pay Additional Rent shall be prorated at the expiration or sooner termination of the Lease Term.

3.4. Net Lease. This Lease is what is commonly called a "Triple Net Lease," it being understood that Landlord shall receive the Rent free and clear of any and all other impositions, taxes, liens, charges or expenses of any nature whatsoever in connection with the ownership, operation, maintenance (whether structural or otherwise), repair, occupancy, and use of the Leased Premises (excluding payments of any mortgage or obligations or charges for capital improvements or other matters incurred by Landlord and not required to be made by Tenant under this Lease). Except as may be otherwise specifically provided in this Paragraph, (relating to Landlord's mortgages or other obligations), Paragraph 8.5 (relating to tax contests), Paragraph 11.1 (relating to failure to make insurance proceeds available to Tenant), Paragraph 10.1 (with respect to Landlord's negligence or willful misconduct), Paragraph 12.2 (relating to partial condemnation), and Paragraph 17.10 (relating to indemnity for brokerage fees), Landlord shall not be responsible for any costs, expenses, or charges of any kind or nature respecting the Leased Premises. Landlord shall not be required to render any services of any kind to Tenant or

to the Leased Premises.

#### ARTICLE IV

##### USE OF LEASED PREMISES

4.1. Use of Premises; Compliance with Laws. Tenant shall use the Leased Premises only for the purposes permitted by Laws and in accordance with Private Restrictions. Tenant shall not use or permit any person to use the Leased Premises for any use or purpose in violation of any Laws or Private Restrictions, including, without limitation, Laws pertaining to the environmental condition of the Leased Premises. Tenant shall, at its own cost and expense, abide by and promptly observe and comply with all Laws and Private Restrictions applicable to the Leased Premises. Tenant shall not do or permit anything to be done in or on the Leased Premises which might cause damage to the Leased Premises or might place any loads upon any floor, wall or ceiling which might damage or endanger any portion of the Leased Premises. Tenant shall not operate any equipment in or on the Leased Premises in a manner which will injure the Leased Premises, which will overload existing electrical systems or mechanical equipment servicing the Leased Premises, or which will

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impair the efficient operation of the sprinkler system (if any) within the Leased Premises. Tenant shall not commit nor permit to be committed any waste upon the Leased Premises, and Tenant shall keep the Leased Premises in a condition free of any nuisances.

4.2. Insurance Requirements. Tenant shall not use the Leased Premises in any manner or for any purpose (other than the manner in which and the purposes for which the Leased Premises are used on the Commencement Date), or permit any use of the Leased Premises or any act to be committed on the Leased Premises, if any such use or act will cause a cancellation of any insurance policy covering the Leased Premises. Tenant shall not sell, keep or use, or permit to be kept, used, or sold, in or about the Leased Premises any article which may be prohibited by the standard form of fire insurance policy. Tenant shall, at its sole cost and expense, comply with all requirements of any insurance company, insurance underwriter, or Board of Fire Underwriters which are necessary to maintain the insurance coverage required under this Lease.

#### ARTICLE V

##### TRADE FIXTURES AND LEASEHOLD IMPROVEMENTS

##### 5.1. Leasehold Improvements.

(a) Except for Minor Work, Tenant shall not construct any Leasehold Improvements or otherwise alter the Leased Premises without Landlord's prior approval, and not until Landlord shall have first approved the plans and specifications therefor, which approvals shall not be unreasonably withheld, conditioned or delayed. If Landlord does not object to proposed Leasehold Improvements within fifteen (15) business days after being presented with plans and specifications therefor in accordance with this Paragraph 5.1, such proposed Leasehold Improvements shall be deemed approved. All such Leasehold Improvements and alterations (including Minor Work) and all demolition shall be performed, constructed and installed by Tenant at Tenant's expense, in substantial compliance with the approved plans and specifications therefor (if such plans and specifications are required hereunder) and in strict accordance with all Laws and Private Restrictions. All such construction and installation and demolition shall be done in a good and workmanlike manner using materials of good quality. Tenant shall not commence construction of any Leasehold Improvements or alterations or commence any demolition until (i) all required governmental approvals and permits shall have been obtained and (ii) all requirements regarding insurance imposed by this Lease shall have been satisfied. The term "Minor Work" as used herein, shall mean any construction of Leasehold Improvements not involving any structural change or substantial change in the character of the Improvements, and involving a cost of less than Two Hundred Thousand Dollars (\$200,000.00); provided that, for purposes of determining such cost, multiple construction or alteration projects shall be aggregated to the extent they are related to each other, whether undertaken simultaneously or sequentially. All Leasehold

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Improvements shall remain the property of Tenant during the Lease Term but shall not be damaged, altered or removed from the Leased Premises. If any Minor Work involves a cost of less than Fifty Thousand Dollars (\$50,000), Tenant shall neither be required to obtain Landlord's prior consent therefor nor shall Tenant be required to give any prior notice thereof to Landlord. If any Minor Work involves a cost of in excess of Fifty Thousand Dollars (\$50,000), but less than

Two Hundred Thousand Dollars (\$200,000), Tenant shall not be required to obtain Landlord's prior consent therefor but shall give Landlord ten (10) days prior written notice of its intention to commence such construction or alteration together with any then available plans and specifications. Following completion of construction or alteration of any Leasehold Improvement, Tenant shall furnish to Landlord copies of all plans, specifications or drawings prepared by Tenant in connection with such Leasehold Improvement. At the expiration or sooner termination of the Lease Term, all Leasehold Improvements shall be surrendered to Landlord as a part of the Leased Premises and shall then become Landlord's property, and Landlord shall have no obligation to reimburse Tenant for all or any portion of the value or cost thereof; provided, however, that if Landlord shall require Tenant to remove any Leasehold Improvements (not constructed or installed in accordance with Paragraph 5.1 or Paragraph 6.2), in accordance with the provisions of Paragraph 15.1, then Tenant shall so remove such Leasehold Improvements prior to the expiration or sooner termination of the Lease Term.

(b) In connection with any proposed Leasehold Improvements or other alterations or additions or work or demolition by Tenant and in addition to other conditions that may be reasonably imposed by Landlord as a condition to Landlord's approval, Tenant shall secure all necessary licenses and permits; use reasonable efforts to secure effective waivers from all persons or firms who will be furnishing labor or materials, waiving the right to file any mechanics lien against the Leased Premises or interest of Landlord or Tenant therein; cause any contractors and subcontractors to carry workmen's compensation insurance in statutory amounts and comprehensive public liability insurance in accordance with current industry practice and use reasonable efforts to obtain and deliver to Landlord certificates of all such insurance.

(c) All Leasehold Improvements, demolition, repairs, alterations, additions and improvements performed by Tenant shall be done in a good and workmanlike manner in compliance with all Laws, Private Restrictions, and the reasonable requirements of the insurers of the Leased Premises. During the performance of any such work by Tenant, Tenant shall obtain and maintain customary comprehensive general public liability, property damage, builders and all risk, workmen's compensation and other insurance covering Landlord, Tenant and each Lender whose mortgage so requires coverage. Tenant shall promptly pay for such work and shall discharge any and all liens filed against the Leased Premises arising therefrom.

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(d) Tenant shall not permit any mechanics or other liens or claims thereof to exist upon the Leased Premises or any portion thereof arising out of the acts, omissions to act, or contracts of Tenant, or anyone claiming by, through, or under Tenant or for whom Tenant is responsible. Tenant shall remove or have removed or remove or have removed by bonding over any mechanics', materialman's or other lien or claim thereof filed against the Leased Premises, any other portion thereof, or any other property owned by Landlord, by reason of work, labor, services or materials provided for or at the request of Tenant or for any contractor or subcontractor employed by Tenant, or otherwise arising out of Tenant's use of the Leased Premises and shall exonerate, protect, defend and hold free and harmless Landlord against and from any and all such claims or liens. All persons and other entities are hereby notified that the interest of Landlord in the Leased Premises shall not be subject to liens for Leasehold Improvements made by or for Tenant, and that Tenant has no right, power, or authority to subject the Leased Premises or any part thereof or Landlord's interest therein, to any mechanics', materialman's or other similar liens.

(e) Tenant, with Landlord's prior written consent which shall not be unreasonably withheld, conditioned or delayed, may, at Tenant's own risk and expense, lawfully erect or place its standard signs concerning the business of Tenant within the buildings containing the Leased Premises and/or on the exterior walls thereof and/or elsewhere on the Leased Premises, and Tenant agrees to maintain said signs in a good state of repair; to save Landlord harmless from loss, cost or damages as a result of the erection, maintenance, existence or removal of such signs; and to repair any damage which may have been caused by the erection, existence, maintenance or removal of such signs. At the end of the Lease Term, Tenant agrees to remove such signs at its expense. Landlord hereby expressly consents to all Tenant's signs on the Leased Premises on the Commencement Date.

5.2. Alterations Required by Law. Tenant shall, at its sole cost, make any alteration, addition, replacement, or change of any sort, whether structural or otherwise, to the Leased Premises that is required by any Laws.

5.3. Landlord's Improvements. All Landlord's Improvements shall become a part of the realty and belong to Landlord.

#### ARTICLE VI

#### REPAIR, MAINTENANCE AND SECURITY

6.1. Tenant's Obligation To Maintain.

(a) Tenant shall, at all times and at Tenant's sole cost and expense, clean, keep, and maintain in good order, condition, and repair the Leased Premises and every part thereof and all fixtures and Improvements therein and thereon, through regular inspections

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and servicing, and make replacements of such equipment, systems and building components as reasonably necessary throughout the Lease Term, including without limitation (i) all plumbing and sewage facilities (including all sinks, toilets, faucets and drains), including repair of leaks around ducts, pipes, vents, or other parts of the heating, ventilation and air conditioning systems ("HVAC") or plumbing system, (ii) all fixtures, interior walls, floors, ceilings, windows, doors, entrances, plate glass, showcases, and skylights, (iii) all electrical facilities and all equipment including all lighting fixtures, lamps, bulbs and tubes, fans, vents, exhaust equipment and systems, (iv) all fire extinguisher equipment, (v) any landscaping (including any necessary replanting) and irrigation systems, (vi) all parking areas (including any necessary painting, striping, patching or resurfacing), (vii) the exterior, floors and roof of all buildings contained within the Leased Premises (including any necessary painting or resurfacing of walls and any patching, resurfacing or replacement of roofs to preserve the same or to repair leaks) and (viii) all structural parts of the Improvements. All glass, both interior and exterior, is the sole responsibility of Tenant, and any broken glass shall promptly be replaced by Tenant at Tenant's expense with glass of the same kind (to the extent permitted by applicable building codes), size and quality. Tenant shall be responsible for the maintenance, repair and replacement when necessary of all HVAC equipment which serves the Leased Premises and shall keep the same in good condition through regular inspection and servicing. Tenant shall promptly remove all snow, ice, and debris from all sidewalks, curbs, parking areas and roadways located upon or adjacent to the Leased Premises. At the expiration or other termination of this Lease, Tenant will deliver the Leased Premises in good condition and repair, normal wear and tear excepted.

(b) All repairs and replacements required of Tenant hereunder shall be promptly made with materials of good quality. If the work results in a change in the character of the Improvements or affects the structural parts of the Leased Premises or if the estimated cost of any item of repair or replacement is in excess of Two Hundred Thousand Dollars (\$200,000.00), Tenant shall first obtain Landlord's written approval, which shall not be unreasonably withheld, conditioned or delayed, provided such repairs and replacements shall otherwise comply with the requirements of Article V.

(c) Tenant shall not be required to replace the roof on any of the Improvements or resurface any of the parking lots on the Leased Premises within the twelve (12) months prior to the expiration of the Lease Term, provided that Tenant shall have otherwise performed its obligations under this Paragraph 6.1.

6.2. Specific Capital Improvements and Replacements. Tenant agrees to make the capital improvements and replacements described in and at the times set forth in Exhibit B and shall not be required to obtain Landlord's consent therefor, except as provided in the next succeeding sentence. If any capital improvements or replacements to be made pursuant to this Paragraph 6.2 results in a change in the character of the Improvements or affects the structural parts of the Leased Premises, or if the estimated cost of any item of improvement

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or replacement is in excess of Two Hundred Thousand Dollars (\$200,000), Tenant shall first obtain Landlord's written approval therefor, which shall not be unreasonably withheld, conditioned or delayed. Tenant's obligations to make capital improvements and replacements pursuant to this Paragraph 6.2 shall terminate upon Tenant obtaining a BBB - or higher rating from both Moody's Investor's Services, Inc. (and its successors) and Standard and Poor's Corporation (and its successors) for Tenant's general obligation bonds or equivalent senior debt obligations and retaining that rating for twelve (12) consecutive months.

6.3. Security. Tenant shall employ and coordinate the services of reasonably skilled and responsible persons as security guards, janitors and maintenance workers, or such other staff, as may be necessary, in Tenant's reasonable judgment, for the security, protection and maintenance of the Leased Premises. Such individuals shall be under the supervision, direction and control of Tenant who shall fix their compensation and have the exclusive right to employ and terminate employment of any and all such individuals or such individuals employer; such individuals shall not be or be deemed to be the employees of Landlord for any purpose whatsoever.

ARTICLE VII

WASTE DISPOSAL AND UTILITIES

7.1. Waste Disposal. Tenant shall store its waste in accordance with all applicable Laws either inside the Building) contained within the Leased Premises or within outside trash enclosures which are designed for such purpose. All entrances to such outside trash enclosures shall be kept closed, and waste shall be stored in such manner as not to be visible from the exterior of such outside enclosures. Tenant shall cause all of its waste to be regularly removed from the Leased Premises at Tenant's sole cost. Tenant shall keep all fire corridors and mechanical equipment rooms in the Leased Premises free and clear of all obstructions at all times.

7.2. Utilities. Tenant shall promptly pay, as the same become due, all charges for water, gas, electricity, telephone, sewer service, waste pick-up, and any other utilities, materials or services furnished directly or indirectly to or used by Tenant on or about the Leased Premises during the Lease Term. Landlord, upon reasonable prior notice to Tenant, and on not more than a quarterly basis, may inspect Tenant's records of payment of utilities.

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ARTICLE VIII

REAL PROPERTY TAXES

8.1. Real Property Taxes Defined. The term "Real Property Taxes" as used in this Lease shall mean (i) all taxes, assessments, levies, and other charges of any kind or nature whatsoever, general and special, foreseen and unforeseen (including all installments of principal and interest required to pay any general or special assessments for public improvements and any increases resulting from reassessments caused by any change in ownership) now or hereafter imposed by any governmental or quasi-governmental authority or special district having the direct or indirect power to tax or levy assessments, which are levied or assessed against, or with respect to the value, occupancy or use of, all or any portion of the Leased Premises (as now constructed or as may at any time hereafter be constructed, altered, or otherwise changed) or Landlord's interest therein; any Improvements located within the Leased Premises (regardless of ownership); the fixtures, equipment and other property of Landlord, real or personal, that are an integral part of and located on the Leased Premises; or parking areas, public utilities, or energy within the Leased Premises; and (ii) all charges, levies or fees imposed by reason of environmental regulation or other governmental control of the Leased Premises. If at any time during the Lease Term the taxation or assessment of the Leased Premises prevailing as of the Commencement Date shall be altered so that in lieu of or in addition to any Real Property Taxes described above, there shall be levied, assessed or imposed (whether by reason of a change in the method of taxation or assessment, creation of a new tax or charge, or any other cause) an alternative or additional tax or charge (i) on the value, use or occupancy of the Leased Premises or Landlord's interest therein, or (ii) on or measured by the gross receipts, gross income or gross rentals from the Leased Premises, on Landlord's business of leasing the Leased Premises, or computed in any manner with respect to the operation of the Leased Premises, then any such alternate or additional tax or charge, however designated, shall be included within the meaning of the term "Real Property Taxes" for purposes of this Lease. If any Real Property Taxes are based upon property or rents unrelated to the Leased Premises, then only that part of such Real Property Taxes that is fairly allocable to the Leased Premises shall be included within the meaning of the term "Real Property Taxes." Notwithstanding the foregoing, the term "Real Property Taxes" shall not include estate, inheritance, transfer, gift or franchise taxes of Landlord or Landlord's federal, state or local income tax capital stock tax or wealth tax.

8.2. Tenant's Obligation To Pay. Landlord and Tenant agree that all bills for Real Property Taxes shall be sent directly by the appropriate government or quasi government authorities to Tenant. As Additional Rent, Tenant shall pay directly to the appropriate governmental or quasi-governmental authorities all Real Property Taxes no later than ten (10) days before such Real Property Taxes become payable with any interest or penalty for late payment. Tenant shall pay such taxes before the due date therefor and shall be responsible

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for payment of any interest or penalties with respect thereto. Concurrently with any such payment, Tenant shall supply Landlord with written evidence that all Real Property Taxes then due and payable shall have been paid in accordance with this Article. Tenant shall only be required to pay those Real Property Taxes or installments thereof which are payable with respect to periods during the Lease Term, with appropriate proration at the end of the Lease Term.

8.3. Taxes on Tenant's Leased Premises. Tenant shall pay by the due date



therefor any and all taxes, assessments, license fees, and public charges levied, assessed, or imposed against Tenant or Tenant's interest in this Lease or Trade Fixtures which become payable during the Lease Term.

8.4. Tax Segregation. The Building is separately assessed and taxed as of the Commencement Date.

8.5. Tax Contest. In the event that Tenant shall desire in good faith to contest or otherwise review by appropriate legal or administrative proceeding any Real Property Taxes, Tenant shall, no later than thirty (30) days after Tenant receives notice of the Real Property Taxes assessment Tenant desires to contest, give Landlord written notice of its intention to do so. Tenant may withhold payment of the Real Property Taxes being contested if, but only if, both (i) nonpayment is permitted during the pendency of such proceedings without the foreclosure of any tax lien or the imposition of any fine or penalty and (ii) Tenant shall obtain and furnish Landlord with a bond or other security device, and otherwise comply with the requirements of the Lenders, sufficient to protect Landlord's interest in the Leased Premises in an amount not less than one hundred percent (100%) of the amount contested. Any such contest shall be prosecuted to completion (whether or not this Lease shall have expired or terminated in the interim) and shall be conducted without delay and solely at Tenant's expense. Tenant shall indemnify, defend, and hold harmless Landlord from and against any and all expense, liability or damage resulting from such contest or other proceeding. At the request of Tenant, Landlord shall join in any contest or other proceedings which Tenant may desire to bring pursuant to this Paragraph 8.5. Tenant shall pay all of Landlord's reasonable expenses (including attorneys' fees) arising out of such joinder. Within thirty (30) days after the final determination of the amount due from Tenant with respect to the Real Property Taxes contested, Tenant shall pay the amount so determined to be due, together with all costs, expenses and interest, whether or not this Lease shall have then expired or terminated. Any recovery or refund of Real Property Taxes in accordance with this Subparagraph 8.5 shall be the property of and shall be paid to Tenant.

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#### ARTICLE IX

#### INSURANCE

9.1. Tenant's Insurance. Tenant shall, at its own expense and cost, maintain the following policies of insurance in full force and effect during the Lease Term:

(a) "All risk" insurance, including but not limited to, loss or damage occasioned by fire, the perils included in the so-called extended coverage endorsement, vandalism and malicious mischief, sprinkler leakage, collapse, explosion, earthquake, flood and water damage and containing Replacement Cost, Lease Amount and Demolition and Increased Cost due to Ordinance endorsements covering the Leased Premises and all replacements and additions thereto, and all fixtures and equipment. The foregoing coverage shall be provided in amounts sufficient to provide one hundred percent (100%) of the full replacement cost of the Leased Premises, and shall be determined from time to time, but not more frequently than once in any twenty-four (24) calendar months, at Tenant's expense, at the request of Landlord, by any appraiser selected by Tenant and approved by Landlord and the insurance carrier, which approval by Landlord shall not be unreasonably withheld, conditioned or delayed.

(b) comprehensive general liability insurance applying to the use and occupancy of the Leased Premises, or any part thereof, and the business operated by Tenant on the Leased Premises, with coverages including, but not limited to, premises operations, explosion, collapse, sprinkler leakage, and products and completed operations, blanket contractual, Broad Form property damage, and independent contractors. Such insurance shall include Broad Form Contractual liability insurance coverage insuring all of Tenant's indemnity obligations under this Lease. The general liability coverage shall have a minimum combined single limit of liability of at least One Million Dollars (\$1,000,000.00) and a general aggregate limit of One Million Dollars (\$1,000,000.00). Tenant shall carry an umbrella policy in the amount of at least twenty-five million dollars (\$25,000,000).

(c) Workers' compensation insurance in accordance with applicable Law and employers' liability insurance.

(d) Boiler and Machinery Broad Form policy covering explosion insurance in respect of steam and pressure boilers and similar apparatus, if any, located on the Leased Premises in an amount equal to one hundred percent (100%) of the full replacement cost of the Leased Premises.

(e) Such other insurance with respect to the Leased Premises as

Landlord or any Lender, from time to time may reasonably request against such insurable hazards or

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risks which at the time in question are commonly insured against in the case of property similar to, or whose use is similar to the use of, the Leased Premises.

9.2. Policies. Tenant shall furnish to Landlord on the Commencement Date and thereafter within forty five (45) days prior to the expiration of each such policy, certificates of insurance issued by the insurance carrier of each policy of insurance required under this Lease showing applicable coverages. Each certificate shall expressly provide that such policies shall not be cancellable or subject to reduction of coverage or otherwise be subject to modification except after thirty (30) days' prior written notice to the parties named as insureds herein and other certificate holders. At Landlord's request, Tenant shall deliver abstracts of such policies to Landlord and Landlord's designees holding an interest in the Leased Premises.

Landlord, Landlord's successors and assigns and any designee of Landlord holding any interest in the Leased Premises, including the holder of any fee, interest or mortgage, shall be additional named insureds under each policy of insurance maintained by Tenant, except for workers' compensation insurance. All insurance policies carried by Tenant pursuant to this Article IX shall be issued by insurance companies with a rating of "Good" or better as rated in Best's Insurance Guide. Any deductible amounts under any insurance policies required hereunder shall be subject to Landlord's prior written approval if such deductibles would exceed One Hundred Thousand Dollars (\$100,000.00) as to property hazard coverage, One Million Dollars (\$1,000,000.00) as to liability coverage, and Ten Million Dollars (\$10,000,000.00) as to earthquake. All policies shall be written to apply to property damage, personal injury and other covered loss, however occasioned, occurring during the policy term and shall be endorsed to add Landlord and any designee of Landlord having any interest in the Leased Premises as an additional insured (provided that such endorsement shall not include Landlord or its agents, employees or contractors as additional insureds for acts of negligence or willful misconduct by Landlord included within Landlord's liability under Paragraph 10.1 and excluded from Tenant's indemnity pursuant to Paragraph 10.2) and to provide that such coverage shall be primary and that any insurance maintained by Landlord shall be excess insurance only. All such insurance shall provide for severability of interest; shall provide that an act or omission of one of the named insureds shall not reduce or avoid coverage to the other named insureds; and shall afford coverage for all claims based on acts, omissions, injury and damage, which claims occurred or arose (or the onset of which occurred or arose) in whole or in part during the policy period. If Tenant shall fail to procure any insurance required under this Lease or to deliver the certificates or policies required under this Paragraph 9.2, Landlord may, at its option and in addition to Landlord's other remedies in the event of a default by Tenant hereunder, procure such insurance for the account of Tenant, and the cost thereof shall be paid to Landlord as Additional Rent on demand. Claims under all property insurance policies covering Landlord's buildings and Landlord's Improvements shall be adjusted with the insurance company or companies subject to Landlord's approval.

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9.3. Release and Waiver of Subrogation. The parties hereto release each other, and their respective authorized representatives, from any claims for injury to any persons or damage to property that are caused by or result from risks insured against under any insurance policies carried by the parties and in force at the time of such damage, but only to the extent such claims are covered by such insurance. This release shall be in effect only so long as the applicable insurance policies contain a clause to the effect that this release shall not affect the right of the insured to recover under such policies. Each party shall cause each insurance policy obtained by it to provide that the insurance company waives all rights of recovery by way of subrogation against either party in connection with any damage covered by such policy.

9.4. Landlord's Insurance Option. Landlord, at Landlord's option, and upon prior notice to Tenant, may procure, at Tenant's sole cost, the insurance required by this Article IX, or such other insurance as may be deemed necessary or desirable by Landlord, provided that the cost of such insurance to Tenant shall not exceed the cost that would have been imposed upon Tenant for insurance required under this Article IX had Tenant procured such insurance. If Landlord elects to procure such insurance, Tenant shall

be relieved of Tenant's obligation to procure such insurance under this Article IX, but Tenant shall remain obligated to pay the cost of such insurance in accordance with the requirements of this Article IX. Landlord shall provide copies of such insurance to Tenant. At any time upon at least thirty (30) days' prior notice to Tenant, Landlord may stop procuring insurance under this Paragraph 9.4, in which case Tenant shall be responsible for maintaining insurance in accordance with the requirements of this Article IX.

#### ARTICLE X

##### LIMITATION ON LANDLORD'S LIABILITY AND INDEMNITY

10.1 Limitation on Landlord's Liability. Except for loss proximately caused by Landlord or Landlord's agents', employees', or contractors' negligence or willful misconduct, Landlord shall not be liable to Tenant, nor shall Tenant be entitled to exercise any other rights or remedies, for any injury to Tenant, its agents, employees, contractors or invitees, or any other person or entity claiming, by, through, or under Tenant for damage to Tenant's property or loss to Tenant's business resulting from any cause, including, without limitation, any (i) failure or interruption of any HVAC or other utility system or service; (ii) governmental regulation, including a rationing or other control of utility services or use of the Leased Premises; or (iii) penetration of water into or onto any portion of the Leased Premises through roof leaks or otherwise.

10.2. Indemnification of Landlord. Tenant shall not do or permit any act or thing on or about the Leased Premises which may subject Landlord to any liability or responsibility

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for injury, damages to persons or property or to any liability by reason of any violation of Laws or of any legal requirement of any public authority or Private Restrictions but shall exercise such control over the Leased Premises as to fully protect Landlord against any such liability. Tenant shall hold harmless, indemnify and defend Landlord, and its employees, agents and contractors, and any other person or entity claiming by, through or under Landlord, from all liability, penalties, losses, damages, costs, expenses, causes of action, claims and/or judgments (including reasonable attorneys' fee) arising by reason of any death, bodily injury, personal injury or property damage (i) resulting from any cause or causes whatsoever (other than the negligence or willful misconduct of Landlord or Landlord's agents, employees or contractors to the extent of Landlord's liability under Paragraph 10.1) occurring in, on or about or resulting from an occurrence in, on or about the Leased Premises during the Lease Term, or (ii) resulting from the acts or omissions of Tenant, its agents, employees and contractors, (iii) resulting from any failure by Tenant to perform and observe its covenants and obligations under this Lease, or (iv) any other matter or thing arising from Tenant's occupancy or use of, or any action or omission of, Tenant, its employees, agents, contractors, invitees or visitors on, about, adjacent to, or relating to activities at, or the use of the Leased Premises. The provisions of this Article shall survive the expiration or sooner termination of this Lease.

#### ARTICLE XI

##### DAMAGE TO LEASED PREMISES

11.1. Duty To Restore. If the Leased Premises are damaged by any casualty after the Commencement Date, Tenant shall restore fully the Leased Premises to substantially the same condition that existed prior to such casualty. All insurance proceeds shall be promptly made available to Tenant for the payment of the repairs and restoration of such damage or casualty; provided that such proceeds may be made available to Tenant subject to reasonable conditions and customary construction loan disbursement procedures, including provision by Tenant of an independent architect's certification of the cost of such repair or restoration, together with plans and specifications therefor and shall be deemed made available for such repair or restoration if they are made available through and are disbursed under such reasonable conditions and customary construction loan disbursement procedures.

In the event of damage to or destruction of the Leased Premises which results in Tenant's loss of use of the Leased Premises, or a portion thereof, and the cost of repair and replacement is less than one million dollars (\$1,000,000), as shall be established by Tenant to Landlord by written notice accompanied by an independent architect's certification of cost, then if insurance proceeds are not made available to Tenant for repair and restoration within thirty (30) days from the date that any such proceeds

shall have been made available to Landlord or a Lender, and providing Tenant is not in default under the Lease, Tenant may

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abate Base Annual Rent in the same proportion as the rentable square footage rendered unusable by such damage or destruction bears to the total rentable square footage of the Leased Premises; provided that Tenant shall not be entitled to such Base Annual Rent abatement until ten (10) business days following written notice by Tenant to Landlord and any Lender identified as a named insured under the policy or policies of insurance on the Leased Premises that such proceeds have not been made available to Tenant within such thirty (30) day period and, following such notice, such proceeds are not made available to Tenant within such ten (10) day period. Base Annual Rent abatement shall continue until all such insurance proceeds are made available to Tenant.

In the event of damage to or destruction of the Leased Premises which results in Tenant's loss of use of the Leased Premises, or a portion thereof, and the cost of repair and replacement is more than one million dollars (\$1,000,000), as shall be established by Tenant to Landlord by written notice accompanied by an architect's certification of cost, then if insurance proceeds are not made available to Tenant for repair and restoration within thirty (30) days from the date that any such proceeds shall have been made available to Landlord or a Lender, and providing Tenant is not in default under the Lease, Tenant may terminate this Lease; provided that Tenant shall not be entitled to terminate this Lease until ten (10) business days following written notice by Tenant to Landlord and any Lender identified as a named insured under the policy or policies of insurance on the Leased Premises that such proceeds have not been made available to Tenant within such thirty (30) day period and, following such notice, such proceeds are not made available to Tenant within such ten (10) day period.

Unless Tenant is in default under this Lease or its not complying with Tenant's obligations under Article IX, Tenant shall not be obligated to expend any amount in excess of the amount of insurance deductibles plus insurance proceeds made available for such restoration. Upon the issuance of all necessary governmental permits, Tenant shall commence and diligently prosecute to completion the restoration of the Leased Premises, to the extent then allowed by Laws, to substantially the same condition as that existing immediately prior to such damage or destruction.

11.2. No Termination or Rent Abatement. Damage to, or destruction of all or any portion of the Leased Premises by fire or by any other cause shall not, except as provided in Paragraph 11.1, give Tenant the right to terminate this Lease nor entitle Tenant to surrender the Leased Premises, nor in any way affect Tenant's obligation to pay the Base Annual Rent or Additional Rent, and, except under certain specified, limited circumstances referred to in Paragraph 3.3, there shall be no abatement, diminution or reduction of Base Annual Rent or Additional Rent payable under this Lease for any cause whatsoever.

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## ARTICLE XII

### CONDEMNATION

12.1. Total Condemnation. If all or Substantially All of the Leased Premises are taken by Condemnation, this Lease shall terminate on the Date of Taking.

12.2. Partial Condemnation. If Less than Substantially All of the Leased Premises is taken by Condemnation, this Lease shall terminate as to the portion taken and otherwise remain in full force and effect, except that the amount of Base Annual Rent due hereunder, from time to time, shall be reduced, from and after the Date of Taking in the same proportion as the Award bears to the Fair Market Value of the Leased Premises (including the real estate subject to the Condemnation) on the Date of Taking (the "Paragraph 12.2 Value") as determined by the condemning authority (the "Condemnor") and subject to a final Award and final Paragraph 12.2 Value (after the exhaustion of all appeals if so desired by Landlord or Tenant). Landlord shall have no obligation to restore the Leased Premises, or otherwise compensate Tenant (except through such Base Annual Rent reduction), in the event of such partial Condemnation, provided that, to the extent it can be determined or established that a portion of the Award represents damages for repair and reconstruction of the remaining portion of the Leased Premises following such Condemnation received by Landlord for such

Condemnation, Landlord shall promptly make available to Tenant such portion of the Award for use by Tenant in repairing or restoring the Leased Premises.

Any portion of an Award shall be deemed made available for such repair and restoration if it is made available through and disbursed under reasonable disbursement conditions and customary construction loan disbursement procedures. If the Condemnor does not establish the Paragraph 12.2 Value, the Paragraph 12.2 Value shall be determined by agreement between Landlord and Tenant on or before thirty (30) days before the Date of Taking using, to the extent possible, the same basis and assumptions as Condemnor used in the calculation of the Award. In the absence of such agreement as to Paragraph 12.2 Value, it shall be determined as follows:

(a) Each party shall appoint an Appraiser (hereinafter defined) within ten (10) days after notice of failure to agree given by one party to the other, and shall advise the other party of such appointment. On the failure of either party so to appoint an Appraiser, and to advise the other party of such appointment, the person who has been appointed as Appraiser may appoint a second Appraiser to represent the party in default.

(b) The two (2) Appraisers appointed in either manner shall then proceed to establish the Paragraph 12.2 Value using, to the extent possible, the same basis and assumptions as the Condemnor used in the calculation of the Award. In the event of their inability to agree upon the Paragraph 12.2 Value within thirty (30) days after their appointment, then they shall appoint a third Appraiser, provided however, that if the

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difference between the amounts respectively determined by the two (2) Appraisers is not greater than an amount equal to ten percent (10%) of the higher of the two (2) amounts so determined, then the Paragraph 12.2 Value shall be the mean of such two amounts, and it shall not be necessary to appoint a third (3rd) Appraiser. In the event that a third (3rd) Appraiser is not appointed within fifteen (15) days after the expiration of the thirty (30) day period referenced to in the first sentence of this Subparagraph 12.2(b), then, in such event, the chief executive officer of the Philadelphia Chapter of the American Institute of the Appraisers shall appoint the third Appraiser.

(c) In the event a third Appraiser is appointed, such Appraiser's determination of Paragraph 12.2 Value shall be final so long as it is within the limits of the appraisals established by the Appraisers appointed by the parties pursuant to Subparagraph 12.2(a) above. If the third Appraiser's appraisal is not within such limits, the determination of Paragraph 12.2 Value made by an Appraiser appointed pursuant to Subparagraph 12.2(a) above which is the closest to that of the third Appraiser shall control.

(d) As used in this Lease, "Appraiser" shall mean an independent M.A.I. appraiser who has at least ten (10) years, experience in appraising commercial real estate in the Philadelphia, Pennsylvania area. Neither party shall be precluded from appointing an independent Appraiser whom such party had previously employed as an independent Appraiser; except that the third Appraiser, if appointed, may not have been previously employed by either party.

(e) Landlord and Tenant shall divide equally the charges of Appraisers selected under this Paragraph 12.2.

12.3. Temporary Taking. If all or Substantially All of the Leased Premises is temporarily taken by Condemnation for a period which either exceeds one (1) year or which extends beyond the expiration of the Leased Term, then Landlord and Tenant shall each independently have the option to terminate this Lease, effective on the date possession is taken by the Condemnor.

12.4. Division of Condemnation Awards. Any Awards made as a result of any Condemnation of the Leased Premises shall belong to and be paid to Landlord, and Tenant hereby assigns to Landlord all of its right, title and interest in any such Award; provided, however, that Tenant shall be entitled to receive any Award that is made expressly (i) for the taking of Trade Fixtures, (ii) for the interruption of Tenant's business or its moving costs, (iii) for any temporary taking where this Lease is not terminated as a result of such taking and/or (iv) as provided in Paragraph 12.2 regarding damages for repair and reconstruction of the remaining portion of the Leased Premises following such Condemnation. the rights of Landlord and Tenant regarding any Condemnation shall be determined as provided in this Article, and each party hereby waives the provisions of any Laws allowing either party to

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petition a court to terminate this Lease in the event of a partial taking of the Leased Premises.

12.5. Other Condemnation Provisions. If this Lease is not terminated pursuant to Article XII, Tenant shall repair any damage caused by such condemnation so as to restore the remaining portion of the Leased Premises as nearly as practicable to the condition thereof immediately prior to such Condemnation to the extent that Tenant receives an Award resulting from the Condemnation sufficient to make such repair and restoration.

ARTICLE XIII

DEFAULT AND REMEDIES

13.1. Events of Default. Tenant shall be in default of its obligations under this Lease if any of the following events shall occur:

(a) Tenant shall have failed to pay Base Annual Rent or Additional Rent on the dates due under this Lease; provided that (i) Landlord shall give Tenant notice of such failure and fifteen (15) days to cure such failure and (ii) following such fifteen (15) day period if Tenant shall still have failed to pay such Base Annual Rent or Additional Rent, Landlord shall give Tenant a second notice of such failure and an additional fifteen (15) days to cure such failure before Tenant shall be in default hereunder; or

(b) Tenant shall have failed to perform (i) any term, covenant, or condition of this Lease except those requiring the payment of Base Annual Rent or Additional Rent or (ii) any term, covenant or condition of the Environmental Indemnity, and, in the case of either (i) or (ii) of this Subparagraph 13.1(b), Tenant shall have failed to cure such failure within thirty (30) days after written notice from Landlord specifying the nature of such breach; provided that if any such breach cannot reasonably be cured within such thirty (30) day period then Tenant shall have a reasonable period to cure such breach, so long as Tenant commences to cure the breach within such thirty (30) day period and thereafter diligently, in good faith and using reasonable efforts, pursues such cure to completion, except that Tenant shall not under any circumstances have more than thirty (30) days following such written notice to cure any monetary default under the Environmental Indemnity; or

(c) Tenant shall have made a general assignment of its assets for the benefit of its creditors; or

(d) Tenant shall have assigned its interest in this Lease in violation of the provisions contained in Article XIV, whether voluntarily or by operation of law; or

(e) Tenant shall have permitted the sequestration or attachment of, or execution on, or the appointment of a custodian or receiver with respect to, all or substantially all of the property of Tenant and Tenant shall have failed to obtain a return or release of such property within thirty (30) days thereafter, or prior to sale pursuant to such sequestration, attachment or levy, whichever is earlier; or

(f) A court shall have made or entered any decree or order with respect to Tenant or Tenant shall have submitted to or sought a decree or order (or a petition or pleading shall have been filed in connection therewith) which: (i) grants or constitutes (or seeks) an order for relief, appointment of a trustee, or confirmation of a reorganization plan under the bankruptcy laws of the United States; (ii) approves as properly filed (or seeks such approval of) a petition seeking liquidation or reorganization under said bankruptcy laws or any other debtor's relief law or statute of the United States or any state thereof; or (iii) otherwise directs (or seeks) the winding up or liquidation of Tenant; and such petition, decree or order shall have continued in effect for a period of thirty (30) or more days.

(g) So long as the Landlord under this Lease and under the Lease of even date herewith between Landlord and Tenant with respect to Lot B shown on the Subdivision Plan (the "Lot B Lease") are the same entity or person, Tenant under the Lot B Lease shall have defaulted under the Lot B Lease.

(h) So long as the Landlord under this Lease and under the Lease of even date herewith between Landlord and Tenant with respect to Lot C shown on the Subdivision Plan (the "Lot C Lease") are the same entity or person, Tenant under the Lot C Lease shall have defaulted under the Lot C Lease.

13.2. Landlord's Remedies. In the event of any default by Tenant, Landlord shall have the following remedies, in addition to all other rights and remedies provided by any Laws or otherwise provided in this Lease, or otherwise available to Landlord, to which Landlord may resort cumulatively, or in the alternative:

(a) Landlord may, at Landlord's option, terminate this Lease, by written notice of termination specifying the date of termination of this Lease on which date this Lease shall terminate, and take and retain possession of the Leased Premises by any means legally available to Landlord, including summary dispossess proceedings. To the extent required by applicable Laws, Landlord shall attempt to relet all or any part of the Leased Premises in any manner, for any term, for such rent and upon terms reasonably satisfactory to Landlord, and if applicable Laws do not require Landlord to attempt to so relet, Landlord shall use commercially reasonable efforts, accepted in the industrial/commercial real estate industry in the suburban counties contiguous to Philadelphia, Pennsylvania, for real estate of the type and condition of the Leased Premises, to relet all or any part of the Leased Premises in any manner, for any term, for such rent and upon terms reasonably acceptable to

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Landlord. Landlord may make any repairs, changes, additions or alterations in or to the Leased Premises that may be necessary for such reletting, taking into account the character and then current use of the Leased Premises. If the Leased Premises are relet, Tenant shall be liable to Landlord for the Present Value (determined at the time of Landlord's demand) of the difference between the amount of Base Annual Rent, Additional Rent, and all other amounts payable hereunder and the net proceeds of any such reletting (net of all reasonable expenses, including without limitation, repairs or construction costs and leasing commissions relating to such reletting), and Tenant shall pay to Landlord the Present Value of such difference immediately upon demand by Landlord. Any termination under this Subparagraph 13.2(a) shall not relieve Tenant from the payment of any sums then due Landlord or from any claim against Tenant for damages or Rent accrued and then accruing. In no event shall any act or omission by Landlord, in the absence of a written election by Landlord to terminate this Lease, constitute a termination of this Lease, including, without limitation:

(i) Appointment of a receiver or keeper in order to protect Landlord's interest hereunder;

(ii) Consent or refusal to consent to any assignment of this Lease by Tenant, whether pursuant to the provisions hereof or otherwise; or

(iii) Any other action by Landlord or Landlord's agents intended to mitigate the adverse effects of any breach of this Lease by Tenant, including without limitation any action taken to maintain and preserve the Leased Premises or any action taken to relet the Leased Premises or any portions thereof, for the account of Tenant and in the name of Tenant.

(b) Landlord may, at Landlord's option, with or without terminating this Lease, take and retain possession of the Leased Premises by any means legally available to Landlord, including summary dispossess proceedings. If Landlord elects to terminate Tenant's right to possession only, without terminating this Lease, Landlord may, following taking possession of the Leased Premises in accordance herewith, remove Tenant's signs and other evidences of tenancy, without such entry and possession terminating the Lease or releasing Tenant, in whole or in part, from Tenant's obligations to pay Rent hereunder for the Lease Term or for any other of Tenant's obligations under this Lease. To the extent required by applicable Laws, Landlord shall attempt to relet all or any part of the Leased Premises in any manner, for any term, for such rent and upon terms reasonably satisfactory to Landlord, and if applicable Laws do not require Landlord to attempt to so relet, Landlord shall use commercially reasonable efforts, accepted in the industrial/commercial real estate industry in the suburban counties contiguous to Philadelphia, Pennsylvania, for real estate of the type and condition of the Leased Premises, to relet all or any part of the Leased Premises in any manner, for any term, for such rent and upon terms reasonably acceptable to Landlord. Landlord may make any repairs, changes, alterations or additions in or to the

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Leased Premises that may be necessary for such reletting, taking into account the character and then current use of the Leased Premises. If Landlord is

unable to relet the Leased Premises, Tenant will pay Landlord on demand all amounts due from Tenant to Landlord under this Lease for the remainder of the Lease Term. If the Leased Premises are relet, Tenant shall be liable to Landlord for the Present Value (determined at the time of Landlord's demand) of the difference between the amount of Base Annual Rent, Additional Rent, and all other amounts payable hereunder and the net proceeds of any such reletting (net of all reasonable expenses, including without limitation, repairs or construction costs and leasing commissions relating to such reletting), and Tenant shall pay to Landlord the Present Value of such difference immediately upon demand by Landlord.

(c) Landlord may, at Landlord's election, keep this Lease in effect and enforce all of its rights and remedies under this Lease, including (i) the right to recover the Base Annual Rent and Additional Rent and other sums as they become due by appropriate legal action, and (ii) the right to invoke the remedies of injunctive relief and specific performance to compel Tenant to perform its obligations under this Lease.

(d) If Tenant is in default under this Lease and abandons or vacates the Leased Premises, this Lease shall not terminate unless Landlord gives Tenant written notice of its election to so terminate this Lease. No act by or on behalf of Landlord intended to mitigate the adverse effect of such breach, including, without limitation, those described by Subparagraphs 13.2(a) (i), (ii) and (iii), shall constitute a termination of Tenant's right to possession unless Landlord gives Tenant written notice of termination. Should Landlord not terminate this Lease by giving Tenant written notice, Landlord may enforce all its rights and remedies under this Lease, including the recovery of Rent as it becomes due and payable under this Lease.

(e) If Landlord terminates this Lease, Landlord, in addition to all other rights and remedies available to Landlord in the event of Tenant's default, but subject to the provisions of the second sentence of Subparagraph 13.2(a), shall be entitled, at Landlord's election, to damages as provided under applicable Laws or as set forth in Subparagraph 13.2(e) (i) and (ii). For purposes of computing such damages (i) an interest rate of Prime plus six percent (6%) per annum, but in no event less than thirteen and one half percent (13.5%) per annum, shall be used where permitted, and (ii) Rent due under this Lease shall include Base Annual Rent, Additional Rent and all other amounts payable by Tenant under this Lease, prorated on a monthly basis where necessary to compute such damages. Such damages shall include, without limitation:

(i) The worth of the amount by which the Rent for the balance of the Lease Term after the time of termination exceeds the fair rental value of the Leased Premises for the balance of the Lease Term as reasonably estimated solely by Landlord, such

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worth shall be the Present Value of the amount determined pursuant to the preceding clause, computed by discounting such amount at Thirty-day LIBOR at the time of judgment; and

(ii) Any other amount necessary to compensate Landlord for all detriment caused by Tenant's failure to perform Tenant's obligations under this Lease or for expenses incurred by Landlord in performing Tenant's obligations under this Lease, or which in the ordinary course of things would be likely to result therefrom, including, without limitation, the following: (a) expenses for cleaning, repairing or restoring the Leased Premises; (b) expenses for repairing the Leased Premises for the purpose of reletting, including installation of leasehold improvements (whether such installation be funded by a reduction of rent, direct payment or allowance to a new tenant, or otherwise); (c) broker's fees, advertising costs and other expenses of reletting the Leased Premises; (d) costs of carrying the Leased Premises, such as taxes, insurance premiums, utilities and security precautions; (e) expenses in retaking possession of the Leased Premises; (f) attorneys' fees and court costs incurred by Landlord in retaking possession of the Leased Premises and in reletting the Leased Premises; and (g) the portion of any brokerage commission paid by Landlord in procuring this Lease attributable to the remaining balance of the Lease Term.

(f) Subject to Landlord's compliance with the requirements of the Trust Agreement, Landlord may, at Landlord's option, exercise Landlord's rights and remedies under the Trust Agreement.

(g) Landlord may exercise any other legal or equitable right or remedy which Landlord may have.

(h) Nothing in this Paragraph shall limit Landlord's rights to indemnification from Tenant as provided in this Lease.

13.3. Landlord's Right to Cure. All covenants and agreements to be kept



or performed by Tenant under any of the terms of this Lease shall be performed by Tenant at Tenant's sole cost and expense and without any abatement of Rent (except to the extent referred to in Paragraph 3.3 of this Lease). If Tenant shall fail to pay any sum of money required to be paid by it hereunder or shall fail to perform any other act on its part to be performed hereunder following any notice and cure period required under Subparagraph 13.1(a) or 13.1(b) (whether such payment or performance is due to or in favor of Landlord or any third party), Landlord may, but shall not be obliged to, and without waiving any default of Tenant or releasing Tenant from any obligations to Landlord hereunder, make any such payment or perform any such other act on Tenant's part to be made or performed as in this Lease provided (including but not limited to Tenant's obligations pursuant to Paragraphs 4.2, 6.1 and 6.2 hereof). All sums so paid by Landlord and all necessary incidental costs, together with interest thereon at the rate of Prime plus six percent (6%) per annum, but in no event less than thirteen and one half percent (13.5%) per annum, from the date of such

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payment by Landlord, shall be paid to Landlord forthwith on demand, as Additional Rent, and Landlord shall have (in addition to any other right or remedy of Landlord) the same rights and remedies (including, but not limited to, Landlord's remedies under Paragraph 13.2 hereof) in the event of nonpayment thereof by Tenant as in the case of default by Tenant in the payment of Rent.

13.4. CONFESSION OF JUDGMENT IN EJECTMENT. AFTER AT LEAST TEN (10) DAYS' PRIOR WRITTEN NOTICE FROM LANDLORD OF LANDLORD'S INTENTION TO CONFESS JUDGMENT IN EJECTMENT, INCLUDING COPIES OF PLEADINGS TO BE FILED IN ANY SUCH EJECTMENT ACTION, TENANT, FULLY COMPREHENDING THE RELINQUISHMENT OF CERTAIN RIGHTS INCLUDING, WITHOUT LIMITATION, RIGHTS OF PREJUDGMENT NOTICE AND HEARING AND POST-JUDGMENT NOTICE AND HEARING BEFORE EXECUTION, AUTHORIZES AND EMPOWERS ANY ATTORNEY OF ANY COURT OF RECORD WITHIN THE UNITED STATES, TO APPEAR FOR TENANT, AND FOR ANY OTHER PERSON CLAIMING UNDER, BY OR THROUGH TENANT, AND CONFESS JUDGMENT IN EJECTMENT FORTHWITH AGAINST TENANT AND SUCH OTHER PERSON AND IN FAVOR OF LANDLORD, ITS SUCCESSORS AND ASSIGNS, FOR POSSESSION OF THE LEASED PREMISES, TOGETHER WITH HEREDITAMENTS AND APPURTENANCES AND ALL FIXTURES AND EQUIPMENT INSTALLED THEREIN, WITH RELEASE OF ALL ERRORS, WAIVER OF STAY OF EXECUTION, AND WAIVER OF EXEMPTION BY TENANT. NO SINGLE EXERCISE OF THE FOREGOING WARRANTS AND POWERS OF ATTORNEY SHALL HAVE BEEN DEEMED TO EXHAUST SUCH WARRANTS AND POWERS, WHETHER OR NOT SUCH EXERCISE SHALL BE HELD BY ANY COURT TO BE INVALID, VOIDABLE OR VOID, BY THE WARRANTS AND POWERS SHALL CONTINUE UNDIMINISHED AND MAY BE EXERCISED FROM TIME TO TIME AS OFTEN AS LANDLORD, OR ITS SUCCESSORS AND ASSIGNS SHALL ELECT UPON THE OCCURRENCE OF A DEFAULT UNDER THIS LEASE. TENANT CONFIRMS THAT THIS IS A COMMERCIAL LEASE, THAT TENANT WAS REPRESENTED BY COUNSEL IN TENANT'S NEGOTIATION AND EXECUTION OF THIS LEASE, AND THAT TENANT FREELY AND VOLUNTARILY EXECUTED THIS LEASE WITH THIS PARAGRAPH 13.4 AS A PART THEREOF.

13.5. Waiver.

(a) No right or remedy herein conferred upon or reserved to Landlord is intended to be exclusive of any other right or remedy, and every right and remedy shall be cumulative and in addition to any other right or remedy given hereunder or now or hereafter existing at law or equity. The failure of Landlord to insist upon the strict performance of any covenant or agreement or to exercise any option, right, power or remedy contained in

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this Lease shall not be construed as a waiver or relinquishment thereof for the future. The receipt by Landlord of any Rent, with knowledge of the breach, shall not constitute a waiver or cure of such breach or prevent Landlord from exercising any of its rights or remedies hereunder on account of Tenant's breach. Landlord shall be entitled to injunctive relief in case of the violation, or attempted or threatened violation, of any covenant, agreement, condition or provision of this Lease, or to a decree compelling performance of any covenant, agreement, condition or provision of this Lease, or to any other remedy allowed by law. If on account of any breach or default by Tenant under the terms of this Lease, Landlord consults or employs an attorney or attorneys concerning Tenant's possible default under this Lease or to enforce or defend any of the Landlord's rights or remedies under this Lease, Tenant agrees to pay, on demand, as Rent, all reasonable attorneys, fees and costs so incurred.

(b) Tenant hereby waives any notice of termination or intention to reenter provided for in any statute, or of the institution of legal proceedings for that purpose, and in addition waives any right of redemption

or reentry or repossession, or to restore the operation of this Lease if it is terminated or if Tenant is dispossessed by any judgment or by warrant of any court or judge in the cases of reentry or repossession by Landlord, or in the case of expiration of the Lease Term. Tenant, in addition, waives any and all benefits of any and all laws now or hereafter in force or effect exempting property of Tenant from liability for rent or for debt. Tenant also expressly waives:

(i) The benefit of all Laws, now or hereafter in force, exempting any goods on the Leased Premises, or elsewhere, from levy or sale in any legal proceedings taken by Landlord to enforce any rights under this Lease;

(ii) The right to delay execution on any real estate that may be levied upon to collect any amount which may become due under the terms and conditions of this Lease and any right to have the same appraised;

(iii) Any and all rights of redemption granted by or under any present or future laws in the event of Tenant being evicted or dispossessed for any cause, or in the event of Landlord obtaining possession of the Leased Premises, by reason of the violation by Tenant of any of the covenants or conditions of this Lease, or otherwise; and

(iv) The right, if any, to three months notice and/or fifteen (15) or thirty (30) days' notice under the Landlord and Tenant Act of 1951, as amended.

(c) (i) At the sole option of Landlord to be exercised only by written notice to Tenant at any time and from time to time, Landlord may elect to eliminate from this Lease, permanently or temporarily, Subparagraph 13.1(g) or Subparagraph 13.1(h), or both of them.

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(ii) At the sole option of Landlord to be exercised only by written notice to Tenant at any time and from time to time, Landlord may elect to eliminate from this Lease, permanently or temporarily, Subparagraph 13.2(f) and all other references to the Trust Agreement.

13.6. Late Charge. In the event any amount of Base Annual Rent or Additional Rent shall remain unpaid for five (5) calendar days after such amount becomes due, Tenant shall pay Landlord, without notice or demand, a late charge equal to two percent (2%) of such overdue amount to partially compensate Landlord for its administrative costs in connection with such overdue payment; which administrative costs Tenant expressly acknowledges are reasonable and do not constitute a penalty.

#### 13.7. Bankruptcy or Insolvency.

(a) In the event that Tenant shall become a Debtor under Chapter 7 of the Bankruptcy Code (hereinafter defined), and the Trustee or Tenant shall elect to assume this Lease for the purpose of assigning the same or otherwise, such election and assignment may only be made if all of the terms and conditions of Subparagraph 13.7(b) and Subparagraph 13.7(d) are satisfied. If such Trustee shall fail to elect or assume this Lease within sixty (60) days after the filing of the petition or such later date as shall be approved by the Bankruptcy Court, not to exceed ninety (90) days, this Lease shall be deemed to have been rejected. Landlord shall be thereupon immediately entitled to possession of the Leased Premises without further obligation to Tenant or Trustee, and this Lease shall be cancelled, but Landlord's right to be compensated for damages in such liquidation proceeding shall survive.

(b) In the event that a petition for reorganization or adjudgment of debts is filed concerning Tenant under Chapters 11 or 13 of the Bankruptcy Code, or a proceeding is filed under Chapter 7 of the Bankruptcy Code and is transferred to Chapters 11 or 13, the Trustee or Tenant, as Debtor-In-Possession, must elect to assume this Lease within sixty (60) days from the date of the filing of the petition under Chapters 11 or 13 or such later date as shall be approved by the Bankruptcy Court, not to exceed ninety (90) days, or the Trustee or Debtor-In-Possession shall be deemed to have rejected this Lease. No election by the Trustee or Debtor-In-Possession to assume this Lease whether under Chapter 7, 11, or 13, shall be effective unless each of the following conditions, which Landlord and Tenant acknowledge are commercially reasonable in the context of a bankruptcy proceeding of Tenant, have been satisfied, and Landlord has so acknowledged in writing:

(i) The Trustee or the Debtor-In-Possession has cured, or has provided Landlord adequate assurance (as defined in Subparagraph 13.7(b)(v) below) that:

(A) Within ten (10) days from the date of such assumption the Trustee or Debtor in Possession will cure all monetary defaults under this Lease; and

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(B) Within thirty (30) days from the date of such assumption the Trustee or Debtor in Possession will cure all non-monetary defaults under this Lease.

(ii) The Trustee or the Debtor-In-Possession has compensated, or has provided to Landlord adequate assurance (as defined below) that, within ten (10) days from the date of assumption, Landlord will be compensated for any pecuniary loss incurred by Landlord arising from the default of Tenant, the Trustee, or the Debtor-In-Possession as recited in Landlord's written statement of pecuniary loss sent to the Trustee or Debtor-In-Possession.

(iii) The Trustee or the Debtor-In-Possession has provided Landlord with adequate assurance of the future performance of each of Tenant's, Trustee's or Debtor-In-Possession obligations under this Lease; provided, however, that:

(A) If not otherwise deposited with Landlord, the Trustee or Debtor-In-Possession shall also deposit with Landlord, as security for the timely payment of Rent, an amount at least equal to a quarterly installment of Base Annual Rent (as well as the payments described in Subparagraph 13.7(b) (iii) (C) below) and other monetary charges accruing under this Lease;

(B) If not otherwise required by the terms of this Lease, the Trustee or Debtor-In-Possession shall also pay in advance on the date Base Annual Rent is payable one quarter (1/4) of Tenant's annual obligations under this Lease for Real Property Taxes, insurance and similar charges;

(C) From and after the date of the assumption of this Lease, the Trustee or Debtor-In-Possession shall pay all Base Annual Rent, Additional Rent, and other amounts payable by Tenant as they become due under this Lease; and

(D) The obligations imposed upon the Trustee or Debtor-In-Possession shall continue with respect to Tenant or any assignee of this Lease after the completion of bankruptcy proceedings.

(iv) The assumption of the Lease will not breach any provision in any other lease, mortgage, financing agreement or other agreement by which Landlord is bound relating to the Leased Premises.

(v) For purposes of this Subparagraph 13.7(b), Landlord and Tenant acknowledge that, in the context of a bankruptcy proceeding of Tenant, at a minimum adequate assurance, shall mean:

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(1) The Trustee or the Debtor-In-Possession has and will continue to have sufficient unencumbered assets after the payment of all secured obligations and administrative expenses to assure Landlord that the Trustee or Debtor-In-Possession will have sufficient funds to fulfill the obligations of Tenant under this Lease, and to keep the Leased Premises properly staffed with sufficient employees to conduct a fully-operational, active business on the Leased Premises; and

(2) If defaults referred to in Paragraph 13.7(b) (i) (a) (B) above are not cured within the time periods set forth therein, the Bankruptcy Court shall have entered an order segregating sufficient cash payable to Landlord or the Trustee or Debtor-In-Possession shall have granted a valid and perfected first lien and security interest or mortgage in property of Tenant, Trustee or Debtor-In-Possession, or a combination of such cash, perfected first liens, security interests or mortgages, acceptable as to value and kind to Landlord, to secure to Landlord the obligation of the Trustee or Debtor-In-Possession to cure the monetary and/or non-monetary defaults under this Lease.

(c) In the event that this Lease is assumed by a Trustee appointed for Tenant or by Tenant as Debtor-In-Possession under the provisions of Subparagraph 13.7(b) hereof and thereafter Tenant is liquidated or files a

subsequent Petition for reorganization or adjustment of debts under Chapters 11 or 13 of the Bankruptcy Code, then, and in either of such events, Landlord may, at its option, terminate this Lease and all rights of Tenant hereunder, by giving Tenant written notice of its election to so terminate, by no later than thirty (30) days after the occurrence of either of such events.

(d) If the Trustee or Debtor-In-Possession has assumed this Lease pursuant to the terms and provisions of Subparagraph 13.7(a) or (b) herein, for the purpose of assigning (or elects to assign) Tenant's interest under this Lease or the estate created thereby, to any other person, such interest or estate may be so assigned only if Landlord shall acknowledge in writing that the intended assignee has provided adequate assurance of all of the terms, covenants and conditions of this Lease to be performed by Tenant. For purposes of this Subparagraph 13.7(d), Landlord and Tenant acknowledge that, in the context of a bankruptcy proceeding of Tenant, at a minimum adequate assurance of future performance' shall mean that each of the following conditions have been satisfied, and Landlord has not acknowledged in writing:

(i) The assignee has submitted a current financial statement audited by an independent certified public accountant which shows a net worth and working capital in amounts determined to be sufficient by Landlord to assure the future performance by such assignee of Tenant's obligations under this Lease;

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(ii) The assignee, if requested by Landlord, shall have obtained guarantees in form and substance reasonably satisfactory to Landlord from one or more persons who satisfy Landlord's standards of creditworthiness; and

(iii) Landlord has obtain all consents or waivers from any third party required under any lease, mortgage, financial arrangement or other agreement by which Landlord is bound to permit Landlord to consent to such assignment.

(e) When, pursuant to the Bankruptcy Code, the Trustee or Debtor-In-Possession shall be obligated to pay reasonable use and occupancy charges for the use of the Leased Premises or any portion thereof, such charges shall not be less than the Base Annual Rent, Additional Rent and other amounts payable by Tenant under this Lease.

(f) Neither Tenant's interest in this Lease, nor any lesser interest of Tenant herein, nor any estate of Tenant hereby created, shall pass to any trustee, receiver, assignee for the benefit of creditors, or any other person or entity, or otherwise by operation of law under the laws of any state having jurisdiction of the person or property of Tenant unless Landlord shall consent to such transfer in writing. No acceptance by Landlord of rent or any other payments from any such trustee, receiver, assignee, person or other entity shall be deemed to have waived, nor shall it waive the need to obtain Landlord's consent of Landlord's right to terminate this Lease for any transfer of Tenant's interest under this Lease without such consent.

(g) As used in this Article XIII, "Bankruptcy Code" shall mean the Bankruptcy Code of the United States of America, as amended from time to time. Capitalized terms used in this Article XIII and not defined elsewhere in this Lease shall have the meanings given to such terms in the Bankruptcy Code. If the Bankruptcy Code imposes shorter periods of time on actions or decisions by Tenant, Trustees or Debtors-In-Possession than are imposed by this Article XIII or imposes more stringent requirements on Tenant, Trustees, or Debtors-In-Possession than are imposed by this Article XIII, such shorter periods of time and more stringent requirements shall be applicable under this Article XIII. Nothing in this Subparagraph 13.7 shall limit Landlord's rights and remedies otherwise set forth in this Lease.

#### ARTICLE XIV

##### ASSIGNMENT AND SUBLETTING

14.1. Assignment and Subletting By Tenant. The following provisions shall apply to any assignment or subletting by Tenant:

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(a) Tenant shall not assign or encumber its interest in this

Lease, whether voluntarily or by operation of law without Landlord's prior written consent. Any attempted assignment or encumbrance without Landlord's prior written consent shall be voidable and, at Landlord's election, shall constitute a default by Tenant hereunder. Tenant shall have the right to sublease the Leased Premises, or any portion thereof, without Landlord's consent and shall provide Landlord notice of the identity of a sublessee following any such subletting.

(b) Tenant agrees to reimburse Landlord for all reasonable costs and attorneys' fees incurred by Landlord in conjunction with the processing and documentation of any assignment, transfer, change of ownership or hypothecation of the Leased Premises or Tenant's interest in this Lease. No assignment, subletting, transfer, change of ownership or hypothecation shall be effective until (i) Tenant shall have paid such costs and fees (except as to subletting); (ii) each such assignee or transferee (excluding a subtenant) shall have agreed in writing for the benefit of Landlord to assume, to be bound by, and to perform the obligations of this Lease to be performed by Tenant, and (iii) an executed copy of such sublease, assignment, encumbrance, or other agreement of transfer shall have been delivered to Landlord.

(c) Consent by Landlord to one or more assignments or encumbrances of this Lease shall not be deemed to be a consent to any subsequent assignment or encumbrance.

(d) No subletting or assignment, even with the consent of Landlord, shall relieve Tenant of its personal and primary obligation to pay Rent and to perform all of the other obligations to be performed by Tenant hereunder. The acceptance of Rent by Landlord from any person shall not be deemed to be a waiver by Landlord of any provision of this Lease or to be a consent to any assignment.

(e) Subject to Subparagraph 14.1(a) above, if Tenant is a corporation, any dissolution or sale of all or substantially all of its assets, merger, consolidation or other reorganization of Tenant, shall be deemed a voluntary assignment of Tenant's interest in this Lease. If Tenant is a partnership, a withdrawal or change, voluntary, involuntary or by operation of law, of any general partner, or the dissolution of the partnership, shall be deemed a voluntary assignment. Notwithstanding the foregoing provisions of this Subparagraph 14.1(e) to the contrary and subject to Tenant's compliance with the other provisions of this Article XIV, and to the condition that Tenant is not in default under this Lease at the time of such events, without it being deemed an assignment or encumbrance hereunder requiring Landlord's consent, (i) Tenant shall be permitted to effect a corporate merger, consolidation or reorganization, provided, however, that Unisys Corporation remains the Tenant under this Lease or (ii) if Unisys Corporation would not continue to be the Tenant by operation of law, any such merger, consolidation or reorganization is effected in accordance with applicable statutory provisions for merger, consolidation or reorganization of

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corporations, which provide that the liabilities of the corporation participating in such merger or consolidation are assumed by the corporation surviving such merger or consolidation.

14.2. Assignment By Landlord. Landlord and its successors in interest shall have the right to transfer their interest in the Leased Premises and this Lease at any time and to any person or entity. In the event of any conveyance of the Leased Premises and assignment by Landlord of this Lease to another, the Landlord originally named herein (and in the case of any subsequent transfer, the transferor), from the date of such transfer, (i) shall be automatically relieved, without any further act by any person or entity, of all liability for the performance of the obligations of the Landlord hereunder which may accrue after the date of such transfer, and (ii) shall be relieved of all liability for the performance of the obligations of the Landlord hereunder which have accrued before the date of transfer if its transferee agrees to assume and perform all such obligations of the Landlord hereunder and such transferee is not substantially less solvent than Landlord. In the event the Landlord's interest in the Leased Premises is transferred to multiple transferees, such transferees shall designate, by a written notice to Tenant delivered upon such transfer, the name and address of a single person to whom all Rent and notices to be paid or given by Tenant hereunder shall be addressed and who shall be the sole authorized party to give notices to Tenant hereunder; Tenant's payment of Rent to such designated person shall satisfy Tenant's obligation to pay Rent to Landlord; Tenant's delivery of notices to such designated person shall constitute notice to Landlord and Tenant may rely upon notices from such designated person as being notice from Landlord. After the date of such transfer, the term Landlord as used herein shall mean the transferee of such interest in the Leased Premises.

ARTICLE XV

TERMINATION

15.1. Surrender of the Leased Premises.

(a) Immediately prior to the expiration of the Lease Term, or upon the earlier termination of this Lease, Tenant shall remove all Trade Fixtures (except surveillance cameras exterior to the buildings which shall remain with the Leased Premises) and repair any damage caused by such removal and vacate and surrender the Leased Premises to Landlord in the condition required by the terms of this Lease. Without limiting the generality of the foregoing, Tenant shall surrender the Leased Premises (normal wear and tear excepted), in broom clean condition, with all interior walls cleaned, all trash, waste, and debris removed, all carpets cleaned, all HVAC equipment within the Leased Premises in operating order and in good repair, and all floors cleaned, all to the reasonable satisfaction of Landlord. In the event there has been an event of damage or destruction governed by Article XI, or Condemnation affecting the Leased Premises, and Tenant has been complying with its

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obligations to repair and restore pursuant to Articles XI and XII thereof and is not otherwise in default under this Lease, Tenant may surrender the Leased Premises to Landlord without completion of such repair or restoration, and shall have no further obligations with respect thereto provided that Tenant, upon the termination of the Lease Term, relinquishes any rights to and assigns to Landlord all of Tenant's interest, if any, in insurance proceeds and pays to Landlord the amount of any insurance deductible to the extent such deductible amount has not already been expended on such repair or restoration, or any portion of an Award to which it is otherwise entitled under Article XII to the extent that it has not already been expended on such repairs or restoration. If Landlord so requests, Tenant shall, at its sole cost and prior to the expiration or earlier termination of this Lease, remove any Leasehold Improvements not constructed or installed in compliance with Paragraph 5.1 or Paragraph 6.2 and repair all damage caused by such removal. If the Leased Premises are not so surrendered at the termination of this Lease, Tenant shall be liable to Landlord for all costs incurred by Landlord in returning the Leased Premises to the required condition, plus interest, from the date of demand for payment of such costs to the date paid, on all costs incurred at the rate of Prime plus six percent (6%) per annum, but in no event less than thirteen and one half percent (13.5%) per annum. Tenant shall indemnify Landlord against loss or liability resulting from delay by Tenant in so surrendering the Leased Premises, including, without limitation, any claims made by any succeeding tenant or losses to Landlord due to lost opportunities to lease to succeeding tenants.

(b) Upon expiration or earlier termination of the Lease Term, Tenant shall (i) remove so much or all of the raised flooring and cabling, except that portion installed over depressed slab, and so much or all of the UPS system and Halon systems, as may be requested by Landlord; (ii) deliver to Landlord the following documents or records - all computer CAD plans, building plans and specifications and repair and maintenance files; and (iii) have roof repatched and warranted by a professional roofer acceptable to Landlord in all areas where the roof is violated or otherwise affected by the removal of Tenant's property from any roof. Tenant shall clean such area after removal. All such removal and cleaning shall be at Tenant's sole cost and expense.

15.2. Holding Over. Unless earlier terminated in accordance with this Lease or duly extended in accordance with this Lease, this Lease shall terminate without further notice at the expiration of the Lease Term. Any holding over by Tenant after termination of this Lease shall not constitute a renewal or extension of the Lease or give Tenant any rights in or to the Leased Premises. Any holding over after such expiration with the consent of Landlord shall be construed to be a tenancy from month to month on the same terms and conditions herein specified insofar as applicable except that the monthly rent shall equal one twelfth (1/12) of the higher of one hundred fifty percent (150%) of the Base Annual Rent in effect during the last month prior to such termination or the then current Fair Market Rent. The current Fair Market Rent shall be determined by agreement between Landlord and Tenant

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within thirty (30) days following the expiration of the Lease Term. In the absence of such agreement as to the Fair Market Rent, it shall be determined as follows:

(a) Each party shall appoint an Appraiser within fifteen (15) days after notice of failure to agree given by one party to the other, and shall advise the other party of such appointment. On the failure of either party so to appoint an Appraiser, and to advise the other party of such appointment, the person who has been appointed as Appraiser may appoint a second Appraiser to represent the party in default.

(b) The two (2) Appraisers appointed in either manner shall then proceed to establish the Base Annual Rent for each month of the hold over period. In the event of their inability to agree upon the Base Annual Rent for each month of the hold over period within thirty (30) days after their appointment, then Landlord shall appoint a third Appraiser, provided however, that if the difference between the amounts respectively determined by the two (2) Appraisers is not greater than an amount equal to ten percent (10%) of the higher of the two (2) amounts so determined, then the Base Annual Rent for each month of the hold over period in question shall be the mean of such two amounts, and it shall not be necessary to appoint a third (3rd Appraiser). In the event that Landlord fails to appoint a third (3rd) Appraiser within fifteen (15) days, then, in such event, the two Appraisers appointed by the parties pursuant to 15.2(a) above shall, by agreement, appoint the third Appraiser.

(c) In the event a third Appraiser is appointed, such Appraiser's determination of Base Annual Rent for each month of the hold over period shall be final so long as it is within the limits of the appraisals established by the Appraisers appointed by the parties pursuant to 15.2(a) above. If the third Appraiser's appraisal is not within such limits, the determination of Base Annual Rent made by an Appraiser appointed pursuant to 15.2(a) above which is the closest to that of the third Appraiser shall control.

(d) Landlord and Tenant shall divide equally the charges imposed by Appraisers selected under this Paragraph 15.2.

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INTENTIONALLY OMITTED

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#### ARTICLE XVII

GENERAL PROVISIONS

17.1. Financial Information. Tenant shall furnish to Landlord:

(a) As soon as available and in any event within forty-five (45) days after the end of each quarterly accounting period in each fiscal year of Tenant, copies of a consolidated balance sheet of Tenant and its consolidated subsidiaries as of the last day of such quarterly accounting period, and copies of the related consolidated statements of income and of changes in shareholders' equity and in financial position of Tenant and its consolidated subsidiaries for such quarterly accounting period and for the elapsed portion of the current fiscal year ended with the last day of such quarterly fiscal year ended with the last day of such quarterly accounting period, all in reasonable detail and with appropriate notes, if any, and stating in comparative form the figures for the corresponding dates and periods in the previous fiscal year, all prepared in accordance with the generally accepted accounting practice consistently applied, certified as complete and correct in all material respects by the chief financial officer of Tenant (subject to year-end audit adjustments), and otherwise in form satisfactory to Landlord;

(b) As soon as available and in any event within ninety (90) days after the end of each fiscal year of Tenant, copies of a consolidated balance sheet of Tenant and its consolidated subsidiaries as of the end of such fiscal year, and copies of the related consolidated statements of income and of changes in shareholders' equity and in financial position of Tenant and its consolidated subsidiaries for such fiscal year, all in reasonable detail and with appropriate notes, if any, and all prepared in accordance with generally accepted accounting practice consistently applied and stating in comparative form the corresponding figures as of the end of and for the previous fiscal year, and accompanied by an opinion or report thereon, in scope and substance satisfactory to Landlord, by Ernst Young & Company or such other firm of independent certified public accountants of recognized standing in the financial community as may be selected by Tenant and reasonably acceptable to Landlord and otherwise in a form

satisfactory to Landlord;

(c) Notwithstanding the requirements set forth in Paragraphs 17.1(a), 17.1(b) and 17.1(d), Tenant need not comply with such requirements if the stock of Tenant is traded on the New York Stock Exchange, or Tenant shall be required to file periodic reports with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, but Tenant shall be required to deliver to Landlord all financial information and reports as are sent to Tenant's shareholders at the same time as such information or reports are sent to Tenant's shareholders.

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(d) Concurrently with each of the financial statements furnished pursuant to-Subparagraphs 17.1(a) or 17.1(b) above, a certificate signed by the chief financial officer of Tenant, to the effect that in the opinion of such officer, based upon a review made under his or her supervision, Tenant has performed and observed all of, and is not in default in the performance or observance of any of, its obligations under this Lease (or, if such be not the case, specifying all such defaults and failures, and the nature thereof, of which such officer may have knowledge and the action proposed to be taken in respect thereof);

(e) Copies of all regular and periodic reports or other reports which Tenant shall make or be required to file with (i) the Securities and Exchange Commission or (ii) any other federal or state regulatory agency or with any municipal or other local body which relate to the Leased Premises.

17.2. Landlord's Right to Enter. Tenant shall permit Landlord and its agents to enter the Leased Premises at all reasonable times, upon not less than one (1) business day's notice, for the purpose of (i) inspecting the same; (ii) posting notices of nonresponsibility; (iii) exhibiting the Leased Premises to prospective purchasers and/or lenders; (iv) exhibiting the Leased Premises to prospective tenants within twenty-four (24) months prior to the expiration of the Lease Term; (v) determining whether Tenant is performing all its obligations hereunder; (vi) discharging Tenant's obligation (including the obligations to repair and maintain the Leased Premises) when Tenant has failed to do so after written notice from Landlord and the expiration of applicable cure periods; and/or (vii) within twenty-four (24) months of the expiration of the Lease Term, placing upon the Leased premises ordinary "for leases signs at places where Tenant shall reasonably select. Tenant may elect to escort Landlord at all such times, and Landlord agrees to comply with Tenant's security requirements with respect to the Leased Premises. Landlord shall not use, copy or publish any of Tenant's confidential or proprietary information obtained by Landlord in any such entry upon the Leased Premises, and Landlord shall maintain all such information in confidence.

### 17.3. Subordination.

(a) Subject to Subparagraph 17.3(b), this Lease is subject and subordinate, in lien and operation, to any underlying leases, mortgages, other title exceptions or objections, which affect the Leased Premises and are of public record as of the Commencement Date, and to all renewals, modifications, consolidations, supplements, replacements and extensions thereof, and all advances made or to be made thereunder for the full amount of such advances and without regard for the time or character of such advances. This Lease is also subject and subordinate to any and all future mortgages affecting the Leased Premises which may hereafter be executed and placed of public record by Landlord after the Commencement Date, or any renewals, modifications, consolidations, supplements, replacements or extensions thereof, for the full amount of all advances made or to be made

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thereunder and without regard to the time or character of such advances. Without limitation on the foregoing provisions of this Section 17.3(a), this Lease is subject and subordinate to that certain Mortgage dated June 30, 1992 from Landlord to Blue Bell Funding, Inc. as mortgagee, now held by United States Trust Company of New York, as trustee, mortgagee, and this Lease has been assigned as collateral security by landlord to United States Trust Company of New York as Trustee, mortgagee under such Mortgage. Tenant agrees, within ten (10) days after Landlord's written request therefor, to execute, acknowledge and deliver to Landlord any and all documents or instruments requested by Landlord or any Lender as may be reasonably necessary or proper to assure the subordination of this Lease to any such mortgage provided that such documents and instruments shall not impose upon Tenant obligations other than those set forth in this Lease. However, if the lessor under any such lease or any Lender holding any such mortgage, shall advise Landlord that it desires or requires this Lease to be prior and superior thereto, then, upon written request of Landlord to Tenant, Tenant



shall promptly execute, acknowledge and deliver any and all documents or instruments which Landlord or such lessor or Lender deems necessary or desirable to make this Lease prior thereto in lien and operation.

(b) Any automatic subordination of this Lease to any mortgage held by a Lender as provided in Subparagraph 17.3(a), shall be subject to and conditioned upon Landlord's obtaining from each Lender and delivering a copy thereof to Tenant an agreement (the "Nondisturbance and Subordination Agreement") providing that, even though this Lease is subordinate as set forth in Subparagraph 17.3(a), so long as Tenant is not in default under the terms of this Lease, insurance proceeds will be disbursed in accordance with Paragraph 11.1 hereof, notwithstanding anything in any such mortgage to the contrary, any action or proceeding to foreclose a mortgage held by such Lender will not result in the cancellation or termination of this Lease, and that in the event of the sale of the Leased Premises as the result of any action or proceeding to foreclosure any such mortgage, this Lease shall continue in full force and effect as a direct lease between Tenant and the then owner of the Leased Premises upon all of the terms, covenants and conditions in this Lease. So long as the Nondisturbance and Subordination Agreement contains the Tenant protections provided in the immediately preceding sentence, the Nondisturbance and Subordination Agreement shall be in form and content reasonably acceptable to the applicable Lender and may contain, among other provisions, the following terms and conditions: Tenant's confirmation of the subordination of the Lease to the mortgage held by the Lender; the agreement by Tenant that neither the Lender nor any purchaser at any foreclosure sale shall be liable for any act or omission of Landlord under the Lease, or subject to any offsets or defenses which Tenant may have at any time against Landlord; providing that Lender shall not be bound by any Rent which Tenant may have paid to Landlord for more than the current quarterly rental payment period; providing that Lender shall not be bound by any amendment or modification of the Lease made without Lender's consent, and; providing that Tenant agrees that any Lender, or any other entity or person which becomes the purchaser at foreclosure sale shall be liable only for the performance of the obligations of the Landlord under the Lease which

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arise and accrue during the period of such Lender's, entities' or person's ownership of the Leased Premises.

17.4. Tenant's Attornment. Tenant shall attorn (i) to any purchaser of the Leased Premises at any foreclosure sale or private sale conducted pursuant to any security instrument encumbering the Leased Premises, (ii) to any grantee or transferee designated in any deed given in lieu of foreclosure, or (iii) to the lessor under any underlying ground lease in effect on the date hereof should such ground lease be terminated.

17.5. Estoppel Certificates. At all times during the Lease Term, Tenant agrees, following any request by Landlord, to promptly execute and deliver to Landlord an estoppel certificate (i) certifying that this Lease is unmodified and in full force and effect, or, if modified, stating the nature of such modification and certifying that this Lease, as so modified, is in full force and effect, (ii) stating the date to which the Rent is paid in advance, if any, (iii) acknowledging that there are not, to Tenant's knowledge, any uncured defaults on the part of Landlord hereunder, or if there are uncured defaults on the part of Landlord, stating the nature of such uncured defaults, and (iv) certifying such other information about the Lease as may be reasonably required by Landlord. Tenant's failure to deliver an estoppel certificate (or other response to Landlord's request therefor, if such certificate cannot practicably be given) within ten (10) business days after delivery of Landlord's request therefor (unless such request was not actually received by Tenant) shall be a conclusive admission by Tenant that, as of the date of the request for such statement, (i) this Lease is unmodified except as may be represented by Landlord in said request and is in full force and effect, (ii) there are no uncured defaults in Landlord's performance, and (iii) no Rent has been paid in advance.

17.6. Intentionally Omitted.

17.7. Determination of Fair Market Rent for Extension Periods. The base Annual Rent for the first year of either the First Extension Period or the Second Extension Period shall be ninety percent (90%) of the annual Fair Market Rent for the Leased Premises for the first year of the applicable Extension Period, but not less than the amounts set forth on Exhibit C for the first year of the applicable Extension Period. If Landlord and Tenant cannot agree on such Fair Market Rent, the Fair Market Rent shall be determined in accordance with the following procedure:

(a) Each party shall appoint an Appraiser within fifteen (15) days after notice of failure to agree given by one party to the other. and shall advise the other party of such appointment. On the failure of either party so to appoint an Appraiser, and to advise the other party of such appointment, the person who has been appointed as Appraiser may appoint a second Appraiser to represent the party in default.

(b) The two (2) Appraisers appointed in either manner shall then proceed to establish the Base Annual Rent for the Extension Period in question based on the Fair Market Rent of the Leased Premises. In the event of their inability to agree upon the Base Annual Rent for the Extension Period in question within thirty (30) days after their appointment, then Landlord shall appoint a third Appraiser, provided however, that if the difference between the amounts respectively determined by the two (2) Appraisers is not greater than an amount equal to ten percent (10%) of the higher of the two (2) amounts so determined, then the Base Annual Rent for the Extension Period in question shall be the mean of such two amounts, and it shall not be necessary to appoint a third (3rd) Appraiser. In the event that Landlord fails to appoint a third (3rd) Appraiser within fifteen (15) days, then, in such event, the two Appraisers appointed by the parties pursuant to Subparagraph 17.1(a) above shall, by agreement, appoint the third Appraiser.

(c) In the event a third Appraiser is appointed, such Appraiser's determination of Base Annual Rent for the Extension Period in question shall be final so long as it is within the limits of the appraisals established by the Appraisers appointed by the parties pursuant to Subparagraph 17.7(a) above. If the third Appraiser's appraisal is not within such limits, the determination of Base Annual Rent made by an Appraiser appointed pursuant to Subparagraph 17.7(a) above which is the closest to that of the third Appraiser shall control.

(d) Landlord and Tenant shall divide equally the charges imposed by Appraisers selected under this Paragraph 17.7.

17.8. Notices. All notices, approvals, consents, requests, and other communications required or permitted to be given under this Lease shall be in writing and shall be deemed given when delivered personally, or when delivered by any nationally recognized next day delivery or courier service addressed to the party for which the item is intended as follows:

To Tenant: Unisys Corporation  
 Township Line and Union Meeting Roads  
 Blue Bell, PA 19424-0001  
 Attn: Real Estate Department

With a copy to: Unisys Corporation  
 Township Line and Union Meeting Roads  
 Blue Bell, PA 19424-0001  
 Attn: Office of the General Counsel

To Landlord: Blue Bell Investment Company, L.P.  
 c/o The Shidler Group  
 One Logan Square, Suite 1105  
 Philadelphia, PA 19103

With a copy to: F. Michael Wsocki, Esquire  
 Saul, Ewing, Remick & Saul  
 3800 Centre Square West  
 Philadelphia, PA 19102

Landlord and Tenant shall each have the right from time to time, to specify as their proper addresses for purposes of notice under this Lease any other address upon the giving of due notice hereunder.

17.9. Corporate Authority. Tenant represents and warrants that each individual executing this Lease on behalf of Tenant is duly authorized to execute and deliver this Lease on behalf of Tenant is duly authorized to execute and deliver this Lease on behalf of such corporation in accordance with its charter and by-laws and that this Lease is binding upon Tenant in accordance with its terms. Tenant shall, within thirty (30) days after execution of this Lease, deliver to Landlord a certified copy of the resolution of its board of directors authorizing or ratifying the execution of this Lease, or of the general corporate authorization, which evidences the authority for the execution of this Lease.

17.10. Brokerage Commissions. Tenant and Landlord each warrants to the other that it has not had any dealings with any real estate brokers or salesmen or incurred any obligations for the payment of real estate brokerage commissions or finder's fees which would be earned or due and payable by reason of the execution of this Lease, and each agrees to indemnify the other for its breach of its warranty under this Paragraph 17.10.

17.11. Entire Lease. This Lease, the Exhibits attached to this Lease (which by this reference are incorporated herein), the Environmental Indemnity and the Trust Agreement are the entire agreement between the parties respecting the subject matter covered by such documents. Tenant acknowledges that neither

Landlord nor Landlord's agent(s) has made any representation or warranty as to (i) whether the Leased Premises may be used for Tenant's intended use under existing Law or (ii) the suitability of the Leased Premises for the conduct of Tenant's business or the condition of any Improvements. Tenant expressly waives all claims for damage by reason of any statement, representation, warranty, promise or other agreement of Landlord or Landlord's agent(s), if any, not contained in this Lease or in any amendment hereto. No amendment to this Lease shall be binding unless in writing and signed by the parties hereto. Landlord and Tenant acknowledge that the First Lease is terminated as of the date of this Lease, except for any obligations of Tenant which by the terms of the First Lease survive the termination of the First Lease.

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17.12. Limited Liability of Landlord. The liability of Landlord with respect to this Lease shall be limited to and enforceable only out of Landlord's assets. No partners of Landlord shall have any liability hereunder.

17.13. Governing Law. This Lease shall be governed by the laws of the Commonwealth of Pennsylvania.

17.14. Quiet Enjoyment. Tenant, upon paying all Base Annual Rent, all Additional Rent, and all other amounts provided for in this Lease and not being in default under this Lease, shall peaceably and quietly have and enjoy the Leased Premises throughout the Lease Term without hindrance by Landlord or by anyone claiming by, through or under Landlord, subject, however, to the provisions, exceptions, reservations, and conditions of this Lease.

17.15. Successors and Assigns. Subject to the provisions of this Agreement, this Lease shall be binding upon, and inure to the benefit of the permitted successors and assigns of Landlord and Tenant.

17.16. Tenant's Obligations to Lenders. Any obligation of Tenant to comply with any requirement of a Lender is subject to Landlord's prior notification to Tenant of such Lender's identity and address.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease with the intent to be legally bound thereby, as of the date first above written.

BLUE BELL INVESTMENT COMPANY, L.P.  
by its sole General Partner,  
Strategic Facility Investors, Inc.

Attest: \_\_\_\_\_ By: \_\_\_\_\_  
Clay W. Hamlin, III  
President

UNISYS CORPORATION,  
a Delaware corporation

Attest: \_\_\_\_\_ By: \_\_\_\_\_

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Name:  
Title:

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WAIVER OF PRIOR HEARING CERTIFICATION

Tenant acknowledges that the above Lease authorizes and empowers Landlord, without any prior notice or a prior hearing, to cause the entry of judgments against the undersigned for possession of the Leased Premises and immediately thereafter, without prior notice or a prior hearing, to exercise post-judgment enforcement and execution remedies. Tenant acknowledges that Tenant has agreed to waive the Tenant's rights to prior notice and a hearing

under the Constitution of the United States, the Constitution of the Commonwealth of Pennsylvania and all other applicable state and federal laws, in connection with Landlord's ability to cause the entry of judgments against the Tenant and immediately thereafter exercise Landlord's post-judgment enforcement and execution remedies (which may include, without limitation, removal of the Tenant from the Leased Premises by law enforcement officers). Tenant's counsel has reviewed the legal impact of this waiver with the Tenant and Tenant acknowledges that Tenant has freely waived such rights as an inducement to Landlord to enter into this Lease. The individual executing this Certification warrants that he or she is authorized to agree to such waiver on behalf of Tenant.

TENANT:

UNISYS CORPORATION, a Delaware corporation

Date: \_\_\_\_\_, 19\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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EXHIBIT B

Capital Improvements and Replacements

A. In addition to its other obligations set forth under the Lease, Tenant agrees to expend funds each Lease Year (as defined below) for Capital Improvements (as defined below) to the Property on a cumulative basis not less than two hundred thousand dollars (\$200,000) per year. If Tenant expends in excess of two hundred thousand dollars (\$200,000) in any Lease Year for Capital Improvements required by Paragraph 6.2, and has expended an amount equal to two hundred thousand dollars (\$200,000) times the number of complete Lease Years elapsed for Capital Improvements (the "Required Expenditures"), Tenant may credit all such amounts in excess of the Required Expenditures towards payments to be made pursuant to Paragraph 6.2 of the Lease and this Exhibit B in subsequent Lease Years; as of the Commencement Date of this Lease, Landlord and Tenant agree that Tenant has a credit of One Million Seven Hundred Thousand Dollars (\$1,700,000.00), which is the remaining credit in excess of Required Expenditures made by Tenant under the First Lease.

B. Capital Improvements shall mean replacement of major systems and building components.

(i) The definition of Capital Improvements includes, but is not limited to:

- The types of Improvements included in Schedule 1 (other than items identified with an asterisk thereon)
- Repaving of parking lots;
- Replacement of roofs;
- Replacement of coolers, chillers, electrical switch gear, substations, elevators, emergency or backup generators, plumbing, electrical, HVAC or fire alarm systems;
- Installation of energy management systems;
- Replacement of fire hydrants;
- Oil to gas conversions; and
- Separation of utilities or separate metering between Buildings A, B or C referred to in First Lease.

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(ii) Capital Improvements shall not include the following expenditures by Tenant:

- Expenditures normally characterized as "tenant improvements," renovations or retrofitting of interior spaces, including drop ceilings, painting, carpeting, demising and related HVAC, sprinkler and electrical work (except that HVAC and sprinkler work constituting an improvement to the major building components or systems

shall be classified as Capital Improvements);

- Capital expenditures for interior or exterior improvements not affecting the major systems or building components, including, but not limited to, new entrances, exits, windows, cafeteria equipment, cafeteria enlargement and installation of truck dock doors;
- Expenditures required in connection with computer rooms, data systems or other special purpose uses;
- Routine maintenance such as caulking, painting, servicing or overhauling existing systems;
- Soft costs of any kind or the allocable cost of Unisys personnel;
- Expenditures necessary to comply with Laws such as work necessary to comply with local or township codes (unless such work constitutes an improvement to the building components or major systems);
- Structural repairs; or
- Any expenditure made for cosmetic purposes or which does not improve the major systems or building components of the Property.

C. Tenant confirms to Landlord that since 1994, approximately eighty percent (80%) of the area of the roof of the Building has been replaced, and that the remaining portion of the roof shall be completed by December 31, 1997.

D. Tenant shall provide Landlord, prior to the beginning of each Lease Year, full disclosure of Tenant's final capital expenditure budgets and plans with respect to the Property

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for such Lease Year and shall provide, at such time, a complete and accurate reconciliation of Capital Improvements performed in the prior Lease Year.

E. Tenant represents and warrants to Landlord that to the best of Tenant's knowledge, the information on Schedule 1 represents substantially all of the capital improvements to the Leased Premises, and the costs thereof during the years referred to therein.

F. For the purposes of this Exhibit B, "Lease Year" shall mean each twelve (12) month period commencing with the first day of the calendar month following the Commencement Date.

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SCHEDULE 1 TO EXHIBIT B

CAPITAL EXPENDITURES

1987 TO 1991

DESCRIPTION - - - - -	COST ----	YEAR ----
Installed 480 volt indoor electrical substation including switch gear and installation	100,000	1987
Replaced two chilled water pumps in A building with Crane Deming Pumps	14,897	1987
* Replaced dishwasher building A cafeteria in executive kitchen	2,285	1987
* Replaced pressure steamer in A building cafeteria	6,749	1988
Auxiliary feeder for 1A boiler room from sub-station #4	33,710	1988
Replaced water softener for A building	7,405	1988
* Replaced two ovens in building A cafeteria	8,050	1988

Replaced three condenser water pumps for A/C in A building	35,198	1988
Replaced five hot water pumps in A building	18,657	1989
Replaced A/C/Heating units in Main Guard House, A building	5,372	1989
Fire alarm system and detection to A building, replaced couch system with Pyrotronics XL-3	167,714	1989
Replaced two hot water pumps in A building	12,602	1990
		LOT A
Installed smoke detection system in Engineering Row in A building	13,662	1990
Upgrade elevator doors safety mechanisms on three elevators in A, B & C buildings	6,611	1990
Remote cooling for emergency alternator, in A building basement	6,348	1990
Replace two automatic hydraulic dockboards located in A building	16,443	1990
Auxiliary electrical feeder with transfer switch from basement to Corporate area	15,455	1990
Replace motor starter for A building fire pump	14,787	1990
Repaired and upgraded PA system in A building	5,983	1990
Convert oil fired boilers in A building to natural gas with #4 fuel oil backup	153,527	1991
Replace and upgrade parking lot lights in A building	10,000	1991
Replace starter for diesel fire pumps in A building	12,243	1991
HVAC energy management control unit in A building	2,748	1991
Replace automatic dock leveler, A building	8,925	1991

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EXHIBIT C

RENT SCHEDULE

Annual Rent

The Base Annual Rent payable during the initial Lease Term shall be as follows:

For the period from the Commencement Date, April 1, 1997 through June 30, 1997	\$1,060,795
For the period from July 1, 1997 through June 30, 1998	\$4,329,171
For the period from July 1, 1998 through June 30, 1999	\$4,431,143
For the period from July 1, 1999 through June 30, 2000	\$4,534,856
For the period from July 1, 2000 through June 30, 2001	\$4,626,120
For the period from July 1, 2001 through June 30, 2002	\$4,719,213
For the period from July 1, 2002 through June 30, 2003	\$4,814,163
For the period from July 1, 2003 through June 30, 2004	\$4,911,011
For the period from July 1, 2004 through June 30, 2005	\$5,009,806
For the period from July 1, 2005 through June 30, 2006	\$5,110,569
For the period from July 1, 2006 through June 30, 2007	\$5,213,354

For the period from July 1, 2007 through June 30, 2008	\$5,318,191
For the period from July 1, 2008 through June 30, 2009	\$5,425,122

Annual Extension Rent

The Base Annual Rent for the first year (July 1, 2009 through June 30, 2010) of the First Extension Period shall be ninety percent (90%) of Fair Market Rent, but not less than \$5,149,246.00.

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Beginning the first day of the second year of the First Extension Period and on each annual anniversary thereafter, the Base Annual Rent shall be increased by two percent (2%) per annum.

The Base Annual Rent for the first year July 1, 2015 through June 30, 2016 of the Second Extension Period shall be ninety percent (90%) of Fair Market Rent, but not less than \$5,685,184.00.

Beginning the first day of the second year of the Second Extension Period and on each annual anniversary thereafter, the Base Annual Rent shall be increased by two percent (2%) per annum.

If Landlord and Tenant cannot mutually agree on the Fair Market Rent for the first year of the Leased Premises for either the First Extension Period or the Second Extension Period, the Fair Market Rent for the Leased Premises for the first year shall be determined in accordance with Paragraph 17.7 of the Lease to which this is an Exhibit.

LEASE AGREEMENT

THIS LEASE AGREEMENT (the "Lease"), is made as of March 12, 1997 between BLUE BELL INVESTMENT COMPANY, L.P., a Delaware limited partnership, whose address is c/o Clay W. Hamlin, III, The Shidler Group/Philadelphia, One Logan Square, Suite 1105, Philadelphia, Pennsylvania 19103 (the "Landlord"), and UNISYS CORPORATION, a Delaware corporation, whose address is P.O. Box 500, Township Line and Union Meeting Roads, Blue Bell, Pennsylvania 19424 (the "Tenant").

W I T N E S S E T H:

Landlord and Tenant entered into a Lease as of June 30, 1992 (the "First Lease") for Tenant's leasing of certain real estate of which the Leased Premises (defined below) are a part. Pursuant to Paragraph 17.6 of the First Lease, Landlord and Tenant are dividing the First Lease into Separate Leases (as defined in the First Lease) to replace the First Lease. This Lease is one of the Separate Leases.

In consideration of the mutual covenants and agreements contained herein, the parties, intending to be legally bound hereby, agree as follows:

ARTICLE I  
DEFINITIONS

1.1. Defined Terms. For purposes of this Lease, the following terms shall have the following meanings:

"Additional Rent" shall have the meaning set forth in paragraph 3.2.

"Appraiser" shall have the meaning set forth in Subparagraph 12.2(d).

"Award" shall mean all compensation, sums, or anything of value awarded, paid or received on a total or partial Condemnation.

"Bankruptcy Code" shall have the meaning set forth in Subparagraph 13.7(g).

"Base Annual Rent" shall have the meaning set forth in Paragraph 3.1.

"Building" shall mean the building constituting a portion of the Leased Premises, which building, as of the Commencement Date consists of approximately, 208,854 rentable square feet.

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"Commencement Date" shall mean the date of this Lease.

"Condemnation" shall mean (i) any taking by the exercise of the power of eminent domain, whether by legal proceedings or otherwise, or (ii) a voluntary sale or transfer by Landlord to any condemnor, either under threat of condemnation or while legal proceedings for condemnation are pending.

"Condemnor" shall have the meaning set forth in Paragraph 12.2.

"Date of Taking" shall mean the date the condemnor has the right to possession of the property being condemned.

"Environmental Indemnity" shall mean the Environmental Indemnity Agreement of even date herewith between Landlord and Tenant and relating to the real property constituting the Leased Premises.

"Extension Periods" means the First Extension Period and the Second Extension Period.

"First Extension Period" shall have the meaning set forth in Subparagraph 2.2(b).

"Fair Market Rent" shall mean the fair market rental value determined as if the Leased Premises were available in the then rental market at the time such determination is to be made for comparable buildings in comparable metropolitan Philadelphia locations and assuming that Landlord has had a reasonable time to locate a willing tenant who rents with the knowledge of the uses to which the Leased Premises can be adapted without major structural, building systems or interior renovation, and that neither Landlord nor the prospective tenant is



under any compulsion to rent.

"Fair Market Value" shall mean the aggregate amount which would be obtainable in an arm's length transaction at the time such determination is to be made for the purchase of a fee simple title of the Leased Premises (assuming, for valuation purposes only, that the same are free and clear of all mortgage or similar liens) between an informed and willing buyer under no compulsion to buy and an informed and willing seller under no compulsion to sell.

"HVAC" shall have the meaning set forth in Subparagraph 6.1(a).

"Improvements" means the Landlord's Improvements and the Leasehold Improvements.

"Initial Lease Term" shall have the meaning set forth in Subparagraph 2.2(a).

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"Landlord's Improvements" shall mean all improvements, fixtures, equipment and other property on the Leased Premises on the Commencement Date (except for Trade Fixtures and Vendor Supplied Equipment) and all improvements, fixtures and equipment constructed on the Leased Premises at Landlord's expense during the Lease Term.

"Laws" shall mean any judicial decision, statute, constitution, ordinance, resolution, regulation, rule, administrative order or other requirement of any municipal, county, state, local, federal or other government agency or authority having jurisdiction over the parties to this Lease or the Leased Premises, or both, in effect either at the Commencement Date or any time during the Lease Term, including, without limitation, any regulation, order or policy of any quasi-official entity or body (e.g. board of fire examiners, public utilities or special district).

"Lease Term" shall mean the Initial Lease Term and, to the extent that Tenant exercises its options to extend beyond the Initial Lease Term, shall also include the First Extension Period and the Second Extension Period.

"Leased Premises" shall mean the real property described in Exhibit A hereto, including all Improvements thereon.

"Leasehold Improvements" shall mean all improvements, additions, alterations and fixtures installed on the Leased Premises at Tenant's expense after the Commencement Date at any time which are permanently attached or affixed to the Leased Premises.

"Lender" shall mean any beneficiary, mortgagee, secured party or other holder of any deed of trust, mortgage or other written security device or agreement affecting Landlord's interest in the Leased Premises and any note and other obligations secured thereby and shall also mean any lender making a loan or otherwise extending credit in connection with the purchase of the Leased Premises from Tenant.

"Less Than Substantially All" shall mean a portion of the Leased Premises that is not all or Substantially All of the Leased Premises.

"Minor Work" shall have the meaning set forth in Subparagraph 5.1(a).

"Nondisturbance and Subordination Agreement" shall have the meaning set forth in Subparagraph 17.3(b).

"Operating Expenses" shall include all expenses of any nature relating to the operation, maintenance, repair or upkeep of the Leased Premises, all of which shall be borne by Tenant, including, without limitation, those expenses referred to in Paragraphs 6.1, 6.2, 7.1 and 7.2.

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"Paragraph 12.2 Value" shall have the meaning set forth in Paragraph 12.2 hereof.

"Present Value" shall mean with respect to any amount due at a future time or times referred to in this Lease, the discounted value of such amount computed by discounting such amount by Thirty-day LIBOR as of the date of such determination.

"Prime" shall mean the interest rate quoted by Citibank, N.A., New York, New York, or its successors, as the publicly announced applicable lending rate

for its most creditworthy commercial customers.

"Private Restrictions" shall mean all recorded covenants, conditions and restrictions, agreements, other documents, reciprocal easement agreements and any unrecorded documents known to Tenant, in effect on the Commencement Date, or thereafter entered into or consented to by Tenant, or otherwise expressly permitted by this Lease, affecting the Leased Premises from time to time.

"Real Property Taxes" shall have the meaning set forth in Paragraph 8.1 hereof.

"Rent" shall mean Base Annual Rent and Additional Rent.

"Second Extension Period" shall have the meaning set forth in Subparagraph 2.2(b) hereof.

"Subdivision Plan" shall mean that certain Subdivision Plan prepared by Chambers Associates, Inc., Consulting Engineers and Surveyors, Center Square, Pennsylvania, dated September 1, 1990, last revised February 25, 1991, and recorded March 8, 1991 in Plan Book A-52 page 357.

"Substantially All" shall mean a portion of the Leased Premises (that is, less than all of the Leased Premises) which leaves remaining a balance that may not be economically operated for the purpose for which the Leased Premises was operated prior to the Condemnation in question, in Landlord's and Tenant's reasonable judgment.

"Thirty-day LIBOR" shall mean the London Interbank Offered Rate for thirty (30) days, fixed at 11 a.m. (London time), as quoted to Landlord by Citibank, N.A., New York, New York, or its successors.

"Trade Fixtures" shall mean all movable equipment, furniture, furnishings and other personal property belonging to Tenant on the Leased Premises or installed in the Leased Premises by Tenant at Tenant's expense which are not permanently attached to the Leased Premises; provided, however, that all of Tenant's signs and Tenant's equipment not necessary for the operation of the Leased Premises without regard to the particular business

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conducted thereon (i.e. systems and facilities not integral to the buildings and other improvements) shall be Trade Fixtures whether or not permanently attached or affixed to the Leased Premises.

"Trust Agreement" means the Trust Agreement of even date with this Lease among Landlord, Tenant and the United States Trust Company of New York, as trustee, as such Trust Agreement may be amended and shall include any specific successor Trust Agreement relating solely to this Lease and entered into pursuant to Paragraph IX.B of the Trust Agreement.

"Vendor Supplied Equipment" shall mean property on the Leased Premises belonging to a third party, other than Landlord or Tenant.

## ARTICLE II

### DEMISE AND ACCEPTANCE

2.1. Demise of Premises. Landlord hereby demises and leases to Tenant, and Tenant hereby leases from Landlord, the Leased Premises for the Lease Term, upon and subject to the terms and conditions of this Lease. During the Lease Term, Tenant shall have the nonexclusive right to use for vehicular access purposes the access roads through Lot A, Lot B and Lot C shown on the Subdivision Plan in common with the owners and tenants, and their respective invitees of such Lot A, Lot B and Lot C.

#### 2.2. Term.

(a) This Lease shall be for a period commencing on the Commencement Date and ending at midnight on June 30, 2009 (the "Initial Lease Term").

(b) Provided that there exists no default by Tenant under this Lease at the time of exercise, and at the commencement of the applicable Extension Period, Tenant shall have the option to extend the Initial Lease Term for two (2) periods, the first for sixty (60) months (referred to herein as the "First Extension Period") and the second for fifty nine months (59) (the "Second Extension Period"). Tenant may exercise its option only by written notice to Landlord given (i) with respect to the First Extension Period, not later than five hundred and forty seven (547) days prior to the expiration of the Initial Lease Term, and (ii) with respect to the Second Extension Period, not less than five hundred and forty seven (547) days prior to the expiration of the First Extension Period. If Tenant elects to exercise its first option to extend, the

First Extension Period shall commence on the first (1st) day

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following the expiration of the Initial Lease Term. If Tenant elects to exercise its second option to extend, the Second Extension Period shall commence on the first (1st) day following the expiration of the First Extension Period. Tenant shall not have the option to extend the Lease Term for the Second Extension Period unless Tenant have first exercised Tenant's option to extend the Lease Term for the First Extension Period. Such extensions of the Lease Term shall be upon the same terms and conditions as set forth in this Lease, except that Tenant shall not have any further rights to extend the Lease Term beyond the Second Extension Period and the Base Annual Rent under this Lease shall be increased and determined as set forth on Exhibit C.

(c) Acceptance of Premises. Tenant confirms that Tenant accepted possession of the Leased Premises in the condition existing as of the Commencement Date. Landlord makes no warranty, express or implied, as to the condition of the Leased Premises or the suitability of the Leased Premises for Tenant's use or for any other purpose. Tenant acknowledges that it has had possession of the Leased Premises prior to the date of this Lease and is fully aware of and thoroughly familiar with the condition (including, without limitation, environmental conditions) of the Leased Premises.

#### ARTICLE III

##### RENT

3.1. Base Annual Rent. Commencing on the Commencement Date and continuing throughout the Lease Term, Tenant shall pay to Landlord as annual rent (the "Base Annual Rent") the amounts determined in accordance with, and during the periods indicated on Exhibit C hereto. The Base Annual Rent for each period indicated on Exhibit C shall be paid in equal quarterly installments in advance on the first day of each quarterly period. A quarterly period shall mean a period of three (3) calendar months, and the quarterly periods shall commence on April 1, 1997. Tenant has paid Base Annual Rent through March 31, 1997.

3.2. Additional Rent. Commencing on the Commencement Date and continuing throughout the Lease Term, Tenant shall pay, as additional rent, all other amounts due and payable by Tenant under this Lease (collectively, the "Additional Rent").

3.3. Payment of Rent. All Rent required to be paid in quarterly installments shall be paid in advance on the first day of each quarterly period during the Lease Term. All Rent (including Base Annual Rent and Additional Rent) shall be paid in lawful money of the United States, without any abatement, deduction or offset whatsoever, except to the extent otherwise specifically provided in Paragraph 8.5 (relating to tax contests), Paragraph 10.1 (with respect to Landlord's negligence or willful misconduct), Paragraph 11.1 (relating to failure to make insurance proceeds available to Tenant), and Paragraph 12.2 (relating to partial condemnation), and Paragraph 17.10 (relating to indemnity for brokerage fees), and

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without any prior demand therefor, to Landlord at the address for Landlord first above written or such other address or by wired funds (at Tenant's election) to Landlord's account, as Landlord may designate by written notice to Tenant from time to time (including, without limitation to a Lender, or Lenders) or as otherwise specified by the provisions of this Lease. Tenant's obligation to pay Base Annual Rent shall be prorated to account for a partial quarterly period at the commencement and the expiration or sooner termination of the Lease Term and the prorated amount for the partial period at the commencement of the Lease Term shall be due and payable on the Commencement Date. Tenant's obligation to pay Additional Rent shall be prorated at the expiration or sooner termination of the Lease Term.

3.4. Net Lease. This Lease is what is commonly called a "Triple Net Lease," it being understood that Landlord shall receive the Rent free and clear of any and all other impositions, taxes, liens, charges or expenses of any nature whatsoever in connection with the ownership, operation, maintenance (whether structural or otherwise), repair, occupancy, and use of the Leased Premises (excluding payments of any mortgage or obligations or charges for capital improvements or other matters incurred by Landlord and not required to be made by Tenant under this Lease). Except as may be otherwise specifically provided in this Paragraph, (relating to Landlord's mortgages or other obligations), Paragraph 8.5 (relating to tax contests), Paragraph 11.1

(relating to failure to make insurance proceeds available to Tenant), Paragraph 10.1 (with respect to Landlord's negligence or willful misconduct), Paragraph 12.2 (relating to partial condemnation), and Paragraph 17.10 (relating to indemnity for brokerage fees), Landlord shall not be responsible for any costs, expenses, or charges of any kind or nature respecting the Leased Premises. Landlord shall not be required to render any services of any kind to Tenant or to the Leased Premises.

#### ARTICLE IV

##### USE OF LEASED PREMISES

4.1. Use of Premises; Compliance with Laws. Tenant shall use the Leased Premises only for the purposes permitted by Laws and in accordance with Private Restrictions. Tenant shall not use or permit any person to use the Leased Premises for any use or purpose in violation of any Laws or Private Restrictions, including, without limitation, Laws pertaining to the environmental condition of the Leased Premises. Tenant shall, at its own cost and expense, abide by and promptly observe and comply with all Laws and Private Restrictions applicable to the Leased Premises. Tenant shall not do or permit anything to be done in or on the Leased Premises which might cause damage to the Leased Premises or might place any loads upon any floor, wall or ceiling which might damage or endanger any portion of the Leased Premises.

Tenant shall not operate any equipment in or on the Leased Premises in a manner which will injure the Leased Premises, which will overload existing electrical systems or mechanical equipment servicing the Leased Premises, or which will

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impair the efficient operation of the sprinkler system (if any) within the Leased Premises. Tenant shall not commit nor permit to be committed any waste upon the Leased Premises, and Tenant shall keep the Leased Premises in a condition free of any nuisances.

4.2. Insurance Requirements. Tenant shall not use the Leased Premises in any manner or for any purpose (other than the manner in which and the purposes for which the Leased Premises are used on the Commencement Date), or permit any use of the Leased Premises or any act to be committed on the Leased Premises, if any such use or act will cause a cancellation of any insurance policy covering the Leased Premises. Tenant shall not sell, keep or use, or permit to be kept, used, or sold, in or about the Leased Premises any article which may be prohibited by the standard form of fire insurance policy. Tenant shall, at its sole cost and expense, comply with all requirements of any insurance company, insurance underwriter, or Board of Fire Underwriters which are necessary to maintain the insurance coverage required under this Lease.

#### ARTICLE V

##### TRADE FIXTURES AND LEASEHOLD IMPROVEMENTS

##### 5.1. Leasehold Improvements.

(a) Except for Minor Work, Tenant shall not construct any Leasehold Improvements or otherwise alter the Leased Premises without Landlord's prior approval, and not until Landlord shall have first approved the plans and specifications therefor, which approvals shall not be unreasonably withheld, conditioned or delayed. If Landlord does not object to proposed Leasehold Improvements within fifteen (15) business days after being presented with plans and specifications therefor in accordance with this Paragraph 5.1, such proposed Leasehold Improvements shall be deemed approved. All such Leasehold Improvements and alterations (including Minor Work) and all demolition shall be performed, constructed and installed by Tenant at Tenant's expense, in substantial compliance with the approved plans and specifications therefor (if such plans and specifications are required hereunder) and in strict accordance with all Laws and Private Restrictions. All such construction and installation and demolition shall be done in a good and workmanlike manner using materials of good quality. Tenant shall not commence construction of any Leasehold Improvements or alterations or commence any demolition until (i) all required governmental approvals and permits shall have been obtained and (ii) all requirements regarding insurance imposed by this Lease shall have been satisfied. The term "Minor Work" as used herein, shall mean any construction of Leasehold Improvements not involving any structural change or substantial change in the character of the Improvements, and involving a cost of less than Two Hundred Thousand Dollars (\$200,000); provided that, for purposes of determining such cost, multiple construction or alteration projects shall be aggregated to the extent they are related to each other, whether undertaken simultaneously or sequentially. All Leasehold

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Improvements shall remain the property of Tenant during the Lease Term but shall not be damaged, altered or removed from the Leased Premises. If any Minor Work involves a cost of less than Fifty Thousand Dollars (\$50,000), Tenant shall neither be required to obtain Landlord's prior consent therefor nor shall Tenant be required to give any prior notice thereof to Landlord. If any Minor Work involves a cost of in excess of Fifty Thousand Dollars (\$50,000), but less than Two Hundred Thousand Dollars (\$200,000), Tenant shall not be required to obtain Landlord's prior consent therefor but shall give Landlord ten (10) days prior written notice of its intention to commence such construction or alteration together with any then available plans and specifications. Following completion of construction or alteration of any Leasehold Improvement, Tenant shall furnish to Landlord copies of all plans, specifications or drawings prepared by Tenant in connection with such Leasehold Improvement. At the expiration or sooner termination of the Lease Term, all Leasehold Improvements shall be surrendered to Landlord as a part of the Leased Premises and shall then become Landlord's property, and Landlord shall have no obligation to reimburse Tenant for all or any portion of the value or cost thereof; provided, however, that if Landlord shall require Tenant to remove any Leasehold Improvements (not constructed or installed in accordance with Paragraph 5.1 or Paragraph 6.2), in accordance with the provisions of Paragraph 15.1, then Tenant shall so remove such Leasehold Improvements prior to the expiration or sooner termination of the Lease Term.

(b) In connection with any proposed Leasehold Improvements or other alterations or additions or work or demolition by Tenant and in addition to other conditions that may be reasonably imposed by Landlord as a condition to Landlord's approval, Tenant shall secure all necessary licenses and permits; use reasonable efforts to secure effective waivers from all persons or firms who will be furnishing labor or materials, waiving the right to file any mechanics lien against the Leased Premises or interest of Landlord or Tenant therein; cause any contractors and subcontractors to carry workmen's compensation insurance in statutory amounts and comprehensive public liability insurance in accordance with current industry practice and use reasonable efforts to obtain and deliver to Landlord certificates of all such insurance.

(c) All Leasehold Improvements, demolition, repairs, alterations, additions and improvements performed by Tenant shall be done in a good and workmanlike manner in compliance with all Laws, Private Restrictions, and the reasonable requirements of the insurers of the Leased Premises. During the performance of any such work by Tenant, Tenant shall obtain and maintain customary comprehensive general public liability, property damage, builders and all risk, workmen's compensation and other insurance covering Landlord, Tenant and each Lender whose mortgage so requires coverage. Tenant shall promptly pay for such work and shall discharge any and all liens filed against the Leased Premises arising therefrom.

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(d) Tenant shall not permit any mechanics or other liens or claims thereof to exist upon the Leased Premises or any portion thereof arising out of the acts, omissions to act, or contracts of Tenant, or anyone claiming by, through, or under Tenant or for whom Tenant is responsible. Tenant shall remove or have removed or remove or have removed by bonding over any mechanics', materialman's or other lien or claim thereof filed against the Leased Premises, any other portion thereof, or any other property owned by Landlord, by reason of work, labor, services or materials provided for or at the request of Tenant or for any contractor or subcontractor employed by Tenant, or otherwise arising out of Tenant's use of the Leased Premises and shall exonerate, protect, defend and hold free and harmless Landlord against and from any and all such claims or liens. All persons and other entities are hereby notified that the interest of Landlord in the Leased Premises shall not be subject to liens for Leasehold Improvements made by or for Tenant, and that Tenant has no right, power, or authority to subject the Leased Premises or any part thereof or Landlord's interest therein, to any mechanics', materialman's or other similar liens.

(e) Tenant, with Landlord's prior written consent which shall not be unreasonably withheld, conditioned or delayed, may, at Tenant's own risk and expense, lawfully erect or place its standard signs concerning the business of Tenant within the buildings containing the Leased Premises and/or on the exterior walls thereof and/or elsewhere on the Leased Premises, and Tenant agrees to maintain said signs in a good state of repair; to save Landlord harmless from loss, cost or damages as a result of the erection, maintenance, existence or removal of such signs; and to repair any damage which may have been caused by the erection, existence, maintenance or removal of such signs. At the end of the Lease Term, Tenant agrees to remove such signs at its expense. Landlord hereby expressly consents to all Tenant's signs on the Leased Premises on the Commencement Date.

5.2. Alterations Required by Law. Tenant shall, at its sole cost, make any alteration, addition, replacement, or change of any sort, whether structural or otherwise, to the Leased Premises that is required by any Laws.

5.3. Landlord's Improvements. All Landlord's Improvements shall become a part of the realty and belong to Landlord.

#### ARTICLE VI

##### REPAIR, MAINTENANCE AND SECURITY

###### 6.1. Tenant's Obligation To Maintain.

(a) Tenant shall, at all times and at Tenant's sole cost and expense, clean, keep, and maintain in good order, condition, and repair the Leased Premises and every part thereof and all fixtures and Improvements therein and thereon, through regular inspections

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and servicing, and make replacements of such equipment, systems and building components as reasonably necessary throughout the Lease Term, including without limitation (i) all plumbing and sewage facilities (including all sinks, toilets, faucets and drains), including repair of leaks around ducts, pipes, vents, or other parts of the heating, ventilation and air conditioning systems ("HVAC") or plumbing system, (ii) all fixtures, interior walls, floors, ceilings, windows, doors, entrances, plate glass, showcases, and skylights, (iii) all electrical facilities and all equipment including all lighting fixtures, lamps, bulbs and tubes, fans, vents, exhaust equipment and systems, (iv) all fire extinguisher equipment, (v) any landscaping (including any necessary replanting) and irrigation systems, (vi) all parking areas (including any necessary painting, striping, patching or resurfacing), (vii) the exterior, floors and roof of all buildings contained within the Leased Premises (including any necessary painting or resurfacing of walls and any patching, resurfacing or replacement of roofs to preserve the same or to repair leaks) and (viii) all structural parts of the Improvements. All glass, both interior and exterior, is the sole responsibility of Tenant, and any broken glass shall promptly be replaced by Tenant at Tenant's expense with glass of the same kind (to the extent permitted by applicable building codes), size and quality. Tenant shall be responsible for the maintenance, repair and replacement when necessary of all HVAC equipment which serves the Leased Premises and shall keep the same in good condition through regular inspection and servicing. Tenant shall promptly remove all snow, ice, and debris from all sidewalks, curbs, parking areas and roadways located upon or adjacent to the Leased Premises. At the expiration or other termination of this Lease, Tenant will deliver the Leased Premises in good condition and repair, normal wear and tear excepted.

(b) All repairs and replacements required of Tenant hereunder shall be promptly made with materials of good quality. If the work results in a change in the character of the Improvements or affects the structural parts of the Leased Premises or if the estimated cost of any item of repair or replacement is in excess of Two Hundred Thousand Dollars (\$200,000.00), Tenant shall first obtain Landlord's written approval, which shall not be unreasonably withheld, conditioned or delayed, provided such repairs and replacements shall otherwise comply with the requirements of Article V.

(c) Tenant shall not be required to replace the roof on any of the Improvements or resurface any of the parking lots on the Leased Premises within the twelve (12) months prior to the expiration of the Lease Term, provided that Tenant shall have otherwise performed its obligations under this Paragraph 6.1.

###### 6.2. Intentionally Omitted

6.3. Security. Tenant shall employ and coordinate the services of reasonably skilled and responsible persons as security guards, janitors and maintenance workers, or such other staff, as may be necessary, in Tenant's reasonable judgment, for the security, protection and maintenance of the Leased Premises. Such individuals shall be under the

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supervision, direction and control of Tenant who shall fix their compensation and have the exclusive right to employ and terminate employment of any and all such individuals or such individuals employer; such individuals shall not be or be deemed to be the employees of Landlord for any purpose whatsoever.

#### ARTICLE VII

## WASTE DISPOSAL AND UTILITIES

7.1. Waste Disposal. Tenant shall store its waste in accordance with all applicable Laws either inside the Building) contained within the Leased Premises or within outside trash enclosures which are designed for such purpose. All entrances to such outside trash enclosures shall be kept closed, and waste shall be stored in such manner as not to be visible from the exterior of such outside enclosures. Tenant shall cause all of its waste to be regularly removed from the Leased Premises at Tenant's sole cost. Tenant shall keep all fire corridors and mechanical equipment rooms in the Leased Premises free and clear of all obstructions at all times.

7.2. Utilities. Tenant shall promptly pay, as the same become due, all charges for water, gas, electricity, telephone, sewer service, waste pick-up, and any other utilities, materials or services furnished directly or indirectly to or used by Tenant on or about the Leased Premises during the Lease Term. Landlord, upon reasonable prior notice to Tenant, and on not more than a quarterly basis, may inspect Tenant's records of payment of utilities.

## ARTICLE VIII

### REAL PROPERTY TAXES

8.1. Real Property Taxes Defined. The term "Real Property Taxes" as used in this Lease shall mean (i) all taxes, assessments, levies, and other charges of any kind or nature whatsoever, general and special, foreseen and unforeseen (including all installments of principal and interest required to pay any general or special assessments for public improvements and any increases resulting from reassessments caused by any change in ownership) now or hereafter imposed by any governmental or quasi-governmental authority or special district having the direct or indirect power to tax or levy assessments, which are levied or assessed against, or with respect to the value, occupancy or use of, all or any portion of the Leased Premises (as now constructed or as may at any time hereafter be constructed, altered, or otherwise changed) or Landlord's interest therein; any Improvements located within the Leased Premises (regardless of ownership); the fixtures, equipment and other property of Landlord, real or personal, that are an integral part of and located on the Leased Premises; or parking areas, public utilities, or energy within the Leased Premises;

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and (ii) all charges, levies or fees imposed by reason of environmental regulation or other governmental control of the Leased Premises. If at any time during the Lease Term the taxation or assessment of the Leased Premises prevailing as of the Commencement Date shall be altered so that in lieu of or in addition to any Real Property Taxes described above, there shall be levied, assessed or imposed (whether by reason of a change in the method of taxation or assessment, creation of a new tax or charge, or any other cause) an alternative or additional tax or charge (i) on the value, use or occupancy of the Leased Premises or Landlord's interest therein, or (ii) on or measured by the gross receipts, gross income or gross rentals from the Leased Premises, on Landlord's business of leasing the Leased Premises, or computed in any manner with respect to the operation of the Leased Premises, then any such alternate or additional tax or charge, however designated, shall be included within the meaning of the term "Real Property Taxes" for purposes of this Lease. If any Real Property Taxes are based upon property or rents unrelated to the Leased Premises, then only that part of such Real Property Taxes that is fairly allocable to the Leased Premises shall be included within the meaning of the term "Real Property Taxes." Notwithstanding the foregoing, the term "Real Property Taxes" shall not include estate, inheritance, transfer, gift or franchise taxes of Landlord or Landlord's federal, state or local income tax capital stock tax or wealth tax.

8.2. Tenant's Obligation To Pay. Landlord and Tenant agree that all bills for Real Property Taxes shall be sent directly by the appropriate government or quasi government authorities to Tenant. As Additional Rent, Tenant shall pay directly to the appropriate governmental or quasi-governmental authorities all Real Property Taxes no later than ten (10) days before such Real Property Taxes become payable with any interest or penalty for late payment. Tenant shall pay such taxes before the due date therefor and shall be responsible for payment of any interest or penalties with respect thereto. Concurrently with any such payment, Tenant shall supply Landlord with written evidence that all Real Property Taxes then due and payable shall have been paid in accordance with this Article. Tenant shall only be required to pay those Real Property Taxes or installments thereof which are payable with respect to periods during the Lease Term, with appropriate proration at the end of the Lease Term.

8.3. Taxes on Tenant's Leased Premises. Tenant shall pay by the due date therefor any and all taxes, assessments, license fees, and public charges levied, assessed, or imposed against Tenant or Tenant's interest in this Lease or Trade Fixtures which become payable during the Lease Term.

8.4. Tax Segregation. The Building is separately assessed and taxed as of

the Commencement Date.

8.5. Tax Contest. In the event that Tenant shall desire in good faith to contest or otherwise review by appropriate legal or administrative proceeding any Real Property Taxes,

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Tenant shall, no later than thirty (30) days after Tenant receives notice of the Real Property Taxes assessment Tenant desires to contest, give Landlord written notice of its intention to do so. Tenant may withhold payment of the Real Property Taxes being contested if, but only if, both (i) nonpayment is permitted during the pendency of such proceedings without the foreclosure of any tax lien or the imposition of any fine or penalty and (ii) Tenant shall obtain and furnish Landlord with a bond or other security device, and otherwise comply with the requirements of the Lenders, sufficient to protect Landlord's interest in the Leased Premises in an amount not less than one hundred percent (100%) of the amount contested. Any such contest shall be prosecuted to completion (whether or not this Lease shall have expired or terminated in the interim) and shall be conducted without delay and solely at Tenant's expense. Tenant shall indemnify, defend, and hold harmless Landlord from and against any and all expense, liability or damage resulting from such contest or other proceeding. At the request of Tenant, Landlord shall join in any contest or other proceedings which Tenant may desire to bring pursuant to this Paragraph 8.5. Tenant shall pay all of Landlord's reasonable expenses (including attorneys' fees) arising out of such joinder. Within thirty (30) days after the final determination of the amount due from Tenant with respect to the Real Property Taxes contested, Tenant shall pay the amount so determined to be due, together with all costs, expenses and interest, whether or not this Lease shall have then expired or terminated. Any recovery or refund of Real Property Taxes in accordance with this Subparagraph 8.5 shall be the property of and shall be paid to Tenant.

#### ARTICLE IX

#### INSURANCE

9.1. Tenant's Insurance. Tenant shall, at its own expense and cost, maintain the following policies of insurance in full force and effect during the Lease Term:

(a) "All risk" insurance, including but not limited to, loss or damage occasioned by fire, the perils included in the so-called extended coverage endorsement, vandalism and malicious mischief, sprinkler leakage, collapse, explosion, earthquake, flood and water damage and containing Replacement Cost, Lease Amount and Demolition and Increased Cost due to Ordinance endorsements covering the Leased Premises and all replacements and additions thereto, and all fixtures and equipment. The foregoing coverage shall be provided in amounts sufficient to provide one hundred percent (100%) of the full replacement cost of the Leased Premises, and shall be determined from time to time, but not more frequently than once in any twenty-four (24) calendar months, at Tenant's expense, at the request of Landlord, by any appraiser selected by Tenant and approved by Landlord and the insurance carrier, which approval by Landlord shall not be unreasonably withheld, conditioned or delayed.

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(b) comprehensive general liability insurance applying to the use and occupancy of the Leased Premises, or any part thereof, and the business operated by Tenant on the Leased Premises, with coverages including, but not limited to, premises operations, explosion, collapse, sprinkler leakage, and products and completed operations, blanket contractual, Broad Form property damage, and independent contractors. Such insurance shall include Broad Form Contractual liability insurance coverage insuring all of Tenant's indemnity obligations under this Lease. The general liability coverage shall have a minimum combined single limit of liability of at least One Million Dollars (\$1,000,000.00) and a general aggregate limit of One Million Dollars (\$1,000,000.00). Tenant shall carry an umbrella policy in the amount of at least twenty-five million dollars (\$25,000,000).

(c) Workers' compensation insurance in accordance with applicable Law and employers' liability insurance.

(d) Boiler and Machinery Broad Form policy covering explosion insurance in respect of steam and pressure boilers and similar apparatus, if any, located on the Leased Premises in an amount equal to one hundred percent (100%) of the full replacement cost of the Leased Premises.



(e) Such other insurance with respect to the Leased Premises as Landlord or any Lender, from time to time may reasonably request against such insurable hazards or risks which at the time in question are commonly insured against in the case of property similar to, or whose use is similar to the use of, the Leased Premises.

9.2. Policies. Tenant shall furnish to Landlord on the Commencement Date and thereafter within forty five (45) days prior to the expiration of each such policy, certificates of insurance issued by the insurance carrier of each policy of insurance required under this Lease showing applicable coverages. Each certificate shall expressly provide that such policies shall not be cancellable or subject to reduction of coverage or otherwise be subject to modification except after thirty (30) days' prior written notice to the parties named as insureds herein and other certificate holders. At Landlord's request, Tenant shall deliver abstracts of such policies to Landlord and Landlord's designees holding an interest in the Leased Premises. Landlord, Landlord's successors and assigns and any designee of Landlord holding any interest in the Leased Premises, including the holder of any fee, interest or mortgage, shall be additional named insureds under each policy of insurance maintained by Tenant, except for workers' compensation insurance. All insurance policies carried by Tenant pursuant to this Article IX shall be issued by insurance companies with a rating of "Good" or better as rated in Best's Insurance Guide. Any deductible amounts under any insurance policies required hereunder shall be subject to Landlord's prior written approval if such deductibles would exceed One Hundred Thousand Dollars (\$100,000.00) as to property hazard coverage, One Million Dollars (\$1,000,000.00) as to liability coverage, and Ten Million Dollars (\$10,000,000.00) as to earthquake. All policies shall be written to apply to

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property damage, personal injury and other covered loss, however occasioned, occurring during the policy term and shall be endorsed to add Landlord and any designee of Landlord having any interest in the Leased Premises as an additional insured (provided that such endorsement shall not include Landlord or its agents, employees or contractors as additional insureds for acts of negligence or willful misconduct by Landlord included within Landlord's liability under Paragraph 10.1 and excluded from Tenant's indemnity pursuant to Paragraph 10.2) and to provide that such coverage shall be primary and that any insurance maintained by Landlord shall be excess insurance only. All such insurance shall provide for severability of interest; shall provide that an act or omission of one of the named insureds shall not reduce or avoid coverage to the other named insureds; and shall afford coverage for all claims based on acts, omissions, injury and damage, which claims occurred or arose (or the onset of which occurred or arose) in whole or in part during the policy period. If Tenant shall fail to procure any insurance required under this Lease or to deliver the certificates or policies required under this Paragraph 9.2, Landlord may, at its option and in addition to Landlord's other remedies in the event of a default by Tenant hereunder, procure such insurance for the account of Tenant, and the cost thereof shall be paid to Landlord as Additional Rent on demand. Claims under all property insurance policies covering Landlord's buildings and Landlord's Improvements shall be adjusted with the insurance company or companies subject to Landlord's approval.

9.3. Release and Waiver of Subrogation. The parties hereto release each other, and their respective authorized representatives, from any claims for injury to any persons or damage to property that are caused by or result from risks insured against under any insurance policies carried by the parties and in force at the time of such damage, but only to the extent such claims are covered by such insurance. This release shall be in effect only so long as the applicable insurance policies contain a clause to the effect that this release shall not affect the right of the insured to recover under such policies. Each party shall cause each insurance policy obtained by it to provide that the insurance company waives all rights of recovery by way of subrogation against either party in connection with any damage covered by such policy.

9.4. Landlord's Insurance Option. Landlord, at Landlord's option, and upon prior notice to Tenant, may procure, at Tenant's sole cost, the insurance required by this Article IX, or such other insurance as may be deemed necessary or desirable by Landlord, provided that the cost of such insurance to Tenant shall not exceed the cost that would have been imposed upon Tenant for insurance required under this Article IX had Tenant procured such insurance. If Landlord elects to procure such insurance, Tenant shall be relieved of Tenant's obligation to procure such insurance under this Article IX, but Tenant shall remain obligated to pay the cost of such insurance in accordance with the requirements of this Article IX. Landlord shall provide copies of such insurance to Tenant. At any time upon at least thirty (30) days' prior notice to Tenant, Landlord may stop procuring insurance under this

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Paragraph 9.4, in which case Tenant shall be responsible for maintaining insurance in accordance with the requirements of this Article IX.

ARTICLE X

LIMITATION ON LANDLORD'S  
LIABILITY AND INDEMNITY

10.1. Limitation on Landlord's Liability. Except for loss proximately caused by Landlord or Landlord's agents', employees', or contractors' negligence or willful misconduct, Landlord shall not be liable to Tenant, nor shall Tenant be entitled to exercise any other rights or remedies, for any injury to Tenant, its agents, employees, contractors or invitees, or any other person or entity claiming, by, through, or under Tenant for damage to Tenant's property or loss to Tenant's business resulting from any cause, including, without limitation, any (i) failure or interruption of any HVAC or other utility system or service; (ii) governmental regulation, including a rationing or other control of utility services or use of the Leased Premises; or (iii) penetration of water into or onto any portion of the Leased Premises through roof leaks or otherwise.

10.2. Indemnification of Landlord. Tenant shall not do or permit any act or thing on or about the Leased Premises which may subject Landlord to any liability or responsibility for injury, damages to persons or property or to any liability by reason of any violation of Laws or of any legal requirement of any public authority or Private Restrictions but shall exercise such control over the Leased Premises as to fully protect Landlord against any such liability. Tenant shall hold harmless, indemnify and defend Landlord, and its employees, agents and contractors, and any other person or entity claiming by, through or under Landlord, from all liability, penalties, losses, damages, costs, expenses, causes of action, claims and/or judgments (including reasonable attorneys' fee) arising by reason of any death, bodily injury, personal injury or property damage (i) resulting from any cause or causes whatsoever (other than the negligence or willful misconduct of Landlord or Landlord's agents, employees or contractors to the extent of Landlord's liability under Paragraph 10.1) occurring in, on or about or resulting from an occurrence in, on or about the Leased Premises during the Lease Term, or (ii) resulting from the acts or omissions of Tenant, its agents, employees and contractors, (iii) resulting from any failure by Tenant to perform and observe its covenants and obligations under this Lease, or (iv) any other matter or thing arising from Tenant's occupancy or use of, or any action or omission of, Tenant, its employees, agents, contractors, invitees or visitors on, about, adjacent to, or relating to activities at, or the use of the Leased Premises. The provisions of this Article shall survive the expiration or sooner termination of this Lease.

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ARTICLE XI

DAMAGE TO LEASED PREMISES

11.1. Duty To Restore. If the Leased Premises are damaged by any casualty after the Commencement Date, Tenant shall restore fully the Leased Premises to substantially the same condition that existed prior to such casualty. All insurance proceeds shall be promptly made available to Tenant for the payment of the repairs and restoration of such damage or casualty; provided that such proceeds may be made available to Tenant subject to reasonable conditions and customary construction loan disbursement procedures, including provision by Tenant of an independent architect's certification of the cost of such repair or restoration, together with plans and specifications therefor and shall be deemed made available for such repair or restoration if they are made available through and are disbursed under such reasonable conditions and customary construction loan disbursement procedures.

In the event of damage to or destruction of the Leased Premises which results in Tenant's loss of use of the Leased Premises, or a portion thereof, and the cost of repair and replacement is less than one million dollars (\$1,000,000), as shall be established by Tenant to Landlord by written notice accompanied by an independent architect's certification of cost, then if insurance proceeds are not made available to Tenant for repair and restoration within thirty (30) days from the date that any such proceeds shall have been made available to Landlord or a Lender, and providing Tenant is not in default under the Lease, Tenant may abate Base Annual Rent in the same proportion as the rentable square footage rendered unusable by such damage or destruction bears to the total rentable square footage of the Leased Premises; provided that Tenant shall not be entitled to such Base Annual Rent abatement until ten (10) business days following written notice by Tenant to Landlord and any Lender identified as a named insured under the policy or policies of insurance on the Leased Premises that such proceeds have not been made available to Tenant within such thirty

(30) day period and, following such notice, such proceeds are not made available to Tenant within such ten (10) day period. Base Annual Rent abatement shall continue until all such insurance proceeds are made available to Tenant.

In the event of damage to or destruction of the Leased Premises which results in Tenant's loss of use of the Leased Premises, or a portion thereof, and the cost of repair and replacement is more than one million dollars (\$1,000,000), as shall be established by Tenant to Landlord by written notice accompanied by an architect's certification of cost, then if insurance proceeds are not made available to Tenant for repair and restoration within thirty (30) days from the date that any such proceeds shall have been made available to Landlord or a Lender, and providing Tenant is not in default under the Lease, Tenant may terminate this Lease; provided that Tenant shall not be entitled to terminate this Lease until ten (10) business days following written notice by Tenant to Landlord and any Lender identified as a named insured under the policy or policies of insurance on the Leased Premises that such

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proceeds have not been made available to Tenant within such thirty (30) day period and, following such notice, such proceeds are not made available to Tenant within such ten (10) day period.

Unless Tenant is in default under this Lease or its not complying with Tenant's obligations under Article IX, Tenant shall not be obligated to expend any amount in excess of the amount of insurance deductibles plus insurance proceeds made available for such restoration. Upon the issuance of all necessary governmental permits, Tenant shall commence and diligently prosecute to completion the restoration of the Leased Premises, to the extent then allowed by Laws, to substantially the same condition as that existing immediately prior to such damage or destruction.

11.2. No Termination or Rent Abatement. Damage to, or destruction of all or any portion of the Leased Premises by fire or by any other cause shall not, except as provided in Paragraph 11.1, give Tenant the right to terminate this Lease nor entitle Tenant to surrender the Leased Premises, nor in any way affect Tenant's obligation to pay the Base Annual Rent or Additional Rent, and, except under certain specified, limited circumstances referred to in Paragraph 3.3, there shall be no abatement, diminution or reduction of Base Annual Rent or Additional Rent payable under this Lease for any cause whatsoever.

## ARTICLE XII

### CONDEMNATION

12.1. Total Condemnation. If all or Substantially All of the Leased Premises are taken by Condemnation, this Lease shall terminate on the Date of Taking.

12.2. Partial Condemnation. If Less than Substantially All of the Leased Premises is taken by Condemnation, this Lease shall terminate as to the portion taken and otherwise remain in full force and effect, except that the amount of Base Annual Rent due hereunder, from time to time, shall be reduced, from and after the Date of Taking in the same proportion as the Award bears to the Fair Market Value of the Leased Premises (including the real estate subject to the Condemnation) on the Date of Taking (the "Paragraph 12.2 Value") as determined by the condemning authority (the "Condemnor") and subject to a final Award and final Paragraph 12.2 Value (after the exhaustion of all appeals if so desired by Landlord or Tenant). Landlord shall have no obligation to restore the Leased Premises, or otherwise compensate Tenant (except through such Base Annual Rent reduction), in the event of such partial Condemnation, provided that, to the extent it can be determined or established that a portion of the Award represents damages for repair and reconstruction of the remaining portion of the Leased Premises following such Condemnation received by Landlord for such Condemnation, Landlord shall promptly make available to Tenant such

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portion of the Award for use by Tenant in repairing or restoring the Leased Premises. Any portion of an Award shall be deemed made available for such repair and restoration if it is made available through and disbursed under reasonable disbursement conditions and customary construction loan disbursement procedures. If the Condemnor does not establish the Paragraph 12.2 Value, the Paragraph 12.2 Value shall be determined by agreement between Landlord and

Tenant on or before thirty (30) days before the Date of Taking using, to the extent possible, the same basis and assumptions as Condemnor used in the calculation of the Award. In the absence of such agreement as to Paragraph 12.2 Value, it shall be determined as follows:

(a) Each party shall appoint an Appraiser (hereinafter defined) within ten (10) days after notice of failure to agree given by one party to the other, and shall advise the other party of such appointment. On the failure of either party so to appoint an Appraiser, and to advise the other party of such appointment, the person who has been appointed as Appraiser may appoint a second Appraiser to represent the party in default.

(b) The two (2) Appraisers appointed in either manner shall then proceed to establish the Paragraph 12.2 Value using, to the extent possible, the same basis and assumptions as the Condemnor used in the calculation of the Award. In the event of their inability to agree upon the Paragraph 12.2 Value within thirty (30) days after their appointment, then they shall appoint a third Appraiser, provided however, that if the difference between the amounts respectively determined by the two (2) Appraisers is not greater than an amount equal to ten percent (10%) of the higher of the two (2) amounts so determined, then the Paragraph 12.2 Value shall be the mean of such two amounts, and it shall not be necessary to appoint a third (3rd) Appraiser. In the event that a third (3rd) Appraiser is not appointed within fifteen (15) days after the expiration of the thirty (30) day period referenced to in the first sentence of this Subparagraph 12.2(b), then, in such event, the chief executive officer of the Philadelphia Chapter of the American Institute of the Appraisers shall appoint the third Appraiser.

(c) In the event a third Appraiser is appointed, such Appraiser's determination of Paragraph 12.2 Value shall be final so long as it is within the limits of the appraisals established by the Appraisers appointed by the parties pursuant to Subparagraph 12.2(a) above. If the third Appraiser's appraisal is not within such limits, the determination of Paragraph 12.2 Value made by an Appraiser appointed pursuant to Subparagraph 12.2(a) above which is the closest to that of the third Appraiser shall control.

(d) As used in this Lease, "Appraiser" shall mean an independent M.A.I. appraiser who has at least ten (10) years, experience in appraising commercial real estate in the Philadelphia, Pennsylvania area. Neither party shall be precluded from appointing an independent Appraiser whom such party had previously employed as an independent

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Appraiser; except that the third Appraiser, if appointed, may not have been previously employed by either party.

(e) Landlord and Tenant shall divide equally the charges of Appraisers selected under this Paragraph 12.2.

12.3. Temporary Taking. If all or Substantially All of the Leased Premises is temporarily taken by Condemnation for a period which either exceeds one (1) year or which extends beyond the expiration of the Leased Term, then Landlord and Tenant shall each independently have the option to terminate this Lease, effective on the date possession is taken by the Condemnor.

12.4. Division of Condemnation Awards. Any Awards made as a result of any Condemnation of the Leased Premises shall belong to and be paid to Landlord, and Tenant hereby assigns to Landlord all of its right, title and interest in any such Award; provided, however, that Tenant shall be entitled to receive any Award that is made expressly (i) for the taking of Trade Fixtures, (ii) for the interruption of Tenant's business or its moving costs, (iii) for any temporary taking where this Lease is not terminated as a result of such taking and/or (iv) as provided in Paragraph 12.2 regarding damages for repair and reconstruction of the remaining portion of the Leased Premises following such Condemnation. the rights of Landlord and Tenant regarding any Condemnation shall be determined as provided in this Article, and each party hereby waives the provisions of any Laws allowing either party to petition a court to terminate this Lease in the event of a partial taking of the Leased Premises.

12.5. Other Condemnation Provisions. If this Lease is not terminated pursuant to Article XII, Tenant shall repair any damage caused by such condemnation so as to restore the remaining portion of the Leased Premises as nearly as practicable to the condition thereof immediately prior to such Condemnation to the extent that Tenant receives an Award resulting from the Condemnation sufficient to make such repair and restoration.

ARTICLE XIII

DEFAULT AND REMEDIES

13.1. Events of Default. Tenant shall be in default of its obligations under this Lease if any of the following events shall occur:

(a) Tenant shall have failed to pay Base Annual Rent or Additional Rent on the dates due under this Lease; provided that (i) Landlord shall give Tenant notice of such failure and fifteen (15) days to cure such failure and (ii) following such fifteen (15) day

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period if Tenant shall still have failed to pay such Base Annual Rent or Additional Rent, Landlord shall give Tenant a second notice of such failure and an additional fifteen (15) days to cure such failure before Tenant shall be in default hereunder; or

(b) Tenant shall have failed to perform (i) any term, covenant, or condition of this Lease except those requiring the payment of Base Annual Rent or Additional Rent or (ii) any term, covenant or condition of the Environmental Indemnity, and, in the case of either (i) or (ii) of this Subparagraph 13.1(b), Tenant shall have failed to cure such failure within thirty (30) days after written notice from Landlord specifying the nature of such breach; provided that if any such breach cannot reasonably be cured within such thirty (30) day period then Tenant shall have a reasonable period to cure such breach, so long as Tenant commences to cure the breach within such thirty (30) day period and thereafter diligently, in good faith and using reasonable efforts, pursues such cure to completion, except that Tenant shall not under any circumstances have more than thirty (30) days following such written notice to cure any monetary default under the Environmental Indemnity; or

(c) Tenant shall have made a general assignment of its assets for the benefit of its creditors; or

(d) Tenant shall have assigned its interest in this Lease in violation of the provisions contained in Article XIV, whether voluntarily or by operation of law; or

(e) Tenant shall have permitted the sequestration or attachment of, or execution on, or the appointment of a custodian or receiver with respect to, all or substantially all of the property of Tenant and Tenant shall have failed to obtain a return or release of such property within thirty (30) days thereafter, or prior to sale pursuant to such sequestration, attachment or levy, whichever is earlier; or

(f) A court shall have made or entered any decree or order with respect to Tenant or Tenant shall have submitted to or sought a decree or order (or a petition or pleading shall have been filed in connection therewith) which: (i) grants or constitutes (or seeks) an order for relief, appointment of a trustee, or confirmation of a reorganization plan under the bankruptcy laws of the United States; (ii) approves as properly filed (or seeks such approval of) a petition seeking liquidation or reorganization under said bankruptcy laws or any other debtor's relief law or statute of the United States or any state thereof; or (iii) otherwise directs (or seeks) the winding up or liquidation of Tenant; and such petition, decree or order shall have continued in effect for a period of thirty (30) or more days.

(g) So long as the Landlord under this Lease and under the Lease of even date herewith between Landlord and Tenant with respect to Lot A shown on the Subdivision Plan (the "Lot A Lease") are the same entity or person, Tenant under the Lot A Lease shall have defaulted under the Lot A Lease.

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(h) So long as the Landlord under this Lease and under the Lease of even date herewith between Landlord and Tenant with respect to Lot C shown on the Subdivision Plan (the "Lot C Lease") are the same entity or person, Tenant under the Lot C Lease shall have defaulted under the Lot C Lease.

13.2. Landlord's Remedies. In the event of any default by Tenant, Landlord shall have the following remedies, in addition to all other rights and remedies provided by any Laws or otherwise provided in this Lease, or otherwise available to Landlord, to which Landlord may resort cumulatively, or in the alternative:

(a) Landlord may, at Landlord's option, terminate this Lease, by written notice of termination specifying the date of termination of this Lease on which date this Lease shall terminate, and take and retain possession of the Leased Premises by any means legally available to Landlord, including summary dispossession proceedings. To the extent required by applicable Laws, Landlord shall attempt to relet all or any part of the

Leased Premises in any manner, for any term, for such rent and upon terms reasonably satisfactory to Landlord, and if applicable Laws do not require Landlord to attempt to so relet, Landlord shall use commercially reasonable efforts, accepted in the industrial/commercial real estate industry in the suburban counties contiguous to Philadelphia, Pennsylvania, for real estate of the type and condition of the Leased Premises, to relet all or any part of the Leased Premises in any manner, for any term, for such rent and upon terms reasonably acceptable to Landlord. Landlord may make any repairs, changes, additions or alterations in or to the Leased Premises that may be necessary for such reletting, taking into account the character and then current use of the Leased Premises. If the Leased Premises are relet, Tenant shall be liable to Landlord for the Present Value (determined at the time of Landlord's demand) of the difference between the amount of Base Annual Rent, Additional Rent, and all other amounts payable hereunder and the net proceeds of any such reletting (net of all reasonable expenses, including without limitation, repairs or construction costs and leasing commissions relating to such reletting), and Tenant shall pay to Landlord the Present Value of such difference immediately upon demand by Landlord. Any termination under this Subparagraph 13.2(a) shall not relieve Tenant from the payment of any sums then due Landlord or from any claim against Tenant for damages or Rent accrued and then accruing. In no event shall any act or omission by Landlord, in the absence of a written election by Landlord to terminate this Lease, constitute a termination of this Lease, including, without limitation:

(i) Appointment of a receiver or keeper in order to protect Landlord's interest hereunder;

(ii) Consent or refusal to consent to any assignment of this Lease by Tenant, whether pursuant to the provisions hereof or otherwise; or

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(iii) Any other action by Landlord or Landlord's agents intended to mitigate the adverse effects of any breach of this Lease by Tenant, including without limitation any action taken to maintain and preserve the Leased Premises or any action taken to relet the Leased Premises or any portions thereof, for the account of Tenant and in the name of Tenant.

(b) Landlord may, at Landlord's option, with or without terminating this Lease, take and retain possession of the Leased Premises by any means legally available to Landlord, including summary dispossession proceedings. If Landlord elects to terminate Tenant's right to possession only, without terminating this Lease, Landlord may, following taking possession of the Leased Premises in accordance herewith, remove Tenant's signs and other evidences of tenancy, without such entry and possession terminating the Lease or releasing Tenant, in whole or in part, from Tenant's obligations to pay Rent hereunder for the Lease Term or for any other of Tenant's obligations under this Lease. To the extent required by applicable Laws, Landlord shall attempt to relet all or any part of the Leased Premises in any manner, for any term, for such rent and upon terms reasonably satisfactory to Landlord, and if applicable Laws do not require Landlord to attempt to so relet, Landlord shall use commercially reasonable efforts, accepted in the industrial/commercial real estate industry in the suburban counties contiguous to Philadelphia, Pennsylvania, for real estate of the type and condition of the Leased Premises, to relet all or any part of the Leased Premises in any manner, for any term, for such rent and upon terms reasonably acceptable to Landlord. Landlord may make any repairs, changes, alterations or additions in or to the Leased Premises that may be necessary for such reletting, taking into account the character and then current use of the Leased Premises. If Landlord is unable to relet the Leased Premises, Tenant will pay Landlord on demand all amounts due from Tenant to Landlord under this Lease for the remainder of the Lease Term. If the Leased Premises are relet, Tenant shall be liable to Landlord for the Present Value (determined at the time of Landlord's demand) of the difference between the amount of Base Annual Rent, Additional Rent, and all other amounts payable hereunder and the net proceeds of any such reletting (net of all reasonable expenses, including without limitation, repairs or construction costs and leasing commissions relating to such reletting), and Tenant shall pay to Landlord the Present Value of such difference immediately upon demand by Landlord.

(c) Landlord may, at Landlord's election, keep this Lease in effect and enforce all of its rights and remedies under this Lease, including (i) the right to recover the Base Annual Rent and Additional Rent and other sums as they become due by appropriate legal action, and (ii) the right to invoke the remedies of injunctive relief and specific performance to compel Tenant to perform its obligations under this Lease.

(d) If Tenant is in default under this Lease and abandons or vacates the Leased Premises, this Lease shall not terminate unless Landlord gives Tenant written notice of its election to so terminate this Lease. No

mitigate the adverse effect of such breach, including, without limitation, those described by Subparagraphs 13.2(a)(i), (ii) and (iii), shall constitute a termination of Tenant's right to possession unless Landlord gives Tenant written notice of termination. Should Landlord not terminate this Lease by giving Tenant written notice, Landlord may enforce all its rights and remedies under this Lease, including the recovery of Rent as it becomes due and payable under this Lease.

(e) If Landlord terminates this Lease, Landlord, in addition to all other rights and remedies available to Landlord in the event of Tenant's default, but subject to the provisions of the second sentence of Subparagraph 13.2(a), shall be entitled, at Landlord's election, to damages as provided under applicable Laws or as set forth in Subparagraph 13.2(e)(i) and (ii). For purposes of computing such damages (i) an interest rate of Prime plus six percent (6%) per annum, but in no event less than thirteen and one half percent (13.5%) per annum, shall be used where permitted, and (ii) Rent due under this Lease shall include Base Annual Rent, Additional Rent and all other amounts payable by Tenant under this Lease, prorated on a monthly basis where necessary to compute such damages. Such damages shall include, without limitation:

(i) The worth of the amount by which the Rent for the balance of the Lease Term after the time of termination exceeds the fair rental value of the Leased Premises for the balance of the Lease Term as reasonably estimated solely by Landlord, such worth shall be the Present Value of the amount determined pursuant to the preceding clause, computed by discounting such amount at Thirty-day LIBOR at the time of judgment; and

(ii) Any other amount necessary to compensate Landlord for all detriment caused by Tenant's failure to perform Tenant's obligations under this Lease or for expenses incurred by Landlord in performing Tenant's obligations under this Lease, or which in the ordinary course of things would be likely to result therefrom, including, without limitation, the following: (a) expenses for cleaning, repairing or restoring the Leased Premises; (b) expenses for repairing the Leased Premises for the purpose of reletting, including installation of leasehold improvements (whether such installation be funded by a reduction of rent, direct payment or allowance to a new tenant, or otherwise); (c) broker's fees, advertising costs and other expenses of reletting the Leased Premises; (d) costs of carrying the Leased Premises, such as taxes, insurance premiums, utilities and security precautions; (e) expenses in retaking possession of the Leased Premises; (f) attorneys' fees and court costs incurred by Landlord in retaking possession of the Leased Premises and in reletting the Leased Premises; and (g) the portion of any brokerage commission paid by Landlord in procuring this Lease attributable to the remaining balance of the Lease Term.

(f) Subject to Landlord's compliance with the requirements of the Trust Agreement, Landlord may, at Landlord's option, exercise Landlord's rights and remedies under the Trust Agreement.

(g) Landlord may exercise any other legal or equitable right or remedy which Landlord may have.

(h) Nothing in this Paragraph shall limit Landlord's rights to indemnification from Tenant as provided in this Lease.

13.3. Landlord's Right to Cure. All covenants and agreements to be kept or performed by Tenant under any of the terms of this Lease shall be performed by Tenant at Tenant's sole cost and expense and without any abatement of Rent (except to the extent referred to in Paragraph 3.3 of this Lease). If Tenant shall fail to pay any sum of money required to be paid by it hereunder or shall fail to perform any other act on its part to be performed hereunder following any notice and cure period required under Subparagraph 13.1(a) or 13.1(b) (whether such payment or performance is due to or in favor of Landlord or any third party), Landlord may, but shall not be obliged to, and without waiving any default of Tenant or releasing Tenant from any obligations to Landlord hereunder, make any such payment or perform any such other act on Tenant's part to be made or performed as in this Lease provided (including but not limited to Tenant's obligations pursuant to Paragraphs 4.2, 6.1 and 6.2 hereof). All sums so paid by Landlord and all necessary incidental costs, together with interest thereon at the rate of Prime plus six percent (6%) per annum, but in no event less than thirteen and one half percent (13.5%) per annum, from the date of such payment by

Landlord, shall be paid to Landlord forthwith on demand, as Additional Rent, and Landlord shall have (in addition to any other right or remedy of Landlord) the same rights and remedies (including, but not limited to, Landlord's remedies under Paragraph 13.2 hereof) in the event of nonpayment thereof by Tenant as in the case of default by Tenant in the payment of Rent.

13.4. CONFESION OF JUDGMENT IN EJECTMENT. AFTER AT LEAST TEN (10) DAYS' PRIOR WRITTEN NOTICE FROM LANDLORD OF LANDLORD'S INTENTION TO CONFESS JUDGMENT IN EJECTMENT, INCLUDING COPIES OF PLEADINGS TO BE FILED IN ANY SUCH EJECTMENT ACTION, TENANT, FULLY COMPREHENDING THE RELINQUISHMENT OF CERTAIN RIGHTS INCLUDING, WITHOUT LIMITATION, RIGHTS OF PREJUDGMENT NOTICE AND HEARING AND POST-JUDGMENT NOTICE AND HEARING BEFORE EXECUTION, AUTHORIZES AND EMPOWERS ANY ATTORNEY OF ANY COURT OF RECORD WITHIN THE UNITED STATES, TO APPEAR FOR TENANT, AND FOR ANY OTHER PERSON CLAIMING UNDER, BY OR THROUGH TENANT, AND CONFESS JUDGMENT IN EJECTMENT FORTHWITH AGAINST TENANT AND SUCH OTHER PERSON AND IN FAVOR OF LANDLORD, ITS SUCCESSORS AND ASSIGNS, FOR POSSESSION OF THE LEASED PREMISES, TOGETHER WITH HEREDITAMENTS AND APPURTENANCES AND ALL FIXTURES AND EQUIPMENT INSTALLED THEREIN, WITH RELEASE OF ALL ERRORS, WAIVER OF STAY OF EXECUTION, AND WAIVER OF EXEMPTION BY

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TENANT. NO SINGLE EXERCISE OF THE FOREGOING WARRANTS AND POWERS OF ATTORNEY SHALL HAVE BEEN DEEMED TO EXHAUST SUCH WARRANTS AND POWERS, WHETHER OR NOT SUCH EXERCISE SHALL BE HELD BY ANY COURT TO BE INVALID, VOIDABLE OR VOID, BY THE WARRANTS AND POWERS SHALL CONTINUE UNDIMINISHED AND MAY BE EXERCISED FROM TIME TO TIME AS OFTEN AS LANDLORD, OR ITS SUCCESSORS AND ASSIGNS SHALL ELECT UPON THE OCCURRENCE OF A DEFAULT UNDER THIS LEASE. TENANT CONFIRMS THAT THIS IS A COMMERCIAL LEASE, THAT TENANT WAS REPRESENTED BY COUNSEL IN TENANT'S NEGOTIATION AND EXECUTION OF THIS LEASE, AND THAT TENANT FREELY AND VOLUNTARILY EXECUTED THIS LEASE WITH THIS PARAGRAPH 13.4 AS A PART THEREOF.

13.5. Waiver.

(a) No right or remedy herein conferred upon or reserved to Landlord is intended to be exclusive of any other right or remedy, and every right and remedy shall be cumulative and in addition to any other right or remedy given hereunder or now or hereafter existing at law or equity. The failure of Landlord to insist upon the strict performance of any covenant or agreement or to exercise any option, right, power or remedy contained in this Lease shall not be construed as a waiver or relinquishment thereof for the future. The receipt by Landlord of any Rent, with knowledge of the breach, shall not constitute a waiver or cure of such breach or prevent Landlord from exercising any of its rights or remedies hereunder on account of Tenant's breach. Landlord shall be entitled to injunctive relief in case of the violation, or attempted or threatened violation, of any covenant, agreement, condition or provision of this Lease, or to a decree compelling performance of any covenant, agreement, condition or provision of this Lease, or to any other remedy allowed by law. If on account of any breach or default by Tenant under the terms of this Lease, Landlord consults or employs an attorney or attorneys concerning Tenant's possible default under this Lease or to enforce or defend any of the Landlord's rights or remedies under this Lease, Tenant agrees to pay, on demand, as Rent, all reasonable attorneys' fees and costs so incurred.

(b) Tenant hereby waives any notice of termination or intention to reenter provided for in any statute, or of the institution of legal proceedings for that purpose, and in addition waives any right of redemption or reentry or repossession, or to restore the operation of this Lease if it is terminated or if Tenant is dispossessed by any judgment or by warrant of any court or judge in the cases of reentry or repossession by Landlord, or in the case of expiration of the Lease Term. Tenant, in addition, waives any and all benefits of any and all laws now or hereafter in force or effect exempting property of Tenant from liability for rent or for debt. Tenant also expressly waives:

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(i) The benefit of all Laws, now or hereafter in force, exempting any goods on the Leased Premises, or elsewhere, from levy or sale in any legal proceedings taken by Landlord to enforce any rights under this Lease;

(ii) The right to delay execution on any real estate that may be levied upon to collect any amount which may become due under the terms and conditions of this Lease and any right to have the same appraised;

(iii) Any and all rights of redemption granted by or under any present or future laws in the event of Tenant being evicted or



dispossessed for any cause, or in the event of Landlord obtaining possession of the Leased Premises, by reason of the violation by Tenant of any of the covenants or conditions of this Lease, or otherwise; and

(iv) The right, if any, to three months notice and/or fifteen (15) or thirty (30) days' notice under the Landlord and Tenant Act of 1951, as amended.

(c) (i) At the sole option of Landlord to be exercised only by written notice to Tenant at any time and from time to time, Landlord may elect to eliminate from this Lease, permanently or temporarily, Subparagraph 13.1(g) or Subparagraph 13.1(h), or both of them.

(ii) At the sole option of Landlord to be exercised only by written notice to Tenant at any time and from time to time, Landlord may elect to eliminate from this Lease, permanently or temporarily, Subparagraph 13.2(f) and all other references to the Trust Agreement.

13.6. Late Charge. In the event any amount of Base Annual Rent or Additional Rent shall remain unpaid for five (5) calendar days after such amount becomes due, Tenant shall pay Landlord, without notice or demand, a late charge equal to two percent (2%) of such overdue amount to partially compensate Landlord for its administrative costs in connection with such overdue payment; which administrative costs Tenant expressly acknowledges are reasonable and do not constitute a penalty.

13.7. Bankruptcy or Insolvency.

(a) In the event that Tenant shall become a Debtor under Chapter 7 of the Bankruptcy Code (hereinafter defined), and the Trustee or Tenant shall elect to assume this Lease for the purpose of assigning the same or otherwise, such election and assignment may only be made if all of the terms and conditions of Subparagraph 13.7(b) and Subparagraph 13.7(d) are satisfied. If such Trustee shall fail to elect or assume this Lease within sixty (60) days after the filing of the petition or such later date as shall be approved by the Bankruptcy Court, not to exceed ninety (90) days, this Lease shall be deemed to have been rejected.

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Landlord shall be thereupon immediately entitled to possession of the Leased Premises without further obligation to Tenant or Trustee, and this Lease shall be cancelled, but Landlord's right to be compensated for damages in such liquidation proceeding shall survive.

(b) In the event that a petition for reorganization or adjudgment of debts is filed concerning Tenant under Chapters 11 or 13 of the Bankruptcy Code, or a proceeding is filed under Chapter 7 of the Bankruptcy Code and is transferred to Chapters 11 or 13, the Trustee or Tenant, as Debtor-In-Possession, must elect to assume this Lease within sixty (60) days from the date of the filing of the petition under Chapters 11 or 13 or such later date as shall be approved by the Bankruptcy Court, not to exceed ninety (90) days, or the Trustee or Debtor-In-Possession shall be deemed to have rejected this Lease. No election by the Trustee or Debtor-In-Possession to assume this Lease whether under Chapter 7, 11, or 13, shall be effective unless each of the following conditions, which Landlord and Tenant acknowledge are commercially reasonable in the context of a bankruptcy proceeding of Tenant, have been satisfied, and Landlord has so acknowledged in writing:

(i) The Trustee or the Debtor-In-Possession has cured, or has provided Landlord adequate assurance (as defined in Subparagraph 13.7(b) (v) below) that:

(A) Within ten (10) days from the date of such assumption the Trustee or Debtor in Possession will cure all monetary defaults under this Lease; and

(B) Within thirty (30) days from the date of such assumption the Trustee or Debtor in Possession will cure all non-monetary defaults under this Lease.

(ii) The Trustee or the Debtor-In-Possession has compensated, or has provided to Landlord adequate assurance (as defined below) that, within ten (10) days from the date of assumption, Landlord will be compensated for any pecuniary loss incurred by Landlord arising from the default of Tenant, the Trustee, or the Debtor-In-Possession as recited in Landlord's written statement of pecuniary loss sent to the Trustee or Debtor-In-Possession.

(iii) The Trustee or the Debtor-In-Possession has provided Landlord with adequate assurance of the future performance of each of

Tenant's, Trustee's or Debtor-In-Possession obligations under this Lease; provided, however, that:

(A) If not otherwise deposited with Landlord, the Trustee or Debtor-In-Possession shall also deposit with Landlord, as security for the timely payment of Rent, an amount at least equal to a quarterly installment of Base Annual Rent (as well as the payments described in Subparagraph 13.7(b)(iii)(C) below) and other monetary charges accruing under this Lease;

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(B) If not otherwise required by the terms of this Lease, the Trustee or Debtor-In-Possession shall also pay in advance on the date Base Annual Rent is payable one quarter (1/4) of Tenant's annual obligations under this Lease for Real Property Taxes, insurance and similar charges;

(C) From and after the date of the assumption of this Lease, the Trustee or Debtor-In-Possession shall pay all Base Annual Rent, Additional Rent, and other amounts payable by Tenant as they become due under this Lease; and

(D) The obligations imposed upon the Trustee or Debtor-In-Possession shall continue with respect to Tenant or any assignee of this Lease after the completion of bankruptcy proceedings.

(iv) The assumption of the Lease will not breach any provision in any other lease, mortgage, financing agreement or other agreement by which Landlord is bound relating to the Leased Premises.

(v) For purposes of this Subparagraph 13.7(b), Landlord and Tenant acknowledge that, in the context of a bankruptcy proceeding of Tenant, at a minimum adequate assurance, shall mean:

(1) The Trustee or the Debtor-In-Possession has and will continue to have sufficient unencumbered assets after the payment of all secured obligations and administrative expenses to assure Landlord that the Trustee or Debtor-In-Possession will have sufficient funds to fulfill the obligations of Tenant under this Lease, and to keep the Leased Premises properly staffed with sufficient employees to conduct a fully-operational, active business on the Leased Premises; and

(2) If defaults referred to in Paragraph 13.7(b)(i)(a)(B) above are not cured within the time periods set forth therein, the Bankruptcy Court shall have entered an order segregating sufficient cash payable to Landlord or the Trustee or Debtor-In-Possession shall have granted a valid and perfected first lien and security interest or mortgage in property of Tenant, Trustee or Debtor-In-Possession, or a combination of such cash, perfected first liens, security interests or mortgages, acceptable as to value and kind to Landlord, to secure to Landlord the obligation of the Trustee or Debtor-In-Possession to cure the monetary and/or non-monetary defaults under this Lease.

(c) In the event that this Lease is assumed by a Trustee appointed for Tenant or by Tenant as Debtor-In-Possession under the provisions of Subparagraph 13.7(b) hereof and thereafter Tenant is liquidated or files a subsequent Petition for reorganization or adjustment of debts under Chapters 11 or 13 of the Bankruptcy Code, then, and in either of such events, Landlord may, at its option, terminate this Lease and all rights of Tenant

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hereunder, by giving Tenant written notice of its election to so terminate, by no later than thirty (30) days after the occurrence of either of such events.

(d) If the Trustee or Debtor-In-Possession has assumed this Lease pursuant to the terms and provisions of Subparagraph 13.7(a) or (b) herein, for the purpose of assigning (or elects to assign) Tenant's interest under this Lease or the estate created thereby, to any other person, such interest or estate may be so assigned only if Landlord shall acknowledge in writing that the intended assignee has provided adequate assurance of all of the terms, covenants and conditions of this Lease to be performed by Tenant. For purposes of this Subparagraph 13.7(d), Landlord and Tenant acknowledge that, in the context of a bankruptcy proceeding of Tenant, at a minimum adequate

assurance of future performance' shall mean that each of the following conditions have been satisfied, and Landlord has not acknowledged in writing:

(i) The assignee has submitted a current financial statement audited by an independent certified public accountant which shows a net worth and working capital in amounts determined to be sufficient by Landlord to assure the future performance by such assignee of Tenant's obligations under this Lease;

(ii) The assignee, if requested by Landlord, shall have obtained guarantees in form and substance reasonably satisfactory to Landlord from one or more persons who satisfy Landlord's standards of creditworthiness; and

(iii) Landlord has obtain all consents or waivers from any third party required under any lease, mortgage, financial arrangement or other agreement by which Landlord is bound to permit Landlord to consent to such assignment.

(e) When, pursuant to the Bankruptcy Code, the Trustee or Debtor-In-Possession shall be obligated to pay reasonable use and occupancy charges for the use of the Leased Premises or any portion thereof, such charges shall not be less than the Base Annual Rent, Additional Rent and other amounts payable by Tenant under this Lease.

(f) Neither Tenant's interest in this Lease, nor any lesser interest of Tenant herein, nor any estate of Tenant hereby created, shall pass to any trustee, receiver, assignee for the benefit of creditors, or any other person or entity, or otherwise by operation of law under the laws of any state having jurisdiction of the person or property of Tenant unless Landlord shall consent to such transfer in writing. No acceptance by Landlord of rent or any other payments from any such trustee, receiver, assignee, person or other entity shall be deemed to have waived, nor shall it waive the need to obtain Landlord's consent of Landlord's right to terminate this Lease for any transfer of Tenant's interest under this Lease without such consent.

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(g) As used in this Article XIII, "Bankruptcy Code" shall mean the Bankruptcy Code of the United States of America, as amended from time to time. Capitalized terms used in this Article XIII and not defined elsewhere in this Lease shall have the meanings given to such terms in the Bankruptcy Code. If the Bankruptcy Code imposes shorter periods of time on actions or decisions by Tenant, Trustees or Debtors-In-Possession than are imposed by this Article XIII or imposes more stringent requirements on Tenant, Trustees, or Debtors-In-Possession than are imposed by this Article XIII, such shorter periods of time and more stringent requirements shall be applicable under this Article XIII. Nothing in this Subparagraph 13.7 shall limit Landlord's rights and remedies otherwise set forth in this Lease.

#### ARTICLE XIV

##### ASSIGNMENT AND SUBLETTING

14.1. Assignment and Subletting By Tenant. The following provisions shall apply to any assignment or subletting by Tenant:

(a) Tenant shall not assign or encumber its interest in this Lease, whether voluntarily or by operation of law without Landlord's prior written consent. Any attempted assignment or encumbrance without Landlord's prior written consent shall be voidable and, at Landlord's election, shall constitute a default by Tenant hereunder. Tenant shall have the right to sublease the Leased Premises, or any portion thereof, without Landlord's consent and shall provide Landlord notice of the identity of a sublessee following any such subletting.

(b) Tenant agrees to reimburse Landlord for all reasonable costs and attorneys' fees incurred by Landlord in conjunction with the processing and documentation of any assignment, transfer, change of ownership or hypothecation of the Leased Premises or Tenant's interest in this Lease. No assignment, subletting, transfer, change of ownership or hypothecation shall be effective until (i) Tenant shall have paid such costs and fees (except as to subletting); (ii) each such assignee or transferee (excluding a subtenant) shall have agreed in writing for the benefit of Landlord to assume, to be bound by, and to perform the obligations of this Lease to be performed by Tenant, and (iii) an executed copy of such sublease, assignment, encumbrance, or other agreement of transfer shall have been delivered to Landlord.

(c) Consent by Landlord to one or more assignments or encumbrances of this Lease shall not be deemed to be a consent to any subsequent assignment or encumbrance.

(d) No subletting or assignment, even with the consent of Landlord, shall relieve Tenant of its personal and primary obligation to pay Rent and to perform all of the other obligations to be performed by Tenant hereunder. The acceptance of Rent by Landlord from any person shall not be deemed to be a waiver by Landlord of any provision of this Lease or to be a consent to any assignment.

(e) Subject to Subparagraph 14.1(a) above, if Tenant is a corporation, any dissolution or sale of all or substantially all of its assets, merger, consolidation or other reorganization of Tenant, shall be deemed a voluntary assignment of Tenant's interest in this Lease. If Tenant is a partnership, a withdrawal or change, voluntary, involuntary or by operation of law, of any general partner, or the dissolution of the partnership, shall be deemed a voluntary assignment. Notwithstanding the foregoing provisions of this Subparagraph 14.1(e) to the contrary and subject to Tenant's compliance with the other provisions of this Article XIV, and to the condition that Tenant is not in default under this Lease at the time of such events, without it being deemed an assignment or encumbrance hereunder requiring Landlord's consent, (i) Tenant shall be permitted to effect a corporate merger, consolidation or reorganization, provided, however, that Unisys Corporation remains the Tenant under this Lease or (ii) if Unisys Corporation would not continue to be the Tenant by operation of law, any such merger, consolidation or reorganization is effected in accordance with applicable statutory provisions for merger, consolidation or reorganization of corporations, which provide that the liabilities of the corporation participating in such merger or consolidation are assumed by the corporation surviving such merger or consolidation.

14.2. Assignment By Landlord. Landlord and its successors in interest shall have the right to transfer their interest in the Leased Premises and this Lease at any time and to any person or entity. In the event of any conveyance of the Leased Premises and assignment by Landlord of this Lease to another, the Landlord originally named herein (and in the case of any subsequent transfer, the transferor), from the date of such transfer, (i) shall be automatically relieved, without any further act by any person or entity, of all liability for the performance of the obligations of the Landlord hereunder which may accrue after the date of such transfer, and (ii) shall be relieved of all liability for the performance of the obligations of the Landlord hereunder which have accrued before the date of transfer if its transferee agrees to assume and perform all such obligations of the Landlord hereunder and such transferee is not substantially less solvent than Landlord. In the event the Landlord's interest in the Leased Premises is transferred to multiple transferees, such transferees shall designate, by a written notice to Tenant delivered upon such transfer, the name and address of a single person to whom all Rent and notices to be paid or given by Tenant hereunder shall be addressed and who shall be the sole authorized party to give notices to Tenant hereunder; Tenant's payment of Rent to such designated person shall satisfy Tenant's obligation to pay Rent to Landlord; Tenant's delivery of notices to such designated person shall constitute notice to Landlord and Tenant may rely upon notices from such designated person as being

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notice from Landlord. After the date of such transfer, the term Landlord as used herein shall mean the transferee of such interest in the Leased Premises.

ARTICLE XV

TERMINATION

15.1. Surrender of the Leased Premises.

(a) Immediately prior to the expiration of the Lease Term, or upon the earlier termination of this Lease, Tenant shall remove all Trade Fixtures (except surveillance cameras exterior to the buildings which shall remain with the Leased Premises) and repair any damage caused by such removal and vacate and surrender the Leased Premises to Landlord in the condition required by the terms of this Lease. Without limiting the generality of the foregoing, Tenant shall surrender the Leased Premises (normal wear and tear excepted), in broom clean condition, with all interior walls cleaned, all trash, waste, and debris removed, all carpets cleaned, all HVAC equipment within the Leased Premises in operating order and in good repair, and all floors cleaned, all to the reasonable satisfaction of Landlord. In the event there has been an event of damage or destruction governed by Article XI, or Condemnation affecting the Leased Premises, and Tenant has been complying with its obligations to repair and restore pursuant to Articles XI and XII

thereof and is not otherwise in default under this Lease, Tenant may surrender the Leased Premises to Landlord without completion of such repair or restoration, and shall have no further obligations with respect thereto provided that Tenant, upon the termination of the Lease Term, relinquishes any rights to and assigns to Landlord all of Tenant's interest, if any, in insurance proceeds and pays to Landlord the amount of any insurance deductible to the extent such deductible amount has not already been expended on such repair or restoration, or any portion of an Award to which it is otherwise entitled under Article XII to the extent that it has not already been expended on such repairs or restoration. If Landlord so requests, Tenant shall, at its sole cost and prior to the expiration or earlier termination of this Lease, remove any Leasehold Improvements not constructed or installed in compliance with Paragraph 5.1 or Paragraph 6.2 and repair all damage caused by such removal. If the Leased Premises are not so surrendered at the termination of this Lease, Tenant shall be liable to Landlord for all costs incurred by Landlord in returning the Leased Premises to the required condition, plus interest, from the date of demand for payment of such costs to the date paid, on all costs incurred at the rate of Prime plus six percent (6%) per annum, but in no event less than thirteen and one half percent (13.5%) per annum. Tenant shall indemnify Landlord against loss or liability resulting from delay by Tenant in so surrendering the Leased Premises, including, without limitation, any claims made by any succeeding tenant or losses to Landlord due to lost opportunities to lease to succeeding tenants.

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(b) Upon expiration or earlier termination of the Lease Term, Tenant shall (i) remove so much or all of the raised flooring and cabling, except that portion installed over depressed slab, and so much or all of the UPS system and Halon systems, as may be requested by Landlord; (ii) deliver to Landlord the following documents or records - all computer CAD plans, building plans and specifications and repair and maintenance files; and (iii) have roof repatched and warranted by a professional roofer acceptable to Landlord in all areas where the roof is violated or otherwise affected by the removal of Tenant's property from any roof. Tenant shall clean such area after removal. All such removal and cleaning shall be at Tenant's sole cost and expense.

15.2. Holding Over. Unless earlier terminated in accordance with this Lease or duly extended in accordance with this Lease, this Lease shall terminate without further notice at the expiration of the Lease Term. Any holding over by Tenant after termination of this Lease shall not constitute a renewal or extension of the Lease or give Tenant any rights in or to the Leased Premises. Any holding over after such expiration with the consent of Landlord shall be construed to be a tenancy from month to month on the same terms and conditions herein specified insofar as applicable except that the monthly rent shall equal one twelfth (1/12) of the higher of one hundred fifty percent (150%) of the Base Annual Rent in effect during the last month prior to such termination or the then current Fair Market Rent. The current Fair Market Rent shall be determined by agreement between Landlord and Tenant within thirty (30) days following the expiration of the Lease Term. In the absence of such agreement as to the Fair Market Rent, it shall be determined as follows:

(a) Each party shall appoint an Appraiser within fifteen (15) days after notice of failure to agree given by one party to the other, and shall advise the other party of such appointment. On the failure of either party so to appoint an Appraiser, and to advise the other party of such appointment, the person who has been appointed as Appraiser may appoint a second Appraiser to represent the party in default.

(b) The two (2) Appraisers appointed in either manner shall then proceed to establish the Base Annual Rent for each month of the hold over period. In the event of their inability to agree upon the Base Annual Rent for each month of the hold over period within thirty (30) days after their appointment, then Landlord shall appoint a third Appraiser, provided however, that if the difference between the amounts respectively determined by the two (2) Appraisers is not greater than an amount equal to ten percent (10%) of the higher of the two (2) amounts so determined, then the Base Annual Rent for each month of the hold over period in question shall be the mean of such two amounts, and it shall not be necessary to appoint a third (3rd Appraiser). In the event that Landlord fails to appoint a third (3rd) Appraiser within fifteen (15) days, then, in such event, the two Appraisers appointed by the parties pursuant to 15.2(a) above shall, by agreement, appoint the third Appraiser.

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(c) In the event a third Appraiser is appointed, such Appraiser's

determination of Base Annual Rent for each month of the hold over period shall be final so long as it is within the limits of the appraisals established by the Appraisers appointed by the parties pursuant to 15.2(a) above. If the third Appraiser's appraisal is not within such limits, the determination of Base Annual Rent made by an Appraiser appointed pursuant to 15.2(a) above which is the closest to that of the third Appraiser shall control.

(d) Landlord and Tenant shall divide equally the charges imposed by Appraisers selected under this Paragraph 15.2.

ARTICLE XVI

INTENTIONALLY OMITTED

ARTICLE XVII

GENERAL PROVISIONS

17.1. Financial Information. Tenant shall furnish to Landlord:

(a) As soon as available and in any event within forty-five (45) days after the end of each quarterly accounting period in each fiscal year of Tenant, copies of a consolidated balance sheet of Tenant and its consolidated subsidiaries as of the last day of such quarterly accounting period, and copies of the related consolidated statements of income and of changes in shareholders' equity and in financial position of Tenant and its consolidated subsidiaries for such quarterly accounting period and for the elapsed portion of the current fiscal year ended with the last day of such quarterly fiscal year ended with the last day of such quarterly accounting period, all in reasonable detail and with appropriate notes, if any, and stating in comparative form the figures for the corresponding dates and periods in the previous fiscal year, all prepared in accordance with the generally accepted accounting practice consistently applied, certified as complete and correct in all material respects by the chief financial officer of Tenant (subject to year-end audit adjustments), and otherwise in form satisfactory to Landlord;

(b) As soon as available and in any event within ninety (90) days after the end of each fiscal year of Tenant, copies of a consolidated balance sheet of Tenant and its consolidated subsidiaries as of the end of such fiscal year, and copies of the related consolidated statements of income and of changes in shareholders' equity and in financial position of Tenant and its consolidated subsidiaries for such fiscal year, all in reasonable detail and with appropriate notes, if any, and all prepared in accordance with generally

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accepted accounting practice consistently applied and stating in comparative form the corresponding figures as of the end of and for the previous fiscal year, and accompanied by an opinion or report thereon, in scope and substance satisfactory to Landlord, by Ernst Young & Company or such other firm of independent certified public accountants of recognized standing in the financial community as may be selected by Tenant and reasonably acceptable to Landlord and otherwise in a form satisfactory to Landlord;

(c) Notwithstanding the requirements set forth in Paragraphs 17.1(a), 17.1(b) and 17.1(d), Tenant need not comply with such requirements if the stock of Tenant is traded on the New York Stock Exchange, or Tenant shall be required to file periodic reports with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, but Tenant shall be required to deliver to Landlord all financial information and reports as are sent to Tenant's shareholders at the same time as such information or reports are sent to Tenant's shareholders.

(d) Concurrently with each of the financial statements furnished pursuant to-Subparagraphs 17.1(a) or 17.1(b) above, a certificate signed by the chief financial officer of Tenant, to the effect that in the opinion of such officer, based upon a review made under his or her supervision, Tenant has performed and observed all of, and is not in default in the performance or observance of any of, its obligations under this Lease (or, if such be not the case, specifying all such defaults and failures, and the nature thereof, of which such officer may have knowledge and the action proposed to be taken in respect thereof);

(e) Copies of all regular and periodic reports or other reports which Tenant shall make or be required to file with (i) the Securities and Exchange Commission or (ii) any other federal or state regulatory agency or with any municipal or other local body which relate to the Leased Premises.

17.2. Landlord's Right to Enter. Tenant shall permit Landlord and its agents to enter the Leased Premises at all reasonable times, upon not less than one (1) business day's notice, for the purpose of (i) inspecting the same; (ii) posting notices of nonresponsibility; (iii) exhibiting the Leased Premises to prospective purchasers and/or lenders; (iv) exhibiting the Leased Premises to prospective tenants within twenty-four (24) months prior to the expiration of the Lease Term; (v) determining whether Tenant is performing all its obligations hereunder; (vi) discharging Tenant's obligation (including the obligations to repair and maintain the Leased Premises) when Tenant has failed to do so after written notice from Landlord and the expiration of applicable cure periods; and/or (vii) within twenty-four (24) months of the expiration of the Lease Term, placing upon the Leased premises ordinary "for leases signs at places where Tenant shall reasonably select. Tenant may elect to escort Landlord at all such times, and Landlord agrees to comply with Tenant's security requirements with respect to the Leased Premises. Landlord shall not use, copy or publish any of Tenant's confidential or proprietary information obtained by Landlord in any such

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entry upon the Leased Premises, and Landlord shall maintain all such information in confidence.

17.3. Subordination.

(a) Subject to Subparagraph 17.3(b), this Lease is subject and subordinate, in lien and operation, to any underlying leases, mortgages, other title exceptions or objections, which affect the Leased Premises and are of public record as of the Commencement Date, and to all renewals, modifications, consolidations, supplements, replacements and extensions thereof, and all advances made or to be made thereunder for the full amount of such advances and without regard for the time or character of such advances. This Lease is also subject and subordinate to any and all future mortgages affecting the Leased Premises which may hereafter be executed and placed of public record by Landlord after the Commencement Date, or any renewals, modifications, consolidations, supplements, replacements or extensions thereof, for the full amount of all advances made or to be made thereunder and without regard to the time or character of such advances. Without limitation on the foregoing provisions of this Section 17.3(a), this Lease is subject and subordinate to that certain Mortgage dated June 30, 1992 from Landlord to Blue Bell Funding, Inc., as mortgagee, now held by United States Trust Company of New York, as trustee, mortgagee, and this Lease has been assigned as collateral security by Landlord to United States Trust Company of New York, as trustee, mortgagee under such Mortgage. Tenant agrees, within ten (10) days after Landlord's written request therefor, to execute, acknowledge and deliver to Landlord any and all documents or instruments requested by Landlord or any Lender as may be reasonably necessary or proper to assure the subordination of this Lease to any such mortgage provided that such documents and instruments shall not impose upon Tenant obligations other than those set forth in this Lease. However, if the lessor under any such lease or any Lender holding any such mortgage, shall advise Landlord that it desires or requires this Lease to be prior and superior thereto, then, upon written request of Landlord to Tenant, Tenant shall promptly execute, acknowledge and deliver any and all documents or instruments which Landlord or such lessor or Lender deems necessary or desirable to make this Lease prior thereto in lien and operation.

(b) Any automatic subordination of this Lease to any mortgage held by a Lender as provided in Subparagraph 17.3(a), shall be subject to and conditioned upon Landlord's obtaining from each Lender and delivering a copy thereof to Tenant an agreement (the "Nondisturbance and Subordination Agreement") providing that, even though this Lease is subordinate as set forth in Subparagraph 17.3(a), so long as Tenant is not in default under the terms of this Lease, insurance proceeds will be disbursed in accordance with Paragraph 11.1 hereof, notwithstanding anything in any such mortgage to the contrary, any action or proceeding to foreclose a mortgage held by such Lender will not result in the cancellation or termination of this Lease, and that in the event of the sale of the Leased Premises as the result of any action or proceeding to foreclosure any such mortgage, this Lease shall continue

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in full force and effect as a direct lease between Tenant and the then owner of the Leased Premises upon all of the terms, covenants and conditions in this Lease. So long as the Nondisturbance and Subordination Agreement contains the Tenant protections provided in the immediately preceding

sentence, the Nondisturbance and Subordination Agreement shall be in form and content reasonably acceptable to the applicable Lender and may contain, among other provisions, the following terms and conditions: Tenant's confirmation of the subordination of the Lease to the mortgage held by the Lender; the agreement by Tenant that neither the Lender nor any purchaser at any foreclosure sale shall be liable for any act or omission of Landlord under the Lease, or subject to any offsets or defenses which Tenant may have at any time against Landlord; providing that Lender shall not be bound by any Rent which Tenant may have paid to Landlord for more than the current quarterly rental payment period; providing that Lender shall not be bound by any amendment or modification of the Lease made without Lender's consent, and; providing that Tenant agrees that any Lender, or any other entity or person which becomes the purchaser at foreclosure sale shall be liable only for the performance of the obligations of the Landlord under the Lease which arise and accrue during the period of such Lender's, entities' or person's ownership of the Leased Premises.

17.4. Tenant's Attornment. Tenant shall attorn (i) to any purchaser of the Leased Premises at any foreclosure sale or private sale conducted pursuant to any security instrument encumbering the Leased Premises, (ii) to any grantee or transferee designated in any deed given in lieu of foreclosure, or (iii) to the lessor under any underlying ground lease in effect on the date hereof should such ground lease be terminated.

17.5. Estoppel Certificates. At all times during the Lease Term, Tenant agrees, following any request by Landlord, to promptly execute and deliver to Landlord an estoppel certificate (i) certifying that this Lease is unmodified and in full force and effect, or, if modified, stating the nature of such modification and certifying that this Lease, as so modified, is in full force and effect, (ii) stating the date to which the Rent is paid in advance, if any, (iii) acknowledging that there are not, to Tenant's knowledge, any uncured defaults on the part of Landlord hereunder, or if there are uncured defaults on the part of Landlord, stating the nature of such uncured defaults, and (iv) certifying such other information about the Lease as may be reasonably required by Landlord. Tenant's failure to deliver an estoppel certificate (or other response to Landlord's request therefor, if such certificate cannot practicably be given) within ten (10) business days after delivery of Landlord's request therefor (unless such request was not actually received by Tenant) shall be a conclusive admission by Tenant that, as of the date of the request for such statement, (i) this Lease is unmodified except as may be represented by Landlord in said request and is in full force and effect, (ii) there are no uncured defaults in Landlord's performance, and (iii) no Rent has been paid in advance.

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17.7. Determination of Fair Market Rent for Extension Periods. The base Annual Rent for the first year of either the First Extension Period or the Second Extension Period shall be ninety percent (90%) of the annual Fair Market Rent for the Leased Premises for the first year of the applicable Extension Period, but not less than the amounts set forth on Exhibit B for the first year of the applicable Extension Period. If Landlord and Tenant cannot agree on such Fair Market Rent, the Fair Market Rent shall be determined in accordance with the following procedure:

(a) Each party shall appoint an Appraiser within fifteen (15) days after notice of failure to agree given by one party to the other. and shall advise the other party of such appointment. On the failure of either party so to appoint an Appraiser, and to advise the other party of such appointment, the person who has been appointed as Appraiser may appoint a second Appraiser to represent the party in default.

(b) The two (2) Appraisers appointed in either manner shall then proceed to establish the Base Annual Rent for the Extension Period in question based on the Fair Market Rent of the Leased Premises. In the event of their inability to agree upon the Base Annual Rent for the Extension Period in question within thirty (30) days after their appointment, then Landlord shall appoint a third Appraiser, provided however, that if the difference between the amounts respectively determined by the two (2) Appraisers is not greater than an amount equal to ten percent (10%) of the higher of the two (2) amounts so determined, then the Base Annual Rent for the Extension Period in question shall be the mean of such two amounts, and it shall not be necessary to appoint a third (3rd) Appraiser. In the event that Landlord fails to appoint a third (3rd) Appraiser within fifteen (15) days, then, in such event, the two Appraisers appointed by the parties pursuant to Subparagraph 17.1(a) above shall, by agreement, appoint the third Appraiser.

(c) In the event a third Appraiser is appointed, such Appraiser's determination of Base Annual Rent for the Extension Period in question shall



be final so long as it is within the limits of the appraisals established by the Appraisers appointed by the parties pursuant to Subparagraph 17.7(a) above. If the third Appraiser's appraisal is not within such limits, the determination of Base Annual Rent made by an Appraiser appointed pursuant to Subparagraph 17.7(a) above which is the closest to that of the third Appraiser shall control.

(d) Landlord and Tenant shall divide equally the charges imposed by Appraisers selected under this Paragraph 17.7.

17.8. Notices. All notices, approvals, consents, requests, and other communications required or permitted to be given under this Lease shall be in writing and shall be deemed

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given when delivered personally, or when delivered by any nationally recognized next day delivery or courier service addressed to the party for which the item is intended as follows:

To Tenant: Unisys Corporation  
Township Line and Union Meeting Roads  
Blue Bell, PA 19424-0001  
Attn: Real Estate Department

With a copy to: Unisys Corporation  
Township Line and Union Meeting Roads  
Blue Bell, PA 19424-0001  
Attn: Office of the General Counsel

To Landlord: Blue Bell Investment Company, L.P.  
c/o The Shidler Group  
One Logan Square, Suite 1105  
Philadelphia, PA 19103

With a copy to: F. Michael Wysocki, Esquire  
Saul, Ewing, Remick & Saul  
3800 Centre Square West  
Philadelphia, PA 19102

Landlord and Tenant shall each have the right from time to time, to specify as their proper addresses for purposes of notice under this Lease any other address upon the giving of due notice hereunder.

17.9. Corporate Authority. Tenant represents and warrants that each individual executing this Lease on behalf of Tenant is duly authorized to execute and deliver this Lease on behalf of Tenant is duly authorized to execute and deliver this Lease on behalf of such corporation in accordance with its charter and by-laws and that this Lease is binding upon Tenant in accordance with its terms. Tenant shall, within thirty (30) days after execution of this Lease, deliver to Landlord a certified copy of the resolution of its board of directors authorizing or ratifying the execution of this Lease, or of the general corporate authorization, which evidences the authority for the execution of this Lease.

17.10. Brokerage Commissions. Tenant and Landlord each warrants to the other that it has not had any dealings with any real estate brokers or salesmen or incurred any obligations for the payment of real estate brokerage commissions or finder's fees which would be earned or due and payable by reason of the execution of this Lease, and each agrees to indemnify the other for its breach of its warranty under this Paragraph 17.10.

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17.11. Entire Lease. This Lease, the Exhibits attached to this Lease (which by this reference are incorporated herein), the Environmental Indemnity and the Trust Agreement are the entire agreement between the parties respecting the subject matter covered by such documents. Tenant acknowledges that neither Landlord nor Landlord's agent(s) has made any representation or warranty as to (i) whether the Leased Premises may be used for Tenant's intended use under existing Law or (ii) the suitability of the Leased Premises for the conduct of Tenant's business or the condition of any Improvements. Tenant expressly waives all claims for damage by reason of any statement, representation, warranty, promise or other agreement of Landlord or Landlord's agent(s), if any, not contained in this Lease or in any amendment hereto. No amendment to this Lease shall be binding unless in writing and signed by the parties hereto. Landlord and Tenant acknowledge that the First Lease is terminated as of the date of this Lease, except for

any obligations of Tenant which by the terms of the First Lease survive the termination of the First Lease.

17.12. Limited Liability of Landlord. The liability of Landlord with respect to this Lease shall be limited to and enforceable only out of Landlord's assets. No partners of Landlord shall have any liability hereunder.

17.13. Governing Law. This Lease shall be governed by the laws of the Commonwealth of Pennsylvania.

17.14. Quiet Enjoyment. Tenant, upon paying all Base Annual Rent, all Additional Rent, and all other amounts provided for in this Lease and not being in default under this Lease, shall peaceably and quietly have and enjoy the Leased Premises throughout the Lease Term without hindrance by Landlord or by anyone claiming by, through or under Landlord, subject, however, to the provisions, exceptions, reservations, and conditions of this Lease.

17.15. Successors and Assigns. Subject to the provisions of this Agreement, this Lease shall be binding upon, and inure to the benefit of the permitted successors and assigns of Landlord and Tenant.

17.16. Tenant's Obligations to Lenders. Any obligation of Tenant to comply with any requirement of a Lender is subject to Landlord's prior notification to Tenant of such Lender's identity and address.

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IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease with the intent to be legally bound thereby, as of the date first above written.

BLUE BELL INVESTMENT COMPANY, L.P.  
by its sole General Partner,  
Strategic Facility Investors, Inc.

Attest: \_\_\_\_\_ By: \_\_\_\_\_  
Clay W. Hamlin, III  
President

UNISYS CORPORATION,  
a Delaware corporation

Attest: \_\_\_\_\_ By: \_\_\_\_\_  
Name:  
Title:

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WAIVER OF PRIOR HEARING CERTIFICATION

Tenant acknowledges that the above Lease authorizes and empowers Landlord, without any prior notice or a prior hearing, to cause the entry of judgments against the undersigned for possession of the Leased Premises and immediately thereafter, without prior notice or a prior hearing, to exercise post-judgment enforcement and execution remedies. Tenant acknowledges that Tenant has agreed to waive the Tenant's rights to prior notice and a hearing under the Constitution of the United States, the Constitution of the Commonwealth of Pennsylvania and all other applicable state and federal laws, in connection with Landlord's ability to cause the entry of judgments against the Tenant and immediately thereafter exercise Landlord's post-judgment enforcement and execution remedies (which may include, without limitation, removal of the Tenant from the Leased Premises by law enforcement officers).

Tenant's counsel has reviewed the legal impact of this waiver with the Tenant and Tenant acknowledges that Tenant has freely waived such rights as an inducement to Landlord to enter into this Lease. The individual executing this Certification warrants that he or she is authorized to agree to such waiver on behalf of Tenant.

TENANT:

UNISYS CORPORATION, a Delaware corporation

Date: \_\_\_\_\_, 19\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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EXHIBIT B

RENT SCHEDULE

Annual Rent  
- -----

The Base Annual Rent payable during the initial Lease Term shall be as follows:

For the period from the Commencement Date, April 1, 1997 through June 30, 1997	\$616,893.38
For the period from July 1, 1997 through June 30, 1998	\$2,516,925.00
For the period from July 1, 1998 through June 30, 1999	\$2,567,264.00
For the period from July 1, 1999 through June 30, 2000	\$2,618,609.00
For the period from July 1, 2000 through June 30, 2001	\$2,670,981.00
For the period from July 1, 2001 through June 30, 2002	\$2,724,401.00
For the period from July 1, 2002 through June 30, 2003	\$2,778,889.00
For the period from July 1, 2003 through June 30, 2004	\$2,834,467.00
For the period from July 1, 2004 through June 30, 2005	\$2,891,151.00
For the period from July 1, 2005 through June 30, 2006	\$2,948,979.00
For the period from July 1, 2006 through June 30, 2007	\$3,007,959.00
For the period from July 1, 2007 through June 30, 2008	\$3,068,118.00
For the period from July 1, 2008 through June 30, 2009	\$3,129,480.00

Annual Extension Rent  
- -----

The Base Annual Rent for the first year (July 1, 2009 through June 30, 2010) of the First Extension Period shall be ninety percent (90%) of Fair Market Rent, but not less than \$3,096,353.00.

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Beginning the first day of the second year of the First Extension Period and on each annual anniversary thereafter, the Base Annual Rent shall be increased by two percent (2%) per annum.

The Base Annual Rent for the first year July 1, 2015 through June 30, 2016 of the Second Extension Period shall be ninety percent (90%) of Fair Market Rent, but not less than \$3,418,624.00.

Beginning the first day of the second year of the Second Extension Period and on each annual anniversary thereafter, the Base Annual Rent shall be increased by two percent (2%) per annum.

If Landlord and Tenant cannot mutually agree on the Fair Market Rent for the first year of the Leased Premises for either the First Extension Period or the Second Extension Period, the Fair Market Rent for the Leased Premises for the first year shall be determined in accordance with Paragraph 17.7 of the Lease to which this is an Exhibit.



LEASE AGREEMENT

THIS LEASE AGREEMENT (the "Lease"), is made as of March 12, 1997 between BLUE BELL INVESTMENT COMPANY, L.P., a Delaware limited partnership, whose address is c/o Clay W. Hamlin, III, The Shidler Group/Philadelphia, One Logan Square, Suite 1105, Philadelphia, Pennsylvania 19103 (the "Landlord"), and UNISYS CORPORATION, a Delaware corporation, whose address is P.O. Box 500, Township Line and Union Meeting Roads, Blue Bell, Pennsylvania 19424 (the "Tenant").

W I T N E S S E T H:

Landlord and Tenant entered into a Lease as of June 30, 1992 (the "First Lease") for Tenant's leasing of certain real estate of which the Leased Premises (defined below) are a part. Pursuant to Paragraph 17.6 of the First Lease, Landlord and Tenant are dividing the First Lease into Separate Leases (as defined in the First Lease) to replace the First Lease. This Lease is one of the Separate Leases.

In consideration of the mutual covenants and agreements contained herein, the parties, intending to be legally bound hereby, agree as follows:

ARTICLE I  
DEFINITIONS

1.1. Defined Terms. For purposes of this Lease, the following terms shall have the following meanings:

"Additional Rent" shall have the meaning set forth in paragraph 3.2.

"Appraiser" shall have the meaning set forth in Subparagraph 12.2(d).

"Award" shall mean all compensation, sums, or anything of value awarded, paid or received on a total or partial Condemnation.

"Bankruptcy Code" shall have the meaning set forth in Subparagraph 13.7(g).

"Base Annual Rent" shall have the meaning set forth in Paragraph 3.1.

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"Building" shall mean the building constituting a portion of the Leased Premises, which building, as of the Commencement Date consists of approximately, 219,065 rentable square feet.

"Commencement Date" shall mean the date of this Lease.

"Condemnation" shall mean (i) any taking by the exercise of the power of eminent domain, whether by legal proceedings or otherwise, or (ii) a voluntary sale or transfer by Landlord to any condemnor, either under threat of condemnation or while legal proceedings for condemnation are pending.

"Condemnor" shall have the meaning set forth in Paragraph 12.2.

"Date of Taking" shall mean the date the condemnor has the right to possession of the property being condemned.

"Environmental Indemnity" shall mean the Environmental Indemnity Agreement of even date herewith between Landlord and Tenant and relating to the real property constituting the Leased Premises.

"Extension Periods" means the First Extension Period and the Second Extension Period.

"First Extension Period" shall have the meaning set forth in Subparagraph 2.2(b).

"Fair Market Rent" shall mean the fair market rental value determined as if the Leased Premises were available in the then rental market at the time such determination is to be made for comparable buildings in comparable metropolitan Philadelphia locations and assuming that Landlord has had a reasonable time to locate a willing tenant who rents with the knowledge of the uses to which the Leased Premises can be adapted without major structural, building systems or interior renovation, and that neither Landlord nor the prospective tenant is under any compulsion to rent.

"Fair Market Value" shall mean the aggregate amount which would be obtainable in an arm's length transaction at the time such determination is to be made for the purchase of a fee simple title of the Leased Premises (assuming, for valuation purposes only, that the same are free and clear of all mortgage or similar liens) between an informed and willing buyer under no compulsion to buy and an informed and willing seller under no compulsion to sell.

"HVAC" shall have the meaning set forth in Subparagraph 6.1(a).

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"Improvements" means the Landlord's Improvements and the Leasehold Improvements.

"Initial Lease Term" shall have the meaning set forth in Subparagraph 2.2(a).

"Landlord's Improvements" shall mean all improvements, fixtures, equipment and other property on the Leased Premises on the Commencement Date (except for Trade Fixtures and Vendor Supplied Equipment) and all improvements, fixtures and equipment constructed on the Leased Premises at Landlord's expense during the Lease Term.

"Laws" shall mean any judicial decision, statute, constitution, ordinance, resolution, regulation, rule, administrative order or other requirement of any municipal, county, state, local, federal or other government agency or authority having jurisdiction over the parties to this Lease or the Leased Premises, or both, in effect either at the Commencement Date or any time during the Lease Term, including, without limitation, any regulation, order or policy of any quasi-official entity or body (e.g. board of fire examiners, public utilities or special district).

"Lease Term" shall mean the Initial Lease Term and, to the extent that Tenant exercises its options to extend beyond the Initial Lease Term, shall also include the First Extension Period and the Second Extension Period.

"Leased Premises" shall mean the real property described in Exhibit A hereto, including all Improvements thereon.

"Leasehold Improvements" shall mean all improvements, additions, alterations and fixtures installed on the Leased Premises at Tenant's expense after the Commencement Date at any time which are permanently attached or affixed to the Leased Premises.

"Lender" shall mean any beneficiary, mortgagee, secured party or other holder of any deed of trust, mortgage or other written security device or agreement affecting Landlord's interest in the Leased Premises and any note and other obligations secured thereby and shall also mean any lender making a loan or otherwise extending credit in connection with the purchase of the Leased Premises from Tenant.

"Less Than Substantially All" shall mean a portion of the Leased Premises that is not all or Substantially All of the Leased Premises.

"Minor Work" shall have the meaning set forth in Subparagraph 5.1(a).

"Nondisturbance and Subordination Agreement" shall have the meaning set forth in Subparagraph 17.3(b).

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"Operating Expenses" shall include all expenses of any nature relating to the operation, maintenance, repair or upkeep of the Leased Premises, all of which shall be borne by Tenant, including, without limitation, those expenses referred to in Paragraphs 6.1, 6.2, 7.1 and 7.2.

"Paragraph 12.2 Value" shall have the meaning set forth in Paragraph 12.2 hereof.

"Present Value" shall mean with respect to any amount due at a future time or times referred to in this Lease, the discounted value of such amount computed by discounting such amount by Thirty-day LIBOR as of the date of such determination.

"Prime" shall mean the interest rate quoted by Citibank, N.A., New York, New York, or its successors, as the publicly announced applicable lending rate for its most creditworthy commercial customers.

"Private Restrictions" shall mean all recorded covenants, conditions and restrictions, agreements, other documents, reciprocal easement agreements and any unrecorded documents known to Tenant, in effect on the Commencement Date, or thereafter entered into or consented to by Tenant, or otherwise expressly permitted by this Lease, affecting the Leased Premises from time to time.

"Real Property Taxes" shall have the meaning set forth in Paragraph 8.1 hereof.

"Rent" shall mean Base Annual Rent and Additional Rent.

"Second Extension Period" shall have the meaning set forth in Subparagraph 2.2(b) hereof.

"Subdivision Plan" shall mean that certain Subdivision Plan prepared by Chambers Associates, Inc., Consulting Engineers and Surveyors, Center Square, Pennsylvania, dated September 1, 1990, last revised February 25, 1991, and recorded March 8, 1991 in Plan Book A-52 page 357.

"Substantially All" shall mean a portion of the Leased Premises (that is, less than all of the Leased Premises) which leaves remaining a balance that may not be economically operated for the purpose for which the Leased Premises was operated prior to the Condemnation in question, in Landlord's and Tenant's reasonable judgment.

"Thirty-day LIBOR" shall mean the London Interbank Offered Rate for thirty (30) days, fixed at 11 a.m. (London time), as quoted to Landlord by Citibank, N.A., New York, New York, or its successors.

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"Trade Fixtures" shall mean all movable equipment, furniture, furnishings and other personal property belonging to Tenant on the Leased Premises or installed in the Leased Premises by Tenant at Tenant's expense which are not permanently attached to the Leased Premises; provided, however, that all of Tenant's signs and Tenant's equipment not necessary for the operation of the Leased Premises without regard to the particular business conducted thereon (i.e. systems and facilities not integral to the buildings and other improvements) shall be Trade Fixtures whether or not permanently attached or affixed to the Leased Premises.

"Trust Agreement" means the Trust Agreement of even date with this Lease among Landlord, Tenant and the United States Trust Company of New York, as trustee, as such Trust Agreement may be amended and shall include any specific successor Trust Agreement relating solely to this Lease and entered into pursuant to Paragraph IX.B of the Trust Agreement.

"Vendor Supplied Equipment" shall mean property on the Leased Premises belonging to a third party, other than Landlord or Tenant.

## ARTICLE II

### DEMISE AND ACCEPTANCE

2.1. Demise of Premises. Landlord hereby demises and leases to Tenant, and Tenant hereby leases from Landlord, the Leased Premises for the Lease Term, upon and subject to the terms and conditions of this Lease. During the Lease Term, Tenant shall have the nonexclusive right to use for vehicular access purposes the access roads through Lot A, Lot B and Lot C shown on the Subdivision Plan in common with the owners and tenants, and their respective invitees of such Lot A, Lot B and Lot C.

#### 2.2. Term.

(a) This Lease shall be for a period commencing on the Commencement Date and ending at midnight on June 30, 2009 (the "Initial Lease Term").

(b) Provided that there exists no default by Tenant under this Lease at the time of exercise, and at the commencement of the applicable Extension Period, Tenant shall have the option to extend the Initial Lease Term for two (2) periods, the first for sixty (60) months (referred to herein as the "First Extension Period") and the second for fifty nine months (59) (the "Second Extension Period"). Tenant may exercise its option only by written notice to Landlord given (i) with respect to the First Extension Period, not later than five hundred and forty seven (547) days prior to the expiration of the Initial Lease Term, and

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(ii) with respect to the Second Extension Period, not less than five hundred and forty seven (547) days prior to the expiration of the First Extension Period. If Tenant elects to exercise its first option to extend, the First Extension Period shall commence on the first (1st) day following the expiration of the Initial Lease Term. If Tenant elects to exercise its second option to extend, the Second Extension Period shall commence on the first (1st) day following the expiration of the First Extension Period. Tenant shall not have the option to extend the Lease Term for the Second Extension Period unless Tenant have first exercised Tenant's option to extend the Lease Term for the First Extension Period. Such extensions of the Lease Term shall be upon the same terms and conditions as set forth in this Lease, except that Tenant shall not have any further rights to extend the Lease Term beyond the Second Extension Period and the Base Annual Rent under this Lease shall be increased and determined as set forth on Exhibit C.

(c) Acceptance of Premises. Tenant confirms that Tenant accepted possession of the Leased Premises in the condition existing as of the Commencement Date. Landlord makes no warranty, express or implied, as to the condition of the Leased Premises or the suitability of the Leased Premises for Tenant's use or for any other purpose. Tenant acknowledges that it has had possession of the Leased Premises prior to the date of this Lease and is fully aware of and thoroughly familiar with the condition (including, without limitation, environmental conditions) of the Leased Premises.

### ARTICLE III

#### RENT

3.1. Base Annual Rent. Commencing on the Commencement Date and continuing throughout the Lease Term, Tenant shall pay to Landlord as annual rent (the "Base Annual Rent") the amounts determined in accordance with, and during the periods indicated on Exhibit C hereto. The Base Annual Rent for each period indicated on Exhibit C shall be paid in equal quarterly installments in advance on the first day of each quarterly period. A quarterly period shall mean a period of three (3) calendar months, and the quarterly periods shall commence on April 1, 1997. Tenant has paid Base Annual Rent through March 31, 1997.

3.2. Additional Rent. Commencing on the Commencement Date and continuing throughout the Lease Term, Tenant shall pay, as additional rent, all other amounts due and payable by Tenant under this Lease (collectively, the "Additional Rent").

3.3. Payment of Rent. All Rent required to be paid in quarterly installments shall be paid in advance on the first day of each quarterly period during the Lease Term. All Rent (including Base Annual Rent and Additional Rent) shall be paid in lawful money of the

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United States, without any abatement, deduction or offset whatsoever, except to the extent otherwise specifically provided in Paragraph 8.5 (relating to tax contests), Paragraph 10.1 (with respect to Landlord's negligence or willful misconduct), Paragraph 11.1 (relating to failure to make insurance proceeds available to Tenant), and Paragraph 12.2 (relating to partial condemnation), and Paragraph 17.10 (relating to indemnity for brokerage fees), and without any prior demand therefor, to Landlord at the address for Landlord first above written or such other address or by wired funds (at Tenant's election) to Landlord's account, as Landlord may designate by written notice to Tenant from time to time (including, without limitation to a Lender, or Lenders) or as otherwise specified by the provisions of this Lease. Tenant's obligation to pay Base Annual Rent shall be prorated to account for a partial quarterly period at the commencement and the expiration or sooner termination of the Lease Term and the prorated amount for the partial period at the commencement of the Lease Term shall be due and payable on the Commencement Date. Tenant's obligation to pay Additional Rent shall be prorated at the expiration or sooner termination of the Lease Term.

3.4. Net Lease. This Lease is what is commonly called a "Triple Net Lease," it being understood that Landlord shall receive the Rent free and clear of any and all other impositions, taxes, liens, charges or expenses of any nature whatsoever in connection with the ownership, operation, maintenance (whether structural or otherwise), repair, occupancy, and use of the Leased Premises (excluding payments of any mortgage or obligations or charges for capital improvements or other matters incurred by Landlord and not required to be made by Tenant under this Lease). Except as may be otherwise specifically provided in this Paragraph, (relating to Landlord's mortgages or other obligations), Paragraph 8.5 (relating to tax contests), Paragraph 11.1 (relating to failure to make insurance proceeds available to Tenant), Paragraph 10.1 (with respect to Landlord's negligence or willful misconduct), Paragraph 12.2 (relating to partial condemnation), and Paragraph 17.10 (relating to indemnity for brokerage fees), Landlord shall not be responsible for any costs,



expenses, or charges of any kind or nature respecting the Leased Premises. Landlord shall not be required to render any services of any kind to Tenant or to the Leased Premises.

#### ARTICLE IV

##### USE OF LEASED PREMISES

4.1. Use of Premises; Compliance with Laws. Tenant shall use the Leased Premises only for the purposes permitted by Laws and in accordance with Private Restrictions. Tenant shall not use or permit any person to use the Leased Premises for any use or purpose in violation of any Laws or Private Restrictions, including, without limitation, Laws pertaining to the environmental condition of the Leased Premises. Tenant shall, at its own cost and expense, abide by and promptly observe and comply with all Laws and Private Restrictions applicable to the Leased Premises. Tenant shall not do or permit anything to be

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done in or on the Leased Premises which might cause damage to the Leased Premises or might place any loads upon any floor, wall or ceiling which might damage or endanger any portion of the Leased Premises. Tenant shall not operate any equipment in or on the Leased Premises in a manner which will injure the Leased Premises, which will overload existing electrical systems or mechanical equipment servicing the Leased Premises, or which will impair the efficient operation of the sprinkler system (if any) within the Leased Premises. Tenant shall not commit nor permit to be committed any waste upon the Leased Premises, and Tenant shall keep the Leased Premises in a condition free of any nuisances.

4.2. Insurance Requirements. Tenant shall not use the Leased Premises in any manner or for any purpose (other than the manner in which and the purposes for which the Leased Premises are used on the Commencement Date), or permit any use of the Leased Premises or any act to be committed on the Leased Premises, if any such use or act will cause a cancellation of any insurance policy covering the Leased Premises. Tenant shall not sell, keep or use, or permit to be kept, used, or sold, in or about the Leased Premises any article which may be prohibited by the standard form of fire insurance policy. Tenant shall, at its sole cost and expense, comply with all requirements of any insurance company, insurance underwriter, or Board of Fire Underwriters which are necessary to maintain the insurance coverage required under this Lease.

#### ARTICLE V

##### TRADE FIXTURES AND LEASEHOLD IMPROVEMENTS

###### 5.1. Leasehold Improvements.

(a) Except for Minor Work, Tenant shall not construct any Leasehold Improvements or otherwise alter the Leased Premises without Landlord's prior approval, and not until Landlord shall have first approved the plans and specifications therefor, which approvals shall not be unreasonably withheld, conditioned or delayed. If Landlord does not object to proposed Leasehold Improvements within fifteen (15) business days after being presented with plans and specifications therefor in accordance with this Paragraph 5.1, such proposed Leasehold Improvements shall be deemed approved. All such Leasehold Improvements and alterations (including Minor Work) and all demolition shall be performed, constructed and installed by Tenant at Tenant's expense, in substantial compliance with the approved plans and specifications therefor (if such plans and specifications are required hereunder) and in strict accordance with all Laws and Private Restrictions. All such construction and installation and demolition shall be done in a good and workmanlike manner using materials of good quality. Tenant shall not commence construction of any Leasehold Improvements or alterations or commence any demolition until (i) all required governmental approvals and permits shall have been obtained and (ii) all requirements regarding insurance imposed by this Lease shall have been satisfied. The term "Minor Work" as used herein,

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shall mean any construction of Leasehold Improvements not involving any structural change or substantial change in the character of the Improvements, and involving a cost of less than Two Hundred Thousand Dollars (\$200,000); provided that, for purposes of determining such cost, multiple construction or alteration projects shall be aggregated to the extent they are related to each other, whether undertaken simultaneously or sequentially. All Leasehold Improvements shall remain the property of Tenant during the Lease Term but shall not be damaged, altered or removed from the Leased Premises. If any Minor Work involves a cost of less than Fifty Thousand Dollars (\$50,000), Tenant shall neither be required to obtain Landlord's prior consent therefor nor shall Tenant

be required to give any prior notice thereof to Landlord. If any Minor Work involves a cost of in excess of Fifty Thousand Dollars (\$50,000), but less than Two Hundred Thousand Dollars (\$200,000), Tenant shall not be required to obtain Landlord's prior consent therefor but shall give Landlord ten (10) days prior written notice of its intention to commence such construction or alteration together with any then available plans and specifications. Following completion of construction or alteration of any Leasehold Improvement, Tenant shall furnish to Landlord copies of all plans, specifications or drawings prepared by Tenant in connection with such Leasehold Improvement. At the expiration or sooner termination of the Lease Term, all Leasehold Improvements shall be surrendered to Landlord as a part of the Leased Premises and shall then become Landlord's property, and Landlord shall have no obligation to reimburse Tenant for all or any portion of the value or cost thereof; provided, however, that if Landlord shall require Tenant to remove any Leasehold Improvements (not constructed or installed in accordance with Paragraph 5.1 or Paragraph 6.2), in accordance with the provisions of Paragraph 15.1, then Tenant shall so remove such Leasehold Improvements prior to the expiration or sooner termination of the Lease Term.

(b) In connection with any proposed Leasehold Improvements or other alterations or additions or work or demolition by Tenant and in addition to other conditions that may be reasonably imposed by Landlord as a condition to Landlord's approval, Tenant shall secure all necessary licenses and permits; use reasonable efforts to secure effective waivers from all persons or firms who will be furnishing labor or materials, waiving the right to file any mechanics lien against the Leased Premises or interest of Landlord or Tenant therein; cause any contractors and subcontractors to carry workmen's compensation insurance in statutory amounts and comprehensive public liability insurance in accordance with current industry practice and use reasonable efforts to obtain and deliver to Landlord certificates of all such insurance.

(c) All Leasehold Improvements, demolition, repairs, alterations, additions and improvements performed by Tenant shall be done in a good and workmanlike manner in compliance with all Laws, Private Restrictions, and the reasonable requirements of the insurers of the Leased Premises. During the performance of any such work by Tenant, Tenant shall obtain and maintain customary comprehensive general public liability, property damage, builders and all risk, workmen's compensation and other insurance covering

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Landlord, Tenant and each Lender whose mortgage so requires coverage. Tenant shall promptly pay for such work and shall discharge any and all liens filed against the Leased Premises arising therefrom.

(d) Tenant shall not permit any mechanics or other liens or claims thereof to exist upon the Leased Premises or any portion thereof arising out of the acts, omissions to act, or contracts of Tenant, or anyone claiming by, through, or under Tenant or for whom Tenant is responsible. Tenant shall remove or have removed or remove or have removed by bonding over any mechanics', materialman's or other lien or claim thereof filed against the Leased Premises, any other portion thereof, or any other property owned by Landlord, by reason of work, labor, services or materials provided for or at the request of Tenant or for any contractor or subcontractor employed by Tenant, or otherwise arising out of Tenant's use of the Leased Premises and shall exonerate, protect, defend and hold free and harmless Landlord against and from any and all such claims or liens. All persons and other entities are hereby notified that the interest of Landlord in the Leased Premises shall not be subject to liens for Leasehold Improvements made by or for Tenant, and that Tenant has no right, power, or authority to subject the Leased Premises or any part thereof or Landlord's interest therein, to any mechanics', materialman's or other similar liens.

(e) Tenant, with Landlord's prior written consent which shall not be unreasonably withheld, conditioned or delayed, may, at Tenant's own risk and expense, lawfully erect or place its standard signs concerning the business of Tenant within the buildings containing the Leased Premises and/or on the exterior walls thereof and/or elsewhere on the Leased Premises, and Tenant agrees to maintain said signs in a good state of repair; to save Landlord harmless from loss, cost or damages as a result of the erection, maintenance, existence or removal of such signs; and to repair any damage which may have been caused by the erection, existence, maintenance or removal of such signs. At the end of the Lease Term, Tenant agrees to remove such signs at its expense. Landlord hereby expressly consents to all Tenant's signs on the Leased Premises on the Commencement Date.

5.2. Alterations Required by Law. Tenant shall, at its sole cost, make any alteration, addition, replacement, or change of any sort, whether structural or otherwise, to the Leased Premises that is required by any Laws.

5.3. Landlord's Improvements. All Landlord's Improvements shall become a part of the realty and belong to Landlord.

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## ARTICLE VI

## REPAIR, MAINTENANCE AND SECURITY

## 6.1. Tenant's Obligation To Maintain.

(a) Tenant shall, at all times and at Tenant's sole cost and expense, clean, keep, and maintain in good order, condition, and repair the Leased Premises and every part thereof and all fixtures and Improvements therein and thereon, through regular inspections and servicing, and make replacements of such equipment, systems and building components as reasonably necessary throughout the Lease Term, including without limitation (i) all plumbing and sewage facilities (including all sinks, toilets, faucets and drains), including repair of leaks around ducts, pipes, vents, or other parts of the heating, ventilation and air conditioning systems ("HVAC") or plumbing system, (ii) all fixtures, interior walls, floors, ceilings, windows, doors, entrances, plate glass, showcases, and skylights, (iii) all electrical facilities and all equipment including all lighting fixtures, lamps, bulbs and tubes, fans, vents, exhaust equipment and systems, (iv) all fire extinguisher equipment, (v) any landscaping (including any necessary replanting) and irrigation systems, (vi) all parking areas (including any necessary painting, striping, patching or resurfacing), (vii) the exterior, floors and roof of all buildings contained within the Leased Premises (including any necessary painting or resurfacing of walls and any patching, resurfacing or replacement of roofs to preserve the same or to repair leaks) and (viii) all structural parts of the Improvements. All glass, both interior and exterior, is the sole responsibility of Tenant, and any broken glass shall promptly be replaced by Tenant at Tenant's expense with glass of the same kind (to the extent permitted by applicable building codes), size and quality. Tenant shall be responsible for the maintenance, repair and replacement when necessary of all HVAC equipment which serves the Leased Premises and shall keep the same in good condition through regular inspection and servicing. Tenant shall promptly remove all snow, ice, and debris from all sidewalks, curbs, parking areas and roadways located upon or adjacent to the Leased Premises. At the expiration or other termination of this Lease, Tenant will deliver the Leased Premises in good condition and repair, normal wear and tear excepted.

(b) All repairs and replacements required of Tenant hereunder shall be promptly made with materials of good quality. If the work results in a change in the character of the Improvements or affects the structural parts of the Leased Premises or if the estimated cost of any item of repair or replacement is in excess of Two Hundred Thousand Dollars (\$200,000.00), Tenant shall first obtain Landlord's written approval, which shall not be unreasonably withheld, conditioned or delayed, provided such repairs and replacements shall otherwise comply with the requirements of Article V.

(c) Tenant shall not be required to replace the roof on any of the Improvements or resurface any of the parking lots on the Leased Premises within the twelve

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(12) months prior to the expiration of the Lease Term, provided that Tenant shall have otherwise performed its obligations under this Paragraph 6.1.

6.2. Security. Tenant shall employ and coordinate the services of reasonably skilled and responsible persons as security guards, janitors and maintenance workers, or such other staff, as may be necessary, in Tenant's reasonable judgment, for the security, protection and maintenance of the Leased Premises. Such individuals shall be under the supervision, direction and control of Tenant who shall fix their compensation and have the exclusive right to employ and terminate employment of any and all such individuals or such individuals employer; such individuals shall not be or be deemed to be the employees of Landlord for any purpose whatsoever.

## ARTICLE VII

## WASTE DISPOSAL AND UTILITIES

7.1. Waste Disposal. Tenant shall store its waste in accordance with all applicable Laws either inside the Building) contained within the Leased Premises or within outside trash enclosures which are designed for such purpose. All entrances to such outside trash enclosures shall be kept closed, and waste shall be stored in such manner as not to be visible from the exterior of such outside enclosures. Tenant shall cause all of its waste to be regularly removed from the Leased Premises at Tenant's sole cost. Tenant shall keep all fire corridors and mechanical equipment rooms in the Leased Premises free and clear of all obstructions at all times.

7.2. Utilities. Tenant shall promptly pay, as the same become due, all

charges for water, gas, electricity, telephone, sewer service, waste pick-up, and any other utilities, materials or services furnished directly or indirectly to or used by Tenant on or about the Leased Premises during the Lease Term. Landlord, upon reasonable prior notice to Tenant, and on not more than a quarterly basis, may inspect Tenant's records of payment of utilities.

#### ARTICLE VIII

##### REAL PROPERTY TAXES

8.1. Real Property Taxes Defined. The term "Real Property Taxes" as used in this Lease shall mean (i) all taxes, assessments, levies, and other charges of any kind or nature whatsoever, general and special, foreseen and unforeseen (including all installments of principal and interest required to pay any general or special assessments for public improvements and any increases resulting from reassessments caused by any change in ownership) now or hereafter imposed by any governmental or quasi-governmental authority

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or special district having the direct or indirect power to tax or levy assessments, which are levied or assessed against, or with respect to the value, occupancy or use of, all or any portion of the Leased Premises (as now constructed or as may at any time hereafter be constructed, altered, or otherwise changed) or Landlord's interest therein; any Improvements located within the Leased Premises (regardless of ownership); the fixtures, equipment and other property of Landlord, real or personal, that are an integral part of and located on the Leased Premises; or parking areas, public utilities, or energy within the Leased Premises; and (ii) all charges, levies or fees imposed by reason of environmental regulation or other governmental control of the Leased Premises. If at any time during the Lease Term the taxation or assessment of the Leased Premises prevailing as of the Commencement Date shall be altered so that in lieu of or in addition to any Real Property Taxes described above, there shall be levied, assessed or imposed (whether by reason of a change in the method of taxation or assessment, creation of a new tax or charge, or any other cause) an alternative or additional tax or charge (i) on the value, use or occupancy of the Leased Premises or Landlord's interest therein, or (ii) on or measured by the gross receipts, gross income or gross rentals from the Leased Premises, on Landlord's business of leasing the Leased Premises, or computed in any manner with respect to the operation of the Leased Premises, then any such alternate or additional tax or charge, however designated, shall be included within the meaning of the term "Real Property Taxes" for purposes of this Lease. If any Real Property Taxes are based upon property or rents unrelated to the Leased Premises, then only that part of such Real Property Taxes that is fairly allocable to the Leased Premises shall be included within the meaning of the term "Real Property Taxes." Notwithstanding the foregoing, the term "Real Property Taxes" shall not include estate, inheritance, transfer, gift or franchise taxes of Landlord or Landlord's federal, state or local income tax capital stock tax or wealth tax.

8.2. Tenant's Obligation To Pay. Landlord and Tenant agree that all bills for Real Property Taxes shall be sent directly by the appropriate government or quasi government authorities to Tenant. As Additional Rent, Tenant shall pay directly to the appropriate governmental or quasi-governmental authorities all Real Property Taxes no later than ten (10) days before such Real Property Taxes become payable with any interest or penalty for late payment. Tenant shall pay such taxes before the due date therefor and shall be responsible for payment of any interest or penalties with respect thereto. Concurrently with any such payment, Tenant shall supply Landlord with written evidence that all Real Property Taxes then due and payable shall have been paid in accordance with this Article. Tenant shall only be required to pay those Real Property Taxes or installments thereof which are payable with respect to periods during the Lease Term, with appropriate proration at the end of the Lease Term.

8.3. Taxes on Tenant's Leased Premises. Tenant shall pay by the due date therefor any and all taxes, assessments, license fees, and public charges levied, assessed, or imposed

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against Tenant or Tenant's interest in this Lease or Trade Fixtures which become payable during the Lease Term.

8.4. Tax Segregation. The Buildings is separately assessed and taxed as of the Commencement Date.

8.5. Tax Contest. In the event that Tenant shall desire in good faith to contest or otherwise review by appropriate legal or administrative proceeding any Real Property Taxes, Tenant shall, no later than thirty (30) days after Tenant receives notice of the Real Property Taxes assessment Tenant desires to contest, give Landlord written notice of its intention to do so. Tenant may

withhold payment of the Real Property Taxes being contested if, but only if, both (i) nonpayment is permitted during the pendency of such proceedings without the foreclosure of any tax lien or the imposition of any fine or penalty and (ii) Tenant shall obtain and furnish Landlord with a bond or other security device, and otherwise comply with the requirements of the Lenders, sufficient to protect Landlord's interest in the Leased Premises in an amount not less than one hundred percent (100%) of the amount contested. Any such contest shall be prosecuted to completion (whether or not this Lease shall have expired or terminated in the interim) and shall be conducted without delay and solely at Tenant's expense. Tenant shall indemnify, defend, and hold harmless Landlord from and against any and all expense, liability or damage resulting from such contest or other proceeding. At the request of Tenant, Landlord shall join in any contest or other proceedings which Tenant may desire to bring pursuant to this Paragraph 8.5. Tenant shall pay all of Landlord's reasonable expenses (including attorneys' fees) arising out of such joinder. Within thirty (30) days after the final determination of the amount due from Tenant with respect to the Real Property Taxes contested, Tenant shall pay the amount so determined to be due, together with all costs, expenses and interest, whether or not this Lease shall have then expired or terminated. Any recovery or refund of Real Property Taxes in accordance with this Subparagraph 8.5 shall be the property of and shall be paid to Tenant.

## ARTICLE IX

### INSURANCE

9.1. Tenant's Insurance. Tenant shall, at its own expense and cost, maintain the following policies of insurance in full force and effect during the Lease Term:

(a) "All risk" insurance, including but not limited to, loss or damage occasioned by fire, the perils included in the so-called extended coverage endorsement, vandalism and malicious mischief, sprinkler leakage, collapse, explosion, earthquake, flood and water damage and containing Replacement Cost, Lease Amount and Demolition and

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Increased Cost due to Ordinance endorsements covering the Leased Premises and all replacements and additions thereto, and all fixtures and equipment. The foregoing coverage shall be provided in amounts sufficient to provide one hundred percent (100%) of the full replacement cost of the Leased Premises, and shall be determined from time to time, but not more frequently than once in any twenty-four (24) calendar months, at Tenant's expense, at the request of Landlord, by any appraiser selected by Tenant and approved by Landlord and the insurance carrier, which approval by Landlord shall not be unreasonably withheld, conditioned or delayed.

(b) comprehensive general liability insurance applying to the use and occupancy of the Leased Premises, or any part thereof, and the business operated by Tenant on the Leased Premises, with coverages including, but not limited to, premises operations, explosion, collapse, sprinkler leakage, and products and completed operations, blanket contractual, Broad Form property damage, and independent contractors. Such insurance shall include Broad Form Contractual liability insurance coverage insuring all of Tenant's indemnity obligations under this Lease. The general liability coverage shall have a minimum combined single limit of liability of at least One Million Dollars (\$1,000,000.00) and a general aggregate limit of One Million Dollars (\$1,000,000.00). Tenant shall carry an umbrella policy in the amount of at least twenty-five million dollars (\$25,000,000).

(c) Workers' compensation insurance in accordance with applicable Law and employers' liability insurance.

(d) Boiler and Machinery Broad Form policy covering explosion insurance in respect of steam and pressure boilers and similar apparatus, if any, located on the Leased Premises in an amount equal to one hundred percent (100%) of the full replacement cost of the Leased Premises.

(e) Such other insurance with respect to the Leased Premises as Landlord or any Lender, from time to time may reasonably request against such insurable hazards or risks which at the time in question are commonly insured against in the case of property similar to, or whose use is similar to the use of, the Leased Premises.

9.2. Policies. Tenant shall furnish to Landlord on the Commencement Date and thereafter within forty five (45) days prior to the expiration of each such policy, certificates of insurance issued by the insurance carrier of each policy of insurance required under this Lease showing applicable coverages. Each certificate shall expressly provide that such policies shall not be cancellable or subject to reduction of coverage or otherwise be subject to modification except after thirty (30) days' prior written notice to the parties named as

insureds herein and other certificate holders. At Landlord's request, Tenant shall deliver abstracts of such policies to Landlord and Landlord's designees holding an interest in the Leased Premises. Landlord, Landlord's successors and assigns and any designee of Landlord

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holding any interest in the Leased Premises, including the holder of any fee, interest or mortgage, shall be additional named insureds under each policy of insurance maintained by Tenant, except for workers' compensation insurance. All insurance policies carried by Tenant pursuant to this Article IX shall be issued by insurance companies with a rating of "Good" or better as rated in Best's Insurance Guide. Any deductible amounts under any insurance policies required hereunder shall be subject to Landlord's prior written approval if such deductibles would exceed One Hundred Thousand Dollars (\$100,000.00) as to property hazard coverage, One Million Dollars (\$1,000,000.00) as to liability coverage, and Ten Million Dollars (\$10,000,000.00) as to earthquake. All policies shall be written to apply to property damage, personal injury and other covered loss, however occasioned, occurring during the policy term and shall be endorsed to add Landlord and any designee of Landlord having any interest in the Leased Premises as an additional insured (provided that such endorsement shall not include Landlord or its agents, employees or contractors as additional insureds for acts of negligence or willful misconduct by Landlord included within Landlord's liability under Paragraph 10.1 and excluded from Tenant's indemnity pursuant to Paragraph 10.2) and to provide that such coverage shall be primary and that any insurance maintained by Landlord shall be excess insurance only. All such insurance shall provide for severability of interest; shall provide that an act or omission of one of the named insureds shall not reduce or avoid coverage to the other named insureds; and shall afford coverage for all claims based on acts, omissions, injury and damage, which claims occurred or arose (or the onset of which occurred or arose) in whole or in part during the policy period. If Tenant shall fail to procure any insurance required under this Lease or to deliver the certificates or policies required under this Paragraph 9.2, Landlord may, at its option and in addition to Landlord's other remedies in the event of a default by Tenant hereunder, procure such insurance for the account of Tenant, and the cost thereof shall be paid to Landlord as Additional Rent on demand. Claims under all property insurance policies covering Landlord's buildings and Landlord's Improvements shall be adjusted with the insurance company or companies subject to Landlord's approval.

9.3. Release and Waiver of Subrogation. The parties hereto release each other, and their respective authorized representatives, from any claims for injury to any persons or damage to property that are caused by or result from risks insured against under any insurance policies carried by the parties and in force at the time of such damage, but only to the extent such claims are covered by such insurance. This release shall be in effect only so long as the applicable insurance policies contain a clause to the effect that this release shall not affect the right of the insured to recover under such policies. Each party shall cause each insurance policy obtained by it to provide that the insurance company waives all rights of recovery by way of subrogation against either party in connection with any damage covered by such policy.

9.4. Landlord's Insurance Option. Landlord, at Landlord's option, and upon prior notice to Tenant, may procure, at Tenant's sole cost, the insurance required by this Article

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IX, or such other insurance as may be deemed necessary or desirable by Landlord, provided that the cost of such insurance to Tenant shall not exceed the cost that would have been imposed upon Tenant for insurance required under this Article IX had Tenant procured such insurance. If Landlord elects to procure such insurance, Tenant shall be relieved of Tenant's obligation to procure such insurance under this Article IX, but Tenant shall remain obligated to pay the cost of such insurance in accordance with the requirements of this Article IX. Landlord shall provide copies of such insurance to Tenant. At any time upon at least thirty (30) days' prior notice to Tenant, Landlord may stop procuring insurance under this Paragraph 9.4, in which case Tenant shall be responsible for maintaining insurance in accordance with the requirements of this Article IX.

#### ARTICLE X

##### LIMITATION ON LANDLORD'S LIABILITY AND INDEMNITY

10.1. Limitation on Landlord's Liability. Except for loss proximately caused by Landlord or Landlord's agents', employees', or contractors' negligence or willful misconduct, Landlord shall not be liable to Tenant, nor shall Tenant be entitled to exercise any other rights or remedies, for any injury to Tenant, its agents, employees, contractors or invitees, or any other person or entity

claiming, by, through, or under Tenant for damage to Tenant's property or loss to Tenant's business resulting from any cause, including, without limitation, any (i) failure or interruption of any HVAC or other utility system or service; (ii) governmental regulation, including a rationing or other control of utility services or use of the Leased Premises; or (iii) penetration of water into or onto any portion of the Leased Premises through roof leaks or otherwise.

10.2. Indemnification of Landlord. Tenant shall not do or permit any act or thing on or about the Leased Premises which may subject Landlord to any liability or responsibility for injury, damages to persons or property or to any liability by reason of any violation of Laws or of any legal requirement of any public authority or Private Restrictions but shall exercise such control over the Leased Premises as to fully protect Landlord against any such liability. Tenant shall hold harmless, indemnify and defend Landlord, and its employees, agents and contractors, and any other person or entity claiming by, through or under Landlord, from all liability, penalties, losses, damages, costs, expenses, causes of action, claims and/or judgments (including reasonable attorneys' fee) arising by reason of any death, bodily injury, personal injury or property damage (i) resulting from any cause or causes whatsoever (other than the negligence or willful misconduct of Landlord or Landlord's agents, employees or contractors to the extent of Landlord's liability under Paragraph 10.1) occurring in, on or about or resulting from an occurrence in, on or about the Leased Premises during the Lease Term, or (ii) resulting from the acts or omissions of Tenant, its agents, employees and contractors, (iii) resulting from any failure by Tenant to perform and

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observe its covenants and obligations under this Lease, or (iv) any other matter or thing arising from Tenant's occupancy or use of, or any action or omission of, Tenant, its employees, agents, contractors, invitees or visitors on, about, adjacent to, or relating to activities at, or the use of the Leased Premises. The provisions of this Article shall survive the expiration or sooner termination of this Lease.

#### ARTICLE XI

##### DAMAGE TO LEASED PREMISES

11.1. Duty To Restore. If the Leased Premises are damaged by any casualty after the Commencement Date, Tenant shall restore fully the Leased Premises to substantially the same condition that existed prior to such casualty. All insurance proceeds shall be promptly made available to Tenant for the payment of the repairs and restoration of such damage or casualty; provided that such proceeds may be made available to Tenant subject to reasonable conditions and customary construction loan disbursement procedures, including provision by Tenant of an independent architect's certification of the cost of such repair or restoration, together with plans and specifications therefor and shall be deemed made available for such repair or restoration if they are made available through and are disbursed under such reasonable conditions and customary construction loan disbursement procedures.

In the event of damage to or destruction of the Leased Premises which results in Tenant's loss of use of the Leased Premises, or a portion thereof, and the cost of repair and replacement is less than one million dollars (\$1,000,000), as shall be established by Tenant to Landlord by written notice accompanied by an independent architect's certification of cost, then if insurance proceeds are not made available to Tenant for repair and restoration within thirty (30) days from the date that any such proceeds shall have been made available to Landlord or a Lender, and providing Tenant is not in default under the Lease, Tenant may abate Base Annual Rent in the same proportion as the rentable square footage rendered unusable by such damage or destruction bears to the total rentable square footage of the Leased Premises; provided that Tenant shall not be entitled to such Base Annual Rent abatement until ten (10) business days following written notice by Tenant to Landlord and any Lender identified as a named insured under the policy or policies of insurance on the Leased Premises that such proceeds have not been made available to Tenant within such thirty (30) day period and, following such notice, such proceeds are not made available to Tenant within such ten (10) day period. Base Annual Rent abatement shall continue until all such insurance proceeds are made available to Tenant.

In the event of damage to or destruction of the Leased Premises which results in Tenant's loss of use of the Leased Premises, or a portion thereof, and the cost of repair and replacement is more than one million dollars (\$1,000,000), as shall be established by Tenant

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to Landlord by written notice accompanied by an architect's certification of cost, then if insurance proceeds are not made available to Tenant for repair and restoration within thirty (30) days from the date that any such proceeds shall have been made available to Landlord or a Lender, and providing Tenant is not in default under the Lease, Tenant may terminate this Lease; provided that Tenant shall not be entitled to terminate this Lease until ten (10) business days following written notice by Tenant to Landlord and any Lender identified as a named insured under the policy or policies of insurance on the Leased Premises that such proceeds have not been made available to Tenant within such thirty (30) day period and, following such notice, such proceeds are not made available to Tenant within such ten (10) day period.

Unless Tenant is in default under this Lease or its not complying with Tenant's obligations under Article IX, Tenant shall not be obligated to expend any amount in excess of the amount of insurance deductibles plus insurance proceeds made available for such restoration. Upon the issuance of all necessary governmental permits, Tenant shall commence and diligently prosecute to completion the restoration of the Leased Premises, to the extent then allowed by Laws, to substantially the same condition as that existing immediately prior to such damage or destruction.

11.2. No Termination or Rent Abatement. Damage to, or destruction of all or any portion of the Leased Premises by fire or by any other cause shall not, except as provided in Paragraph 11.1, give Tenant the right to terminate this Lease nor entitle Tenant to surrender the Leased Premises, nor in any way affect Tenant's obligation to pay the Base Annual Rent or Additional Rent, and, except under certain specified, limited circumstances referred to in Paragraph 3.3, there shall be no abatement, diminution or reduction of Base Annual Rent or Additional Rent payable under this Lease for any cause whatsoever.

## ARTICLE XII

### CONDEMNATION

12.1. Total Condemnation. If all or Substantially All of the Leased Premises are taken by Condemnation, this Lease shall terminate on the Date of Taking.

12.2. Partial Condemnation. If Less than Substantially All of the Leased Premises is taken by Condemnation, this Lease shall terminate as to the portion taken and otherwise remain in full force and effect, except that the amount of Base Annual Rent due hereunder, from time to time, shall be reduced, from and after the Date of Taking in the same proportion as the Award bears to the Fair Market Value of the Leased Premises (including the real estate subject to the Condemnation) on the Date of Taking (the "Paragraph 12.2 Value") as determined by the condemning authority (the "Condemnor") and subject to a final

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Award and final Paragraph 12.2 Value (after the exhaustion of all appeals if so desired by Landlord or Tenant). Landlord shall have no obligation to restore the Leased Premises, or otherwise compensate Tenant (except through such Base Annual Rent reduction), in the event of such partial Condemnation, provided that, to the extent it can be determined or established that a portion of the Award represents damages for repair and reconstruction of the remaining portion of the Leased Premises following such Condemnation received by Landlord for such Condemnation, Landlord shall promptly make available to Tenant such portion of the Award for use by Tenant in repairing or restoring the Leased Premises. Any portion of an Award shall be deemed made available for such repair and restoration if it is made available through and disbursed under reasonable disbursement conditions and customary construction loan disbursement procedures. If the Condemnor does not establish the Paragraph 12.2 Value, the Paragraph 12.2 Value shall be determined by agreement between Landlord and Tenant on or before thirty (30) days before the Date of Taking using, to the extent possible, the same basis and assumptions as Condemnor used in the calculation of the Award. In the absence of such agreement as to Paragraph 12.2 Value, it shall be determined as follows:

(a) Each party shall appoint an Appraiser (hereinafter defined) within ten (10) days after notice of failure to agree given by one party to the other, and shall advise the other party of such appointment. On the failure of either party so to appoint an Appraiser, and to advise the other party of such appointment, the person who has been appointed as Appraiser may appoint a second Appraiser to represent the party in default.

(b) The two (2) Appraisers appointed in either manner shall then proceed to establish the Paragraph 12.2 Value using, to the extent possible, the same basis and assumptions as the Condemnor used in the calculation of the Award. In the event of their inability to agree upon the Paragraph 12.2 Value within thirty (30) days after their appointment, then they shall appoint a third Appraiser, provided however, that if the difference between the amounts



respectively determined by the two (2) Appraisers is not greater than an amount equal to ten percent (10%) of the higher of the two (2) amounts so determined, then the Paragraph 12.2 Value shall be the mean of such two amounts, and it shall not be necessary to appoint a third (3rd) Appraiser. In the event that a third (3rd) Appraiser is not appointed within fifteen (15) days after the expiration of the thirty (30) day period referenced to in the first sentence of this Subparagraph 12.2(b), then, in such event, the chief executive officer of the Philadelphia Chapter of the American Institute of the Appraisers shall appoint the third Appraiser.

(c) In the event a third Appraiser is appointed, such Appraiser's determination of Paragraph 12.2 Value shall be final so long as it is within the limits of the appraisals established by the Appraisers appointed by the parties pursuant to Subparagraph 12.2(a) above. If the third Appraiser's appraisal is not within such limits, the determination

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of Paragraph 12.2 Value made by an Appraiser appointed pursuant to Subparagraph 12.2(a) above which is the closest to that of the third Appraiser shall control.

(d) As used in this Lease, "Appraiser" shall mean an independent M.A.I. appraiser who has at least ten (10) years, experience in appraising commercial real estate in the Philadelphia, Pennsylvania area. Neither party shall be precluded from appointing an independent Appraiser whom such party had previously employed as an independent Appraiser; except that the third Appraiser, if appointed, may not have been previously employed by either party.

(e) Landlord and Tenant shall divide equally the charges of Appraisers selected under this Paragraph 12.2.

12.3. Temporary Taking. If all or Substantially All of the Leased Premises is temporarily taken by Condemnation for a period which either exceeds one (1) year or which extends beyond the expiration of the Leased Term, then Landlord and Tenant shall each independently have the option to terminate this Lease, effective on the date possession is taken by the Condemnor.

12.4. Division of Condemnation Awards. Any Awards made as a result of any Condemnation of the Leased Premises shall belong to and be paid to Landlord, and Tenant hereby assigns to Landlord all of its right, title and interest in any such Award; provided, however, that Tenant shall be entitled to receive any Award that is made expressly (i) for the taking of Trade Fixtures, (ii) for the interruption of Tenant's business or its moving costs, (iii) for any temporary taking where this Lease is not terminated as a result of such taking and/or (iv) as provided in Paragraph 12.2 regarding damages for repair and reconstruction of the remaining portion of the Leased Premises following such Condemnation. the rights of Landlord and Tenant regarding any Condemnation shall be determined as provided in this Article, and each party hereby waives the provisions of any Laws allowing either party to petition a court to terminate this Lease in the event of a partial taking of the Leased Premises.

12.5. Other Condemnation Provisions. If this Lease is not terminated pursuant to Article XII, Tenant shall repair any damage caused by such condemnation so as to restore the remaining portion of the Leased Premises as nearly as practicable to the condition thereof immediately prior to such Condemnation to the extent that Tenant receives an Award resulting from the Condemnation sufficient to make such repair and restoration.

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#### ARTICLE XIII

##### DEFAULT AND REMEDIES

13.1. Events of Default. Tenant shall be in default of its obligations under this Lease if any of the following events shall occur:

(a) Tenant shall have failed to pay Base Annual Rent or Additional Rent on the dates due under this Lease; provided that (i) Landlord shall give Tenant notice of such failure and fifteen (15) days to cure such failure and (ii) following such fifteen (15) day period if Tenant shall still have failed to pay such Base Annual Rent or Additional Rent, Landlord shall give Tenant a second notice of such failure and an additional fifteen (15) days to cure such failure before Tenant shall be in default hereunder; or

(b) Tenant shall have failed to perform (i) any term, covenant, or condition of this Lease except those requiring the payment of Base Annual Rent or Additional Rent or (ii) any term, covenant or condition of the Environmental Indemnity, and, in the case of either (i) or (ii) of this Subparagraph 13.1(b),

Tenant shall have failed to cure such failure within thirty (30) days after written notice from Landlord specifying the nature of such breach; provided that if any such breach cannot reasonably be cured within such thirty (30) day period then Tenant shall have a reasonable period to cure such breach, so long as Tenant commences to cure the breach within such thirty (30) day period and thereafter diligently, in good faith and using reasonable efforts, pursues such cure to completion, except that Tenant shall not under any circumstances have more than thirty (30) days following such written notice to cure any monetary default under the Environmental Indemnity; or

(c) Tenant shall have made a general assignment of its assets for the benefit of its creditors; or

(d) Tenant shall have assigned its interest in this Lease in violation of the provisions contained in Article XIV, whether voluntarily or by operation of law; or

(e) Tenant shall have permitted the sequestration or attachment of, or execution on, or the appointment of a custodian or receiver with respect to, all or substantially all of the property of Tenant and Tenant shall have failed to obtain a return or release of such property within thirty (30) days thereafter, or prior to sale pursuant to such sequestration, attachment or levy, whichever is earlier; or

(f) A court shall have made or entered any decree or order with respect to Tenant or Tenant shall have submitted to or sought a decree or order (or a petition or pleading shall have been filed in connection therewith) which: (i) grants or constitutes (or seeks) an order for relief, appointment of a trustee, or confirmation of a reorganization plan

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under the bankruptcy laws of the United States; (ii) approves as properly filed (or seeks such approval of) a petition seeking liquidation or reorganization under said bankruptcy laws or any other debtor's relief law or statute of the United States or any state thereof; or (iii) otherwise directs (or seeks) the winding up or liquidation of Tenant; and such petition, decree or order shall have continued in effect for a period of thirty (30) or more days.

(g) So long as the Landlord under this Lease and under the Lease of even date herewith between Landlord and Tenant with respect to Lot A shown on the Subdivision Plan (the "Lot A Lease") are the same entity or person, Tenant under the Lot A Lease shall have defaulted under the Lot A Lease.

(h) So long as the Landlord under this Lease and under the Lease of even date herewith between Landlord and Tenant with respect to Lot B shown on the Subdivision Plan (the "Lot B Lease") are the same entity or person, Tenant under the Lot B Lease shall have defaulted under the Lot B Lease.

13.2. Landlord's Remedies. In the event of any default by Tenant, Landlord shall have the following remedies, in addition to all other rights and remedies provided by any Laws or otherwise provided in this Lease, or otherwise available to Landlord, to which Landlord may resort cumulatively, or in the alternative:

(a) Landlord may, at Landlord's option, terminate this Lease, by written notice of termination specifying the date of termination of this Lease on which date this Lease shall terminate, and take and retain possession of the Leased Premises by any means legally available to Landlord, including summary dispossession proceedings. To the extent required by applicable Laws, Landlord shall attempt to relet all or any part of the Leased Premises in any manner, for any term, for such rent and upon terms reasonably satisfactory to Landlord, and if applicable Laws do not require Landlord to attempt to so relet, Landlord shall use commercially reasonable efforts, accepted in the industrial/commercial real estate industry in the suburban counties contiguous to Philadelphia, Pennsylvania, for real estate of the type and condition of the Leased Premises, to relet all or any part of the Leased Premises in any manner, for any term, for such rent and upon terms reasonably acceptable to Landlord. Landlord may make any repairs, changes, additions or alterations in or to the Leased Premises that may be necessary for such reletting, taking into account the character and then current use of the Leased Premises. If the Leased Premises are relet, Tenant shall be liable to Landlord for the Present Value (determined at the time of Landlord's demand) of the difference between the amount of Base Annual Rent, Additional Rent, and all other amounts payable hereunder and the net proceeds of any such reletting (net of all reasonable expenses, including without limitation, repairs or construction costs and leasing commissions relating to such reletting), and Tenant shall pay to Landlord the Present Value of such difference immediately upon demand by Landlord. Any termination under this Subparagraph 13.2(a) shall not relieve Tenant from the payment of any sums then due Landlord or from

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any claim against Tenant for damages or Rent accrued and then accruing. In no event shall any act or omission by Landlord, in the absence of a written election by Landlord to terminate this Lease, constitute a termination of this Lease, including, without limitation:

(i) Appointment of a receiver or keeper in order to protect Landlord's interest hereunder;

(ii) Consent or refusal to consent to any assignment of this Lease by Tenant, whether pursuant to the provisions hereof or otherwise; or

(iii) Any other action by Landlord or Landlord's agents intended to mitigate the adverse effects of any breach of this Lease by Tenant, including without limitation any action taken to maintain and preserve the Leased Premises or any action taken to relet the Leased Premises or any portions thereof, for the account of Tenant and in the name of Tenant.

(b) Landlord may, at Landlord's option, with or without terminating this Lease, take and retain possession of the Leased Premises by any means legally available to Landlord, including summary dispossession proceedings. If Landlord elects to terminate Tenant's right to possession only, without terminating this Lease, Landlord may, following taking possession of the Leased Premises in accordance herewith, remove Tenant's signs and other evidences of tenancy, without such entry and possession terminating the Lease or releasing Tenant, in whole or in part, from Tenant's obligations to pay Rent hereunder for the Lease Term or for any other of Tenant's obligations under this Lease. To the extent required by applicable Laws, Landlord shall attempt to relet all or any part of the Leased Premises in any manner, for any term, for such rent and upon terms reasonably satisfactory to Landlord, and if applicable Laws do not require Landlord to attempt to so relet, Landlord shall use commercially reasonable efforts, accepted in the industrial/commercial real estate industry in the suburban counties contiguous to Philadelphia, Pennsylvania, for real estate of the type and condition of the Leased Premises, to relet all or any part of the Leased Premises in any manner, for any term, for such rent and upon terms reasonably acceptable to Landlord. Landlord may make any repairs, changes, alterations or additions in or to the Leased Premises that may be necessary for such reletting, taking into account the character and then current use of the Leased Premises. If Landlord is unable to relet the Leased Premises, Tenant will pay Landlord on demand all amounts due from Tenant to Landlord under this Lease for the remainder of the Lease Term. If the Leased Premises are relet, Tenant shall be liable to Landlord for the Present Value (determined at the time of Landlord's demand) of the difference between the amount of Base Annual Rent, Additional Rent, and all other amounts payable hereunder and the net proceeds of any such reletting (net of all reasonable expenses, including without limitation, repairs or construction costs and leasing commissions relating to such reletting), and Tenant shall pay to Landlord the Present Value of such difference immediately upon demand by Landlord.

(c) Landlord may, at Landlord's election, keep this Lease in effect and enforce all of its rights and remedies under this Lease, including (i) the right to recover the Base Annual Rent and Additional Rent and other sums as they become due by appropriate legal action, and (ii) the right to invoke the remedies of injunctive relief and specific performance to compel Tenant to perform its obligations under this Lease.

(d) If Tenant is in default under this Lease and abandons or vacates the Leased Premises, this Lease shall not terminate unless Landlord gives Tenant written notice of its election to so terminate this Lease. No act by or on behalf of Landlord intended to mitigate the adverse effect of such breach, including, without limitation, those described by Subparagraphs 13.2(a)(i), (ii) and (iii), shall constitute a termination of Tenant's right to possession unless Landlord gives Tenant written notice of termination. Should Landlord not terminate this Lease by giving Tenant written notice, Landlord may enforce all its rights and remedies under this Lease, including the recovery of Rent as it becomes due and payable under this Lease.

(e) If Landlord terminates this Lease, Landlord, in addition to all other rights and remedies available to Landlord in the event of Tenant's default, but subject to the provisions of the second sentence of Subparagraph 13.2(a), shall be entitled, at Landlord's election, to damages as provided under applicable Laws or as set forth in Subparagraph 13.2(e)(i) and (ii). For purposes of computing such damages (i) an interest rate of Prime plus six percent (6%) per annum, but in no event less than thirteen and one half percent (13.5%) per annum, shall be used where permitted, and (ii) Rent due under this Lease shall include Base Annual Rent, Additional Rent and all other amounts payable by Tenant under this Lease, prorated on a monthly basis where necessary to compute such damages. Such damages shall include, without limitation:

(i) The worth of the amount by which the Rent for the

balance of the Lease Term after the time of termination exceeds the fair rental value of the Leased Premises for the balance of the Lease Term as reasonably estimated solely by Landlord, such worth shall be the Present Value of the amount determined pursuant to the preceding clause, computed by discounting such amount at Thirty-day LIBOR at the time of judgment; and

(ii) Any other amount necessary to compensate Landlord for all detriment caused by Tenant's failure to perform Tenant's obligations under this Lease or for expenses incurred by Landlord in performing Tenant's obligations under this Lease, or which in the ordinary course of things would be likely to result therefrom, including, without limitation, the following: (a) expenses for cleaning, repairing or restoring the Leased Premises; (b) expenses for repairing the Leased Premises for the purpose of reletting, including installation of leasehold improvements (whether such installation be funded by a reduction of rent, direct payment or allowance to a new tenant, or otherwise); (c) broker's fees, advertising costs and other expenses of reletting the Leased Premises; (d) costs of

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carrying the Leased Premises, such as taxes, insurance premiums, utilities and security precautions; (e) expenses in retaking possession of the Leased Premises; (f) attorneys' fees and court costs incurred by Landlord in retaking possession of the Leased Premises and in reletting the Leased Premises; and (g) the portion of any brokerage commission paid by Landlord in procuring this Lease attributable to the remaining balance of the Lease Term.

(f) Subject to Landlord's compliance with the requirements of the Trust Agreement, Landlord may, at Landlord's option, exercise Landlord's rights and remedies under the Trust Agreement.

(g) Landlord may exercise any other legal or equitable right or remedy which Landlord may have.

(h) Nothing in this Paragraph shall limit Landlord's rights to indemnification from Tenant as provided in this Lease.

13.3. Landlord's Right to Cure. All covenants and agreements to be kept or performed by Tenant under any of the terms of this Lease shall be performed by Tenant at Tenant's sole cost and expense and without any abatement of Rent (except to the extent referred to in Paragraph 3.3 of this Lease). If Tenant shall fail to pay any sum of money required to be paid by it hereunder or shall fail to perform any other act on its part to be performed hereunder following any notice and cure period required under Subparagraph 13.1(a) or 13.1(b) (whether such payment or performance is due to or in favor of Landlord or any third party), Landlord may, but shall not be obliged to, and without waiving any default of Tenant or releasing Tenant from any obligations to Landlord hereunder, make any such payment or perform any such other act on Tenant's part to be made or performed as in this Lease provided (including but not limited to Tenant's obligations pursuant to Paragraphs 4.2, 6.1 and 6.2 hereof). All sums so paid by Landlord and all necessary incidental costs, together with interest thereon at the rate of Prime plus six percent (6%) per annum, but in no event less than thirteen and one half percent (13.5%) per annum, from the date of such payment by Landlord, shall be paid to Landlord forthwith on demand, as Additional Rent, and Landlord shall have (in addition to any other right or remedy of Landlord) the same rights and remedies (including, but not limited to, Landlord's remedies under Paragraph 13.2 hereof) in the event of nonpayment thereof by Tenant as in the case of default by Tenant in the payment of Rent.

13.4. CONFESSION OF JUDGMENT IN EJECTMENT. AFTER AT LEAST TEN (10) DAYS' PRIOR WRITTEN NOTICE FROM LANDLORD OF LANDLORD'S INTENTION TO CONFESS JUDGMENT IN EJECTMENT, INCLUDING COPIES OF PLEADINGS TO BE FILED IN ANY SUCH EJECTMENT ACTION, TENANT, FULLY COMPREHENDING THE RELINQUISHMENT OF CERTAIN RIGHTS INCLUDING, WITHOUT LIMITATION, RIGHTS OF PREJUDGMENT NOTICE

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AND HEARING AND POST-JUDGMENT NOTICE AND HEARING BEFORE EXECUTION, AUTHORIZES AND EMPOWERS ANY ATTORNEY OF ANY COURT OF RECORD WITHIN THE UNITED STATES, TO APPEAR FOR TENANT, AND FOR ANY OTHER PERSON CLAIMING UNDER, BY OR THROUGH TENANT, AND CONFESS JUDGMENT IN EJECTMENT FORTHWITH AGAINST TENANT AND SUCH OTHER PERSON AND IN FAVOR OF LANDLORD, ITS SUCCESSORS AND ASSIGNS, FOR POSSESSION OF THE LEASED PREMISES, TOGETHER WITH HEREDITAMENTS AND APPURTENANCES AND ALL FIXTURES AND EQUIPMENT INSTALLED THEREIN, WITH RELEASE OF ALL ERRORS, WAIVER OF STAY OF EXECUTION, AND WAIVER OF EXEMPTION BY TENANT. NO SINGLE EXERCISE OF THE FOREGOING WARRANTS AND POWERS OF ATTORNEY SHALL HAVE BEEN DEEMED TO EXHAUST SUCH WARRANTS AND POWERS, WHETHER OR NOT SUCH EXERCISE SHALL BE HELD BY ANY COURT TO BE INVALID, VOIDABLE OR VOID, BY THE WARRANTS AND POWERS SHALL CONTINUE UNDIMINISHED AND MAY BE EXERCISED FROM TIME TO TIME AS OFTEN AS LANDLORD, OR ITS SUCCESSORS AND ASSIGNS SHALL ELECT UPON THE OCCURRENCE OF A

DEFAULT UNDER THIS LEASE. TENANT CONFIRMS THAT THIS IS A COMMERCIAL LEASE, THAT TENANT WAS REPRESENTED BY COUNSEL IN TENANT'S NEGOTIATION AND EXECUTION OF THIS LEASE, AND THAT TENANT FREELY AND VOLUNTARILY EXECUTED THIS LEASE WITH THIS PARAGRAPH 13.4 AS A PART THEREOF.

#### 13.5. Waiver.

(a) No right or remedy herein conferred upon or reserved to Landlord is intended to be exclusive of any other right or remedy, and every right and remedy shall be cumulative and in addition to any other right or remedy given hereunder or now or hereafter existing at law or equity. The failure of Landlord to insist upon the strict performance of any covenant or agreement or to exercise any option, right, power or remedy contained in this Lease shall not be construed as a waiver or relinquishment thereof for the future. The receipt by Landlord of any Rent, with knowledge of the breach, shall not constitute a waiver or cure of such breach or prevent Landlord from exercising any of its rights or remedies hereunder on account of Tenant's breach. Landlord shall be entitled to injunctive relief in case of the violation, or attempted or threatened violation, of any covenant, agreement, condition or provision of this Lease, or to a decree compelling performance of any covenant, agreement, condition or provision of this Lease, or to any other remedy allowed by law. If on account of any breach or default by Tenant under the terms of this Lease, Landlord consults or employs an attorney or attorneys concerning Tenant's possible default under this Lease or to enforce or defend any of the Landlord's rights or remedies under this Lease, Tenant agrees to pay, on demand, as Rent, all reasonable attorneys, fees and costs so incurred.

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(b) Tenant hereby waives any notice of termination or intention to reenter provided for in any statute, or of the institution of legal proceedings for that purpose, and in addition waives any right of redemption or reentry or repossession, or to restore the operation of this Lease if it is terminated or if Tenant is dispossessed by any judgment or by warrant of any court or judge in the cases of reentry or repossession by Landlord, or in the case of expiration of the Lease Term. Tenant, in addition, waives any and all benefits of any and all laws now or hereafter in force or effect exempting property of Tenant from liability for rent or for debt. Tenant also expressly waives:

(i) The benefit of all Laws, now or hereafter in force, exempting any goods on the Leased Premises, or elsewhere, from levy or sale in any legal proceedings taken by Landlord to enforce any rights under this Lease;

(ii) The right to delay execution on any real estate that may be levied upon to collect any amount which may become due under the terms and conditions of this Lease and any right to have the same appraised;

(iii) Any and all rights of redemption granted by or under any present or future laws in the event of Tenant being evicted or dispossessed for any cause, or in the event of Landlord obtaining possession of the Leased Premises, by reason of the violation by Tenant of any of the covenants or conditions of this Lease, or otherwise; and

(iv) The right, if any, to three months notice and/or fifteen (15) or thirty (30) days' notice under the Landlord and Tenant Act of 1951, as amended.

(c) (i) At the sole option of Landlord to be exercised only by written notice to Tenant at any time and from time to time, Landlord may elect to eliminate from this Lease, permanently or temporarily, Subparagraph 13.1(g) or Subparagraph 13.1(h), or both of them.

(ii) At the sole option of Landlord to be exercised only by written notice to Tenant at any time and from time to time, Landlord may elect to eliminate from this Lease, permanently or temporarily, Subparagraph 13.2(f) and all other references to the Trust Agreement.

13.6. Late Charge. In the event any amount of Base Annual Rent or Additional Rent shall remain unpaid for five (5) calendar days after such amount becomes due, Tenant shall pay Landlord, without notice or demand, a late charge equal to two percent (2%) of such overdue amount to partially compensate Landlord for its administrative costs in connection with such overdue payment; which administrative costs Tenant expressly acknowledges are reasonable and do not constitute a penalty.

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#### 13.7. Bankruptcy or Insolvency.

(a) In the event that Tenant shall become a Debtor under Chapter 7 of the Bankruptcy Code (hereinafter defined), and the Trustee or Tenant

shall elect to assume this Lease for the purpose of assigning the same or otherwise, such election and assignment may only be made if all of the terms and conditions of Subparagraph 13.7(b) and Subparagraph 13.7(d) are satisfied. If such Trustee shall fail to elect or assume this Lease within sixty (60) days after the filing of the petition or such later date as shall be approved by the Bankruptcy Court, not to exceed ninety (90) days, this Lease shall be deemed to have been rejected. Landlord shall be thereupon immediately entitled to possession of the Leased Premises without further obligation to Tenant or Trustee, and this Lease shall be cancelled, but Landlord's right to be compensated for damages in such liquidation proceeding shall survive.

(b) In the event that a petition for reorganization or adjudgment of debts is filed concerning Tenant under Chapters 11 or 13 of the Bankruptcy Code, or a proceeding is filed under Chapter 7 of the Bankruptcy Code and is transferred to Chapters 11 or 13, the Trustee or Tenant, as Debtor-In-Possession, must elect to assume this Lease within sixty (60) days from the date of the filing of the petition under Chapters 11 or 13 or such later date as shall be approved by the Bankruptcy Court, not to exceed ninety (90) days, or the Trustee or Debtor-In-Possession shall be deemed to have rejected this Lease. No election by the Trustee or Debtor-In-Possession to assume this Lease whether under Chapter 7, 11, or 13, shall be effective unless each of the following conditions, which Landlord and Tenant acknowledge are commercially reasonable in the context of a bankruptcy proceeding of Tenant, have been satisfied, and Landlord has so acknowledged in writing:

(i) The Trustee or the Debtor-In-Possession has cured, or has provided Landlord adequate assurance (as defined in Subparagraph 13.7(b)(v) below) that:

(A) Within ten (10) days from the date of such assumption the Trustee or Debtor in Possession will cure all monetary defaults under this Lease; and

(B) Within thirty (30) days from the date of such assumption the Trustee or Debtor in Possession will cure all non-monetary defaults under this Lease.

(ii) The Trustee or the Debtor-In-Possession has compensated, or has provided to Landlord adequate assurance (as defined below) that, within ten (10) days from the date of assumption, Landlord will be compensated for any pecuniary loss incurred by Landlord arising from the default of Tenant, the Trustee, or the Debtor-In-Possession as recited in Landlord's written statement of pecuniary loss sent to the Trustee or Debtor-In-Possession.

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(iii) The Trustee or the Debtor-In-Possession has provided Landlord with adequate assurance of the future performance of each of Tenant's, Trustee's or Debtor-In-Possession obligations under this Lease; provided, however, that:

(A) If not otherwise deposited with Landlord, the Trustee or Debtor-In-Possession shall also deposit with Landlord, as security for the timely payment of Rent, an amount at least equal to a quarterly installment of Base Annual Rent (as well as the payments described in Subparagraph 13.7(b)(iii)(C) below) and other monetary charges accruing under this Lease;

(B) If not otherwise required by the terms of this Lease, the Trustee or Debtor-In-Possession shall also pay in advance on the date Base Annual Rent is payable one quarter (1/4) of Tenant's annual obligations under this Lease for Real Property Taxes, insurance and similar charges;

(C) From and after the date of the assumption of this Lease, the Trustee or Debtor-In-Possession shall pay all Base Annual Rent, Additional Rent, and other amounts payable by Tenant as they become due under this Lease; and

(D) The obligations imposed upon the Trustee or Debtor-In-Possession shall continue with respect to Tenant or any assignee of this Lease after the completion of bankruptcy proceedings.

(iv) The assumption of the Lease will not breach any provision in any other lease, mortgage, financing agreement or other agreement by which Landlord is bound relating to the Leased Premises.

(v) For purposes of this Subparagraph 13.7(b), Landlord and Tenant acknowledge that, in the context of a bankruptcy proceeding of Tenant, at a minimum adequate assurance, shall mean:

(1) The Trustee or the Debtor-In-Possession has and will continue to have sufficient unencumbered assets after the payment of all

secured obligations and administrative expenses to assure Landlord that the Trustee or Debtor-In-Possession will have sufficient funds to fulfill the obligations of Tenant under this Lease, and to keep the Leased Premises properly staffed with sufficient employees to conduct a fully-operational, active business on the Leased Premises; and

(2) If defaults referred to in Paragraph 13.7(b)(i)(a)(B) above are not cured within the time periods set forth therein, the Bankruptcy Court shall have entered an order segregating sufficient cash payable to Landlord or the Trustee or Debtor-In-Possession shall have granted a valid and perfected first lien and

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security interest or mortgage in property of Tenant, Trustee or Debtor-In-Possession, or a combination of such cash, perfected first liens, security interests or mortgages, acceptable as to value and kind to Landlord, to secure to Landlord the obligation of the Trustee or Debtor-In-Possession to cure the monetary and/or non-monetary defaults under this Lease.

(c) In the event that this Lease is assumed by a Trustee appointed for Tenant or by Tenant as Debtor-In-Possession under the provisions of Subparagraph 13.7(b) hereof and thereafter Tenant is liquidated or files a subsequent Petition for reorganization or adjustment of debts under Chapters 11 or 13 of the Bankruptcy Code, then, and in either of such events, Landlord may, at its option, terminate this Lease and all rights of Tenant hereunder, by giving Tenant written notice of its election to so terminate, by no later than thirty (30) days after the occurrence of either of such events.

(d) If the Trustee or Debtor-In-Possession has assumed this Lease pursuant to the terms and provisions of Subparagraph 13.7(a) or (b) herein, for the purpose of assigning (or elects to assign) Tenant's interest under this Lease or the estate created thereby, to any other person, such interest or estate may be so assigned only if Landlord shall acknowledge in writing that the intended assignee has provided adequate assurance of all of the terms, covenants and conditions of this Lease to be performed by Tenant. For purposes of this Subparagraph 13.7(d), Landlord and Tenant acknowledge that, in the context of a bankruptcy proceeding of Tenant, at a minimum adequate assurance of future performance' shall mean that each of the following conditions have been satisfied, and Landlord has not acknowledged in writing:

(i) The assignee has submitted a current financial statement audited by an independent certified public accountant which shows a net worth and working capital in amounts determined to be sufficient by Landlord to assure the future performance by such assignee of Tenant's obligations under this Lease;

(ii) The assignee, if requested by Landlord, shall have obtained guarantees in form and substance reasonably satisfactory to Landlord from one or more persons who satisfy Landlord's standards of creditworthiness; and

(iii) Landlord has obtain all consents or waivers from any third party required under any lease, mortgage, financial arrangement or other agreement by which Landlord is bound to permit Landlord to consent to such assignment.

(e) When, pursuant to the Bankruptcy Code, the Trustee or Debtor-In-Possession shall be obligated to pay reasonable use and occupancy charges for the use of the Leased Premises or any portion thereof, such charges shall not be less than the Base Annual Rent, Additional Rent and other amounts payable by Tenant under this Lease.

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(f) Neither Tenant's interest in this Lease, nor any lesser interest of Tenant herein, nor any estate of Tenant hereby created, shall pass to any trustee, receiver, assignee for the benefit of creditors, or any other person or entity, or otherwise by operation of law under the laws of any state having jurisdiction of the person or property of Tenant unless Landlord shall consent to such transfer in writing. No acceptance by Landlord of rent or any other payments from any such trustee, receiver, assignee, person or other entity shall be deemed to have waived, nor shall it waive the need to obtain Landlord's consent of Landlord's right to terminate this Lease for any transfer of Tenant's interest under this Lease without such consent.

(g) As used in this Article XIII, "Bankruptcy Code" shall mean the Bankruptcy Code of the United States of America, as amended from time to time. Capitalized terms used in this Article XIII and not defined elsewhere in this Lease shall have the meanings given to such terms in the Bankruptcy Code. If the Bankruptcy Code imposes shorter periods of time on actions or decisions by

Tenant, Trustees or Debtors-In-Possession than are imposed by this Article XIII or imposes more stringent requirements on Tenant, Trustees, or Debtors-In-Possession than are imposed by this Article XIII, such shorter periods of time and more stringent requirements shall be applicable under this Article XIII. Nothing in this Subparagraph 13.7 shall limit Landlord's rights and remedies otherwise set forth in this Lease.

#### ARTICLE XIV

##### ASSIGNMENT AND SUBLETTING

14.1. Assignment and Subletting By Tenant. The following provisions shall apply to any assignment or subletting by Tenant:

(a) Tenant shall not assign or encumber its interest in this Lease, whether voluntarily or by operation of law without Landlord's prior written consent. Any attempted assignment or encumbrance without Landlord's prior written consent shall be voidable and, at Landlord's election, shall constitute a default by Tenant hereunder. Tenant shall have the right to sublease the Leased Premises, or any portion thereof, without Landlord's consent and shall provide Landlord notice of the identity of a sublessee following any such subletting.

(b) Tenant agrees to reimburse Landlord for all reasonable costs and attorneys' fees incurred by Landlord in conjunction with the processing and documentation of any assignment, transfer, change of ownership or hypothecation of the Leased Premises or Tenant's interest in this Lease. No assignment, subletting, transfer, change of ownership or hypothecation shall be effective until (i) Tenant shall have paid such costs and fees (except as to subletting); (ii) each such assignee or transferee (excluding a subtenant) shall have agreed

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in writing for the benefit of Landlord to assume, to be bound by, and to perform the obligations of this Lease to be performed by Tenant, and (iii) an executed copy of such sublease, assignment, encumbrance, or other agreement of transfer shall have been delivered to Landlord.

(c) Consent by Landlord to one or more assignments or encumbrances of this Lease shall not be deemed to be a consent to any subsequent assignment or encumbrance.

(d) No subletting or assignment, even with the consent of Landlord, shall relieve Tenant of its personal and primary obligation to pay Rent and to perform all of the other obligations to be performed by Tenant hereunder. The acceptance of Rent by Landlord from any person shall not be deemed to be a waiver by Landlord of any provision of this Lease or to be a consent to any assignment.

(e) Subject to Subparagraph 14.1(a) above, if Tenant is a corporation, any dissolution or sale of all or substantially all of its assets, merger, consolidation or other reorganization of Tenant, shall be deemed a voluntary assignment of Tenant's interest in this Lease. If Tenant is a partnership, a withdrawal or change, voluntary, involuntary or by operation of law, of any general partner, or the dissolution of the partnership, shall be deemed a voluntary assignment. Notwithstanding the foregoing provisions of this Subparagraph 14.1(e) to the contrary and subject to Tenant's compliance with the other provisions of this Article XIV, and to the condition that Tenant is not in default under this Lease at the time of such events, without it being deemed an assignment or encumbrance hereunder requiring Landlord's consent, (i) Tenant shall be permitted to effect a corporate merger, consolidation or reorganization, provided, however, that Unisys Corporation remains the Tenant under this Lease or (ii) if Unisys Corporation would not continue to be the Tenant by operation of law, any such merger, consolidation or reorganization is effected in accordance with applicable statutory provisions for merger, consolidation or reorganization of corporations, which provide that the liabilities of the corporation participating in such merger or consolidation are assumed by the corporation surviving such merger or consolidation.

14.2. Assignment By Landlord. Landlord and its successors in interest shall have the right to transfer their interest in the Leased Premises and this Lease at any time and to any person or entity. In the event of any conveyance of the Leased Premises and assignment by Landlord of this Lease to another, the Landlord originally named herein (and in the case of any subsequent transfer, the transferor), from the date of such transfer, (i) shall be automatically relieved, without any further act by any person or entity, of all liability for the performance of the obligations of the Landlord hereunder which may accrue after the date of such transfer, and (ii) shall be relieved of all liability for the performance of the obligations of the Landlord hereunder which have accrued before the date of transfer if its transferee agrees to assume and perform all such obligations of the Landlord hereunder and such



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transferee is not substantially less solvent than Landlord. In the event the Landlord's interest in the Leased Premises is transferred to multiple transferees, such transferees shall designate, by a written notice to Tenant delivered upon such transfer, the name and address of a single person to whom all Rent and notices to be paid or given by Tenant hereunder shall be addressed and who shall be the sole authorized party to give notices to Tenant hereunder; Tenant's payment of Rent to such designated person shall satisfy Tenant's obligation to pay Rent to Landlord; Tenant's delivery of notices to such designated person shall constitute notice to Landlord and Tenant may rely upon notices from such designated person as being notice from Landlord. After the date of such transfer, the term Landlord as used herein shall mean the transferee of such interest in the Leased Premises.

ARTICLE XV

TERMINATION

15.1. Surrender of the Leased Premises.

(a) Immediately prior to the expiration of the Lease Term, or upon the earlier termination of this Lease, Tenant shall remove all Trade Fixtures (except surveillance cameras exterior to the buildings which shall remain with the Leased Premises) and repair any damage caused by such removal and vacate and surrender the Leased Premises to Landlord in the condition required by the terms of this Lease. Without limiting the generality of the foregoing, Tenant shall surrender the Leased Premises (normal wear and tear excepted), in broom clean condition, with all interior walls cleaned, all trash, waste, and debris removed, all carpets cleaned, all HVAC equipment within the Leased Premises in operating order and in good repair, and all floors cleaned, all to the reasonable satisfaction of Landlord. In the event there has been an event of damage or destruction governed by Article XI, or Condemnation affecting the Leased Premises, and Tenant has been complying with its obligations to repair and restore pursuant to Articles XI and XII thereof and is not otherwise in default under this Lease, Tenant may surrender the Leased Premises to Landlord without completion of such repair or restoration, and shall have no further obligations with respect thereto provided that Tenant, upon the termination of the Lease Term, relinquishes any rights to and assigns to Landlord all of Tenant's interest, if any, in insurance proceeds and pays to Landlord the amount of any insurance deductible to the extent such deductible amount has not already been expended on such repair or restoration, or any portion of an Award to which it is otherwise entitled under Article XII to the extent that it has not already been expended on such repairs or restoration. If Landlord so requests, Tenant shall, at its sole cost and prior to the expiration or earlier termination of this Lease, remove any Leasehold Improvements not constructed or installed in compliance with Paragraph 5.1 or Paragraph 6.2 and repair all damage caused by such removal. If the Leased Premises are not so surrendered at the termination of this Lease, Tenant shall be liable to Landlord for all costs

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incurred by Landlord in returning the Leased Premises to the required condition, plus interest, from the date of demand for payment of such costs to the date paid, on all costs incurred at the rate of Prime plus six percent (6%) per annum, but in no event less than thirteen and one half percent (13.5%) per annum. Tenant shall indemnify Landlord against loss or liability resulting from delay by Tenant in so surrendering the Leased Premises, including, without limitation, any claims made by any succeeding tenant or losses to Landlord due to lost opportunities to lease to succeeding tenants.

(b) Upon expiration or earlier termination of the Lease Term, Tenant shall (i) remove so much or all of the raised flooring and cabling, except that portion installed over depressed slab, and so much or all of the UPS system and Halon systems, as may be requested by Landlord; (ii) deliver to Landlord the following documents or records - all computer CAD plans, building plans and specifications and repair and maintenance files; and (iii) have roof repatched and warranted by a professional roofer acceptable to Landlord in all areas where the roof is violated or otherwise affected by the removal of Tenant's property from any roof. Tenant shall clean such area after removal. All such removal and cleaning shall be at Tenant's sole cost and expense.

15.2. Holding Over. Unless earlier terminated in accordance with this Lease or duly extended in accordance with this Lease, this Lease shall terminate without further notice at the expiration of the Lease Term. Any holding over by Tenant after termination of this Lease shall not constitute a renewal or extension of the Lease or give Tenant any rights in or to the Leased Premises. Any holding over after such expiration with the consent of Landlord shall be construed to be a tenancy from month to month on the same terms and conditions herein specified insofar as applicable except that the monthly rent shall equal

one twelfth (1/12) of the higher of one hundred fifty percent (150%) of the Base Annual Rent in effect during the last month prior to such termination or the then current Fair Market Rent. The current Fair Market Rent shall be determined by agreement between Landlord and Tenant within thirty (30) days following the expiration of the Lease Term. In the absence of such agreement as to the Fair Market Rent, it shall be determined as follows:

(a) Each party shall appoint an Appraiser within fifteen (15) days after notice of failure to agree given by one party to the other, and shall advise the other party of such appointment. On the failure of either party so to appoint an Appraiser, and to advise the other party of such appointment, the person who has been appointed as Appraiser may appoint a second Appraiser to represent the party in default.

(b) The two (2) Appraisers appointed in either manner shall then proceed to establish the Base Annual Rent for each month of the hold over period. In the event of their inability to agree upon the Base Annual Rent for each month of the hold over period within thirty (30) days after their appointment, then Landlord shall appoint a third Appraiser, provided however, that if the difference between the amounts respectively determined by the

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two (2) Appraisers is not greater than an amount equal to ten percent (10%) of the higher of the two (2) amounts so determined, then the Base Annual Rent for each month of the hold over period in question shall be the mean of such two amounts, and it shall not be necessary to appoint a third (3rd Appraiser). In the event that Landlord fails to appoint a third (3rd) Appraiser within fifteen (15) days, then, in such event, the two Appraisers appointed by the parties pursuant to 15.2(a) above shall, by agreement, appoint the third Appraiser.

(c) In the event a third Appraiser is appointed, such Appraiser's determination of Base Annual Rent for each month of the hold over period shall be final so long as it is within the limits of the appraisals established by the Appraisers appointed by the parties pursuant to 15.2(a) above. If the third Appraiser's appraisal is not within such limits, the determination of Base Annual Rent made by an Appraiser appointed pursuant to 15.2(a) above which is the closest to that of the third Appraiser shall control.

(d) Landlord and Tenant shall divide equally the charges imposed by Appraisers selected under this Paragraph 15.2.

#### ARTICLE XVI

INTENTIONALLY OMITTED

#### ARTICLE XVII

##### GENERAL PROVISIONS

17.1. Financial Information. Tenant shall furnish to Landlord:

(a) As soon as available and in any event within forty-five (45) days after the end of each quarterly accounting period in each fiscal year of Tenant, copies of a consolidated balance sheet of Tenant and its consolidated subsidiaries as of the last day of such quarterly accounting period, and copies of the related consolidated statements of income and of changes in shareholders' equity and in financial position of Tenant and its consolidated subsidiaries for such quarterly accounting period and for the elapsed portion of the current fiscal year ended with the last day of such quarterly fiscal year ended with the last day of such quarterly accounting period, all in reasonable detail and with appropriate notes, if any, and stating in comparative form the figures for the corresponding dates and periods in the previous fiscal year, all prepared in accordance with the generally accepted accounting practice consistently applied, certified as complete and correct in all material respects by the chief financial officer of Tenant (subject to year-end audit adjustments), and otherwise in form satisfactory to Landlord;

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(b) As soon as available and in any event within ninety (90) days after the end of each fiscal year of Tenant, copies of a consolidated balance sheet of Tenant and its consolidated subsidiaries as of the end of such fiscal year, and copies of the related consolidated statements of income and of changes in shareholders' equity and in financial position of Tenant and its consolidated subsidiaries for such fiscal year, all in reasonable detail and with appropriate notes, if any, and all prepared in accordance with generally accepted accounting practice consistently applied and stating in comparative form the corresponding figures as of the end of and for the previous fiscal year, and accompanied by an

opinion or report thereon, in scope and substance satisfactory to Landlord, by Ernst Young & Company or such other firm of independent certified public accountants of recognized standing in the financial community as may be selected by Tenant and reasonably acceptable to Landlord and otherwise in a form satisfactory to Landlord;

(c) Notwithstanding the requirements set forth in Paragraphs 17.1(a), 17.1(b) and 17.1(d), Tenant need not comply with such requirements if the stock of Tenant is traded on the New York Stock Exchange, or Tenant shall be required to file periodic reports with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, but Tenant shall be required to deliver to Landlord all financial information and reports as are sent to Tenant's shareholders at the same time as such information or reports are sent to Tenant's shareholders.

(d) Concurrently with each of the financial statements furnished pursuant to Subparagraphs 17.1(a) or 17.1(b) above, a certificate signed by the chief financial officer of Tenant, to the effect that in the opinion of such officer, based upon a review made under his or her supervision, Tenant has performed and observed all of, and is not in default in the performance or observance of any of, its obligations under this Lease (or, if such be not the case, specifying all such defaults and failures, and the nature thereof, of which such officer may have knowledge and the action proposed to be taken in respect thereof);

(e) Copies of all regular and periodic reports or other reports which Tenant shall make or be required to file with (i) the Securities and Exchange Commission or (ii) any other federal or state regulatory agency or with any municipal or other local body which relate to the Leased Premises.

17.2. Landlord's Right to Enter. Tenant shall permit Landlord and its agents to enter the Leased Premises at all reasonable times, upon not less than one (1) business day's notice, for the purpose of (i) inspecting the same; (ii) posting notices of nonresponsibility; (iii) exhibiting the Leased Premises to prospective purchasers and/or lenders; (iv) exhibiting the Leased Premises to prospective tenants within twenty-four (24) months prior to the expiration of the Lease Term; (v) determining whether Tenant is performing all its obligations hereunder; (vi) discharging Tenant's obligation (including the obligations to repair and maintain the Leased Premises) when Tenant has failed to do so after written notice from

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Landlord and the expiration of applicable cure periods; and/or (vii) within twenty-four (24) months of the expiration of the Lease Term, placing upon the Leased premises ordinary "for leases signs at places where Tenant shall reasonably select. Tenant may elect to escort Landlord at all such times, and Landlord agrees to comply with Tenant's security requirements with respect to the Leased Premises. Landlord shall not use, copy or publish any of Tenant's confidential or proprietary information obtained by Landlord in any such entry upon the Leased Premises, and Landlord shall maintain all such information in confidence.

### 17.3. Subordination.

(a) Subject to Subparagraph 17.3(b), this Lease is subject and subordinate, in lien and operation, to any underlying leases, mortgages, other title exceptions or objections, which affect the Leased Premises and are of public record as of the Commencement Date, and to all renewals, modifications, consolidations, supplements, replacements and extensions thereof, and all advances made or to be made thereunder for the full amount of such advances and without regard for the time or character of such advances. This Lease is also subject and subordinate to any and all future mortgages affecting the Leased Premises which may hereafter be executed and placed of public record by Landlord after the Commencement Date, or any renewals, modifications, consolidations, supplements, replacements or extensions thereof, for the full amount of all advances made or to be made thereunder and without regard to the time or character of such advances. Without limitation on the foregoing provisions of this Section 17.3(a), this Lease is subject and subordinate to that certain Mortgage dated June 30, 1992 from Landlord to Blue Bell Funding, Inc., as mortgagee, now held by United States Trust Company of New York, as trustee, mortgagee, and this Lease has been assigned as collateral security by Landlord to United States Trust Company of New York, as trustee, mortgagee under such Mortgage. Tenant agrees, within ten (10) days after Landlord's written request therefor, to execute, acknowledge and deliver to Landlord any and all documents or instruments requested by Landlord or any Lender as may be reasonably necessary or proper to assure the subordination of this Lease to any such mortgage provided that such documents and instruments shall not impose upon Tenant obligations other than those set forth in this Lease. However, if the lessor under any such lease or any Lender holding any such mortgage, shall advise Landlord that it desires or requires this Lease to be prior and superior thereto, then, upon written request of Landlord to Tenant, Tenant shall promptly execute, acknowledge and deliver any and all documents or instruments which

Landlord or such lessor or Lender deems necessary or desirable to make this Lease prior thereto in lien and operation.

(b) Any automatic subordination of this Lease to any mortgage held by a Lender as provided in Subparagraph 17.3(a), shall be subject to and conditioned upon Landlord's obtaining from each Lender and delivering a copy thereof to Tenant an agreement (the "Nondisturbance and Subordination Agreement") providing that, even though this Lease

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is subordinate as set forth in Subparagraph 17.3(a), so long as Tenant is not in default under the terms of this Lease, insurance proceeds will be disbursed in accordance with Paragraph 11.1 hereof, notwithstanding anything in any such mortgage to the contrary, any action or proceeding to foreclose a mortgage held by such Lender will not result in the cancellation or termination of this Lease, and that in the event of the sale of the Leased Premises as the result of any action or proceeding to foreclosure any such mortgage, this Lease shall continue in full force and effect as a direct lease between Tenant and the then owner of the Leased Premises upon all of the terms, covenants and conditions in this Lease. So long as the Nondisturbance and Subordination Agreement contains the Tenant protections provided in the immediately preceding sentence, the Nondisturbance and Subordination Agreement shall be in form and content reasonably acceptable to the applicable Lender and may contain, among other provisions, the following terms and conditions: Tenant's confirmation of the subordination of the Lease to the mortgage held by the Lender; the agreement by Tenant that neither the Lender nor any purchaser at any foreclosure sale shall be liable for any act or omission of Landlord under the Lease, or subject to any offsets or defenses which Tenant may have at any time against Landlord; providing that Lender shall not be bound by any Rent which Tenant may have paid to Landlord for more than the current quarterly rental payment period; providing that Lender shall not be bound by any amendment or modification of the Lease made without Lender's consent, and; providing that Tenant agrees that any Lender, or any other entity or person which becomes the purchaser at foreclosure sale shall be liable only for the performance of the obligations of the Landlord under the Lease which arise and accrue during the period of such Lender's, entities' or person's ownership of the Leased Premises.

17.4. Tenant's Attornment. Tenant shall attorn (i) to any purchaser of the Leased Premises at any foreclosure sale or private sale conducted pursuant to any security instrument encumbering the Leased Premises, (ii) to any grantee or transferee designated in any deed given in lieu of foreclosure, or (iii) to the lessor under any underlying ground lease in effect on the date hereof should such ground lease be terminated.

17.5. Estoppel Certificates. At all times during the Lease Term, Tenant agrees, following any request by Landlord, to promptly execute and deliver to Landlord an estoppel certificate (i) certifying that this Lease is unmodified and in full force and effect, or, if modified, stating the nature of such modification and certifying that this Lease, as so modified, is in full force and effect, (ii) stating the date to which the Rent is paid in advance, if any, (iii) acknowledging that there are not, to Tenant's knowledge, any uncured defaults on the part of Landlord hereunder, or if there are uncured defaults on the part of Landlord, stating the nature of such uncured defaults, and (iv) certifying such other information about the Lease as may be reasonably required by Landlord. Tenant's failure to deliver an estoppel certificate (or other response to Landlord's request therefor, if such certificate cannot practicably be given) within ten (10) business days after delivery of Landlord's request therefor (unless such request was not actually received by Tenant) shall be a

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conclusive admission by Tenant that, as of the date of the request for such statement, (i) this Lease is unmodified except as may be represented by Landlord in said request and is in full force and effect, (ii) there are no uncured defaults in Landlord's performance, and (iii) no Rent has been paid in advance.

17.6. Intentionally Omitted.

17.7. Determination of Fair Market Rent for Extension Periods. The base Annual Rent for the first year of either the First Extension Period or the Second Extension Period shall be ninety percent (90%) of the annual Fair Market Rent for the Leased Premises for the first year of the applicable Extension Period, but not less than the amounts set forth on Exhibit B for the first year of the applicable Extension Period. If Landlord and Tenant cannot agree on such Fair Market Rent, the Fair Market Rent shall be determined in accordance with the following procedure:

(a) Each party shall appoint an Appraiser within fifteen (15) days after notice of failure to agree given by one party to the other. and shall

advise the other party of such appointment. On the failure of either party so to appoint an Appraiser, and to advise the other party of such appointment, the person who has been appointed as Appraiser may appoint a second Appraiser to represent the party in default.

(b) The two (2) Appraisers appointed in either manner shall then proceed to establish the Base Annual Rent for the Extension Period in question based on the Fair Market Rent of the Leased Premises. In the event of their inability to agree upon the Base Annual Rent for the Extension Period in question within thirty (30) days after their appointment, then Landlord shall appoint a third Appraiser, provided however, that if the difference between the amounts respectively determined by the two (2) Appraisers is not greater than an amount equal to ten percent (10%) of the higher of the two (2) amounts so determined, then the Base Annual Rent for the Extension Period in question shall be the mean of such two amounts, and it shall not be necessary to appoint a third (3rd) Appraiser. In the event that Landlord fails to appoint a third (3rd) Appraiser within fifteen (15) days, then, in such event, the two Appraisers appointed by the parties pursuant to Subparagraph 17.1(a) above shall, by agreement, appoint the third Appraiser.

(c) In the event a third Appraiser is appointed, such Appraiser's determination of Base Annual Rent for the Extension Period in question shall be final so long as it is within the limits of the appraisals established by the Appraisers appointed by the parties pursuant to Subparagraph 17.7(a) above. If the third Appraiser's appraisal is not within such limits, the determination of Base Annual Rent made by an Appraiser appointed pursuant to Subparagraph 17.7(a) above which is the closest to that of the third Appraiser shall control.

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(d) Landlord and Tenant shall divide equally the charges imposed by Appraisers selected under this Paragraph 17.7.

17.8. Notices. All notices, approvals, consents, requests, and other communications required or permitted to be given under this Lease shall be in writing and shall be deemed given when delivered personally, or when delivered by any nationally recognized next day delivery or courier service addressed to the party for which the item is intended as follows:

To Tenant:	Unisys Corporation Township Line and Union Meeting Roads Blue Bell, PA 19424-0001 Attn: Real Estate Department
With a copy to:	Unisys Corporation Township Line and Union Meeting Roads Blue Bell, PA 19424-0001 Attn: Office of the General Counsel
To Landlord:	Blue Bell Investment Company, L.P. c/o The Shidler Group One Logan Square, Suite 1105 Philadelphia, PA 19103
With a copy to:	F. Michael Wysocki, Esquire Saul, Ewing, Remick & Saul 3800 Centre Square West Philadelphia, PA 19102

Landlord and Tenant shall each have the right from time to time, to specify as their proper addresses for purposes of notice under this Lease any other address upon the giving of due notice hereunder.

17.9. Corporate Authority. Tenant represents and warrants that each individual executing this Lease on behalf of Tenant is duly authorized to execute and deliver this Lease on behalf of Tenant is duly authorized to execute and deliver this Lease on behalf of such corporation in accordance with its charter and by-laws and that this Lease is binding upon Tenant in accordance with its terms. Tenant shall, within thirty (30) days after execution of this Lease, deliver to Landlord a certified copy of the resolution of its board of directors authorizing or ratifying the execution of this Lease, or of the general corporate authorization, which evidences the authority for the execution of this Lease.

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17.10. Brokerage Commissions. Tenant and Landlord each warrants to the other that it has not had any dealings with any real estate brokers or salesmen or incurred any obligations for the payment of real estate brokerage commissions or finder's fees which would be earned or due and payable by reason of the execution of this Lease, and each agrees to indemnify the other for its breach

of its warranty under this Paragraph 17.10.

17.11. Entire Lease. This Lease, the Exhibits attached to this Lease (which by this reference are incorporated herein), the Environmental Indemnity and the Trust Agreement are the entire agreement between the parties respecting the subject matter covered by such documents. Tenant acknowledges that neither Landlord nor Landlord's agent(s) has made any representation or warranty as to (i) whether the Leased Premises may be used for Tenant's intended use under existing Law or (ii) the suitability of the Leased Premises for the conduct of Tenant's business or the condition of any Improvements. Tenant expressly waives all claims for damage by reason of any statement, representation, warranty, promise or other agreement of Landlord or Landlord's agent(s), if any, not contained in this Lease or in any amendment hereto. No amendment to this Lease shall be binding unless in writing and signed by the parties hereto. Landlord and Tenant acknowledge that the First Lease is terminated as of the date of this Lease, except for any obligations of Tenant which by the terms of the First Lease survive the termination of the First Lease.

17.12. Limited Liability of Landlord. The liability of Landlord with respect to this Lease shall be limited to and enforceable only out of Landlord's assets. No partners of Landlord shall have any liability hereunder.

17.13. Governing Law. This Lease shall be governed by the laws of the Commonwealth of Pennsylvania.

17.14. Quiet Enjoyment. Tenant, upon paying all Base Annual Rent, all Additional Rent, and all other amounts provided for in this Lease and not being in default under this Lease, shall peaceably and quietly have and enjoy the Leased Premises throughout the Lease Term without hindrance by Landlord or by anyone claiming by, through or under Landlord, subject, however, to the provisions, exceptions, reservations, and conditions of this Lease.

17.15. Successors and Assigns. Subject to the provisions of this Agreement, this Lease shall be binding upon, and inure to the benefit of the permitted successors and assigns of Landlord and Tenant.

17.16. Tenant's Obligations to Lenders. Any obligation of Tenant to comply with any requirement of a Lender is subject to Landlord's prior notification to Tenant of such Lender's identity and address.

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IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease with the intent to be legally bound thereby, as of the date first above written.

BLUE BELL INVESTMENT COMPANY, L.P.  
by its sole General Partner,  
Strategic Facility Investors, Inc.

Attest: \_\_\_\_\_

By: \_\_\_\_\_

Clay W. Hamlin, III  
President

UNISYS CORPORATION,  
a Delaware corporation

Attest: \_\_\_\_\_

By: \_\_\_\_\_

Name:  
Title:

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WAIVER OF PRIOR HEARING CERTIFICATION

Tenant acknowledges that the above Lease authorizes and empowers Landlord, without any prior notice or a prior hearing, to cause the entry of judgments against the undersigned for possession of the Leased Premises and immediately thereafter, without prior notice or a prior hearing, to exercise post-judgment enforcement and execution remedies. Tenant acknowledges that Tenant has agreed to waive the Tenant's rights to prior notice and a hearing under the Constitution of the United States, the Constitution of the

Commonwealth of Pennsylvania and all other applicable state and federal laws, in connection with Landlord's ability to cause the entry of judgments against the Tenant and immediately thereafter exercise Landlord's post-judgment enforcement and execution remedies (which may include, without limitation, removal of the Tenant from the Leased Premises by law enforcement officers). Tenant's counsel has reviewed the legal impact of this waiver with the Tenant and Tenant acknowledges that Tenant has freely waived such rights as an inducement to Landlord to enter into this Lease. The individual executing this Certification warrants that he or she is authorized to agree to such waiver on behalf of Tenant.

TENANT:

UNISYS CORPORATION, a Delaware corporation

Date: \_\_\_\_\_, 19 \_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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EXHIBIT B

RENT SCHEDULE

Annual Rent

The Base Annual Rent payable during the initial Lease Term shall be as follows:

For the period from the Commencement Date, April 1, 1997 through June 30, 1997	\$514,237.50
For the period from July 1, 1997 through June 30, 1998	\$2,096,951.00
For the period from July 1, 1998 through June 30, 1999	\$2,123,513.00
For the period from July 1, 1999 through June 30, 2000	\$2,150,891.00
For the period from July 1, 2000 through June 30, 2001	\$2,193,339.00
For the period from July 1, 2001 through June 30, 2002	\$2,236,636.00
For the period from July 1, 2002 through June 30, 2003	\$2,280,799.00
For the period from July 1, 2003 through June 30, 2004	\$2,325,846.00
For the period from July 1, 2004 through June 30, 2005	\$2,371,793.00
For the period from July 1, 2005 through June 30, 2006	\$2,418,660.00
For the period from July 1, 2006 through June 30, 2007	\$2,466,483.00
For the period from July 1, 2007 through June 30, 2008	\$2,515,223.00
For the period from July 1, 2008 through June 30, 2009	\$2,564,958.00

Annual Extension Rent

The Base Annual Rent for the first year (July 1, 2009 through June 30, 2010) of the First Extension Period shall be ninety percent (90%) of Fair Market Rent, but not less than \$3,096,353.00.

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Beginning the first day of the second year of the First Extension Period and on each annual anniversary thereafter, the Base Annual Rent shall be increased by two percent (2%) per annum.

The Base Annual Rent for the first year July 1, 2015 through June 30, 2016 of the Second Extension Period shall be ninety percent (90%) of Fair Market Rent, but not less than \$3,418,624.00.

Beginning the first day of the second year of the Second Extension Period and on each annual anniversary thereafter, the Base Annual Rent shall be increased by two percent (2%) per annum.

If Landlord and Tenant cannot mutually agree on the Fair Market Rent for the

first year of the Leased Premises for either the First Extension Period or the Second Extension Period, the Fair Market Rent for the Leased Premises for the first year shall be determined in accordance with Paragraph 17.7 of the Lease to which this is an Exhibit.



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AMENDED AND RESTATED  
LEASE

SOUTH BRUNSWICK INVESTORS, L.P.

LANDLORD

and

INTERNATIONAL BUSINESS MACHINES CORPORATION

TENANT

Dated: August 11, 1995

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LEASE

PARTIES

THIS AMENDED AND RESTATED LEASE, made as of August 11, 1995, between SOUTH BRUNSWICK INVESTORS, L.P., a Delaware limited partnership having a mailing address at c/o THE SHIDLER GROUP, Suite 1105, One Logan Square, Philadelphia, Pennsylvania 19103, hereinafter called "Landlord," and INTERNATIONAL BUSINESS MACHINES CORPORATION, a New York corporation, having its principal office at Old Orchard Road, Armonk, New York 10504, hereinafter called "Tenant."

INTRODUCTION

Landlord and Tenant entered into a Lease dated March 31, 1995 for Tenant's Lease of certain leased premises located in South Brunswick Township, Middlesex County, New Jersey (as amended, the "First Lease"). The leased premises are located upon a parcel of land which Landlord intends to subdivide into three (3) parcels (the "Subdivision"). Effective immediately upon approval of the Subdivision by all relevant authorities and the expiration, without appeal by any party, of the period of time during which such approval may be appealed, Landlord and Tenant desire that certain amendments to the First Lease shall automatically take effect and that the First Lease shall be amended and restated in its entirety, as set forth herein. Therefore, subject to the granting of final and unappealable approval of the Subdivision, Landlord and Tenant hereby amend and restate the First Lease in its entirety by entering into this Amended and Restated Lease.

ARTICLE ONE

PREMISES

Section 1.01. LEASE OF PREMISES. Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, upon and subject to the covenants, agreements, provisions and conditions of this Lease, the Leased Premises.

Section 1.02. LEASED PREMISES.

The Leased Premises shall mean the entirety of buildings numbered one (1) and three (3), as shown on EXHIBITS A1 to A4 (the "Buildings"), situated on the plot of land described on EXHIBIT H (the "Land"). The actual rentable area of the Leased Premises is 200,000 square feet. The Land and all improvements upon the Land (including the Buildings, Common Buildings Facilities, Buildings Service Systems, Leased Premises Service Systems and Buildings Parking Area) are collectively referred to in this Lease as the "Project."

Section 1.03. COMMON BUILDINGS FACILITIES. This Lease includes the right of Tenant to use the Common Buildings Facilities in common with other tenants of the Buildings.

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The words "Common Buildings Facilities" shall mean all of the facilities in the Project designed and intended for use by the tenants of the Buildings in common with Landlord and each other, including corridors; elevators; fire stairs; telephone and electric closets; telephone trunk lines and electric risers; aisles; walkways; truck docks; plazas; the roof and Buildings Parking Area to the extent not reserved for exclusive use by Landlord or others; courts; restrooms; service areas; lobbies; landscaped areas, and all other common and service areas of the Project intended for such use on the date hereof; excluding, however, (1) that part of the roof of the Buildings licensed for the exclusive use of Tenant in accordance with Article Thirty-Six, and (2) the restrooms, lobbies, corridors and telephone and electric closets on floors leased entirely by Tenant which shall be for the exclusive use of Tenant and shall not be used in common with other tenants or occupants of the Buildings.

ARTICLE TWO

TERM

Section 2.01. INITIAL TERM. Tenant shall lease the Leased Premises for an initial term ("Initial Term") commencing on that date upon which approval of the Subdivision becomes final and unappealable by any party (the "Commencement Date") and terminating, unless extended or sooner terminated pursuant to the terms of this Lease, on March 31, 2002. The parties shall enter into a Supplemental Agreement, in the form marked EXHIBIT B, setting forth the commencement and expiration dates of the Initial Term. In the event that the Commencement Date shall not occur prior to June 30, 1996, then this Amended and Restated Lease shall be null and void and of no force or effect.

Section 2.02. [Intentionally Omitted]

Section 2.03. EXTENDED TERM. Tenant shall have the option to extend the term of this Lease (i) for the entire Leased Premises, (ii) for only Building 1, representing approximately 170,000 square feet of the Leased Premises or (iii) for only Building 3, representing approximately 30,000 square feet, for One (1) consecutive Five (5) year term (the "Extended Term"). Such option shall be exercised by written notice to Landlord given at least nine (9) months prior to the expiration of the Initial Term. The Extended Term shall be upon the same covenants, agreements, provisions and conditions that are contained herein for the Initial Term, except that Tenant shall not have any option to extend the term of this Lease; and provided, further, that if Tenant exercises its option to lease only Building 3, Tenant shall be responsible, at its sole cost and expense, for installing in Building 3 any heating, ventilating, air conditioning, electric, plumbing or other utility or mechanical systems necessary to enable operation of Building 3 independently of Building 1. The Annual Rent specified in Section 3.02 shall be payable during the Extended Term.

Section 2.04. EARLY TERMINATION IN EXTENDED TERM. Tenant may, at its option and without charge, terminate this Lease and the Term as of a date no earlier than the thirty-seventh (37th) month of the Extended Term as to entire Leased Premises or only as to

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the entirety of Building 1 or the entirety of Building 3, as Tenant shall elect in Tenant's notice of termination, by written notice by giving Landlord at least twelve (12) months prior notice of Tenant's intention to terminate on a date specified in the notice no earlier than the thirty-seventh (37th) month of the Extended Term. If requested by Landlord, the parties shall enter into a cancellation and release agreement, in a form reasonably acceptable to both parties, confirming the end of the Term. This Lease and the Term shall come to an end on the date no earlier than the thirty-seventh (37th) month of the Extended Term specified by Tenant in Tenant's notice with the same force and

effect as if the Term was, in and by the provisions hereof, fixed to expire on such date and not on the date in this Lease provided. Tenant's option to terminate the Extended Term shall expire at the end of the forty-eighth (48th) month of the Extended Term.

Section 2.05. TERM OF THIS LEASE. The word "Term" and the words "term of this Lease" shall mean the Initial Term and any Extended Term which may become effective.

#### ARTICLE THREE

##### RENT AND ADDITIONAL RENT

Section 3.01. ANNUAL RENT. Commencing on the Commencement Date and subject to the provisions of this Lease, Tenant shall pay the Annual Rent ("the Annual Rent") of One Million Seven Hundred Thousand Dollars (\$1,700,000) payable in equal monthly installments in advance of One Hundred Forty-One Thousand Six Hundred Sixty-Six and 67/100 Dollars (\$141,666.67) on the first day of each calendar month during the Term. The Annual Rent has been calculated at the annual rate of Eight and 50/100 Dollars (\$8.50) per square foot of rentable area. Rent for any period of less than one month shall be apportioned based on the number of days in that month. Tenant will pay the Annual Rent and Additional Rent to Landlord at Suite 1105, One Logan Square, Philadelphia, Pennsylvania 19103 or to such other person or at such other place as Landlord may designate in writing.

Section 3.02. EXTENDED TERM RENT. The Annual Rent for the Premises for the Extended Term shall be Eight and 50/100 Dollars (\$8.50) per square foot of rentable area.

Except as set forth in this Article III, the leasing of the Premises for the Extended Term shall be upon the same covenants, agreements, provisions and conditions of this Lease as are in effect on the date immediately prior to the date the Extended Term begins.

Section 3.03. ADDITIONAL RENT. In addition to Annual Rent, Tenant shall pay Additional Rent ("Additional Rent") which shall mean all sums of money payable by Tenant under this Lease other than Annual Rent. All Annual Rent and Additional Rent shall be paid by Tenant without offset, deduction or abatement, except abatement otherwise specifically provided in this Lease.

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Section 3.04. OPERATING EXPENSES. Tenant shall pay as Additional Rent the total amount of annual Operating Expenses for each Operating Expense Year. Ninety (90) days prior to any Operating Expense Year, the Landlord shall provide Tenant with a complete and itemized, estimated budget (the "Budget") of the estimated Operating Expenses for the year. Payments of Operating Expenses shall be made by the Tenant to the Landlord in twelve (12) equal monthly installments paid on the first day of each month during the Operating Year based on the Operating Expenses shown in the Budget. Within forty-five (45) days after both the end of the first six months of an Operating Year (the "Semi-Annual Portion") and after the end of each Operating Expense Year, Landlord shall provide Tenant the Landlord's Statement as described in Section 3.07.

(a) The words "Operating Expenses" shall mean the operating costs specified below in Paragraph A which are actually incurred by Landlord in the Operating Expense Year to the extent they are properly allocable (in accordance with generally accepted accounting principles and practices consistently applied) to the operation, repair and maintenance of the Project. Operating Expenses shall exclude items billed and paid directly by Tenant.

(b) The words "Operating Expense Year" shall mean the twelve month period beginning on the Commencement Date and each succeeding twelve month period during the term.

##### A. ITEMS INCLUDED IN OPERATING EXPENSES:

(1) salaries, wages, including Landlord's employment taxes (such as FICA and unemployment) and benefits paid to employees (such as medical insurance) and all other expenses incurred for the employment of the Buildings operating personnel, excluding Landlord's officers and partners and headquarters and administrative and accounting staff;

(2) the cost of materials and supplies;

(3) the cost of replacements for tools and maintenance equipment (such equipment shall not include air conditioning equipment, boilers, elevators or any items of a capital nature; all tools and maintenance equipment purchased during the first year of full occupancy of the Buildings shall be considered capital items.);

(4) amounts paid by Landlord to independent contractors for services (including full or part-time labor) and materials;

(5) water charges and sewer rents;

(6) the cost of repainting or otherwise redecorating any part of Common Buildings Facilities;

(7) the cost of telephone service, postage, office supplies, maintenance and repair

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of office equipment and similar charges related to operation of the Buildings;

(8) premiums for insurance purchased by Landlord pursuant to Subsection 10.02(a), subject to Paragraph B, subparagraph (11) below;

(9) management fee for administration, such fee being two percent (2%) of the Annual Rent and Operating Expenses allocated to the Tenant;

(10) all costs and expenses (other than those of a capital nature) of maintaining, repairing and replacing paving, curbs, walkways and landscaping, including snow removal;

(11) the cost of electricity, steam and fuel used to ventilate, heat, light and air condition tenant space and for the Common Buildings Facilities, including fuel for emergency generators (excluding utilities separately metered to tenants); cost of installing and replacing light bulbs, tubes and ballasts in the Common Buildings Facilities and Buildings Parking Area;

(12) the cost of normal maintenance and preventive maintenance of mechanical and electrical equipment, including plumbing, sprinklers, heating, ventilating and air conditioning and elevator equipment, but excluding capital expenditures (If because of guarantees, warranties or any other reasons, all of such costs are not incurred within the Operating Expense Year, the Operating Expense Year will only include those costs actually incurred. The remaining costs shall be charged in the following operating expense year (s) when actually incurred;

(13) the cost of providing services by Landlord in Article Six;

(14) the cost of general security for the site and grounds (apart from security into and within each of the Buildings which shall be provided by Tenant);

(15) the cost of janitorial supplies and services, window cleaning;

(16) the cost of trash removal, including confidential waste and recycling;

(17) the cost of emergency generators, excluding those for computer rooms;

(18) the cost of an on site office and segregated storage area ("Landlord's Space") for Landlord's parts, tools, supplies (the Landlord's Space shall be designated at the inception of the Lease and, if located within the Leased Premises, may be relocated to any other available location other than the Leased Premises reasonably acceptable to Tenant and Landlord on three (3) months prior notice) (as long as Landlord's Space is located in the Leased Premises and Tenant in paying rent for such Landlord's Space, such rent shall be excluded from Operating Expense);

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(19) the cost of maintenance and repair designated in Section 9.01 (1), (2), (3), and (4) (excluding such items considered Capital Improvements);

(20) cost of removal of asbestos containing material in connection with maintenance, repair or restoration of mechanical systems;

(21) all other costs incurred by Landlord, not otherwise designated in this Lease but reasonably related to the operation, repair and maintenance of the Project.

(22) the costs of improvements (if any) required within the Leased Premises to comply with the provisions of the federal American with Disabilities Act, as amended, and any similar New Jersey requirements (such costs and improvements shall not be considered Capital Improvements under this Lease)

Operating Expenses shall be reduced by the amounts of any reimbursement, refund or credit received or receivable by Landlord with respect to any item of Operating Expenses. If any such reimbursement, refund or credit is received or receivable by Landlord in a later Operating Expense Year, it shall be applied against the Operating Expenses for such later Operating Expense Year; and, if the Term has expired, such item shall be promptly refunded by Landlord to Tenant.

B. ITEMS EXCLUDED FROM OPERATING EXPENSES:

(1) [Intentionally Omitted.]

(2) the cost of any work performed (such as preparing a tenant's space for occupancy, including painting and decorating) or services provided (such as separately metered electricity) for any tenant at such tenant's cost, or furnished by Landlord without charge as an inducement to lease (such as free rent or improvement allowances); it is understood and agreed that Landlord is not furnishing to Tenant any of the work or services described in this Section 3.04 B (2) in connection with Tenant's occupancy under this Lease.

(3) the cost of installing, operating and maintaining any specialty service, such as an observatory, broadcasting facility, luncheon club, retail store, sundry shop, newsstand, concession, or athletic or recreational club;

(4) the cost of removal of asbestos-containing material not related to repair, maintenance or restoration of mechanical equipment as referenced in 3.04 A (20);

(5) salaries of Landlord's officers and partners and its headquarters staff;

(6) the cost of any work performed or service provided for any tenant of the Buildings (other than Tenant) to a materially greater extent or in a materially more favorable manner than that furnished generally to the other tenants and occupants;

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(7) the cost of any work performed or service provided (such as electricity) for any facility other than the Buildings (such as a garage) for which fees are charged;

(8) the cost of any items for which Landlord is reimbursed by insurance proceeds, condemnation awards, a tenant of the Project, or otherwise;

(9) the cost of any additions to the Project, or Operating Expenses generated by such additions, after the date of this Lease;

(10) the cost of any repairs, alterations, additions, changes, replacements and the like which under generally accepted accounting principles and practices are properly classified as capital expenditures;

(11) the cost of any repair made in accordance with Articles Ten and Twelve of this Lease entitled "Fire and Other Casualty - Insurance" and "Condemnation";

(12) insurance premiums to the extent any tenant other than Tenant causes Landlord's existing insurance premiums to increase or requires Landlord to purchase additional insurance;

(13) interest and principal payments on any debt, depreciation, and rental under any ground lease or other underlying lease;

(14) any real estate brokerage commissions or other costs incurred in procuring tenants, or any fee in lieu of commission;

(15) any advertising expenses;

(16) any costs representing an amount paid to a related or affiliated person of Landlord which is in excess of the amount which would have been paid in the absence of such relationship;

(17) payments for rented equipment, the cost of which equipment would constitute a capital expenditure if the equipment were purchased;

(18) any expenses for repairs or maintenance which are covered by warranties, guarantees or service contracts (excluding any mandatory deductibles);

(19) legal expenses arising out of the construction, operation, use, occupation or maintenance of the Project, or the enforcement of the provisions of any agreements affecting the Project, including this Lease;

(20) the costs and expenses of maintaining or repairing the security systems within

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the Tenant's Leased Premises. (Tenant shall provide and pay for such service.);

(21) the costs and expenses of maintaining or repairing any item associated with the groundwater environmental remediation program. (Tenant shall provide and pay for such service.);



(a) Landlord shall pay when due all real estate or property taxes, assessments and other governmental fees, impositions or charges of any kind which shall be levied or assessed or which become liens upon the Project (hereinafter called "Real Estate Taxes"). Tenant shall pay Landlord, as Additional Rent, the Real Estate Taxes levied or assessed on the Project. Such payment shall be made in equal monthly installments to Landlord, based on the Budget and actual Real Estate Taxes, in the same manner provided in Section 3.04 for Operating Expense installments. Within 45 days prior to the end of each year, Landlord shall provide Tenant a written statement of Real Estate Taxes for the new Lease Year accompanied by a copy of the tax bills for the prior lease year and Landlord's estimate of Real Estate Taxes for the new Lease Year.

(b) Real Estate Taxes shall not include (1) income tax, tax on rents or rentals, excess profits or revenue tax, excise tax or inheritance tax, gift tax, gains tax, franchise tax, corporation tax, capital levy transfer, estate, succession or other similar tax or charge that may be payable by or chargeable to Landlord under any present or future Laws; (2) increases in assessments caused by Landlord's sale of all or any part of the Project or an interest therein; (3) interest or penalties imposed upon Landlord for late payment of Real Estate Taxes; and (4) special assessments and Real Estate Taxes resulting from the expansion or renovation of the Project or from a tenant's improvements not approved by Tenant

(c) [Intentionally Omitted.]

(d) If the Project is not taxed as a separate and independent tax lot, Landlord shall make application to the taxing authorities to obtain a separate and independent assessment thereof. If the taxing authorities refuse to do so, the taxes assessed against the said tax lot shall be equitably apportioned.

(e) Any increase or decrease in Real Estate Taxes during the Term shall be apportioned so that Tenant shall pay or receive only that portion of the increase or decrease in Real Estate Taxes that falls within the Term. If allowed by Laws, Landlord shall pay Real Estate Taxes in installments.

(f) Any incentives or abatements of Real Estate Taxes which are received by or credited to Landlord shall be passed through to Tenant.

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#### Section 3.06. ADJUSTMENT TO FIXED ANNUAL RENT.

(a) If during any Lease Year the Landlord makes Capital Improvements then, subject to the provisions of this Article, in each Lease Year the Tenant shall pay its "pro rata share" amount equal to a fraction of the Landlord's documented cost of such Capital Improvements. The numerator of the fraction shall be the period of time between the installation of and final payment for the Capital Improvements and the end of the Term (assuming, for this purpose, that the Tenant does not extend for the Extended Term) and the denominator shall be the economic life of the Capital Improvements as determined by the Landlord pursuant to generally accepted accounting principles and practices, consistently applied; provided, that the fraction shall not exceed one (1). All costs, including interest costs, shall be amortized on a straight line basis over such economic life. If at the expiration or earlier termination of the Term the Tenant has exercised the Extended Term, the Landlord shall promptly recalculate the fraction and on or prior to the expiration or earlier termination date, the Tenant shall reimburse the Landlord for the sum due the Landlord by reason of the adjusted fraction.

(b) The words "Lease Year" shall mean the twelve-month period beginning on the Commencement Date and each succeeding twelve-month period during the Term. Any sums due hereunder for a partial year shall be pro rated based on a 365 day year.

(c) The words "Capital Improvements" shall mean improvements, replacements, or repairs to the Project which according to generally accepted accounting principles and practices are required to be capitalized and, in addition, are required (i) by Laws or insurers of the Premises, or (ii) by reason of damaged property which is not covered by the insurance proceeds or (iii) to continue operation of the Project for the purposes and in the manner intended on the Commencement Date, or (iv) for the purpose of reducing operating expenses of the Project up to the costs saved as a result of the installation thereof as reasonably determined by the Landlord. Capital Improvements shall include replacement of the Buildings Systems and Structures.

(d) Except in the case of emergencies, the need, nature and plans for Capital Improvements shall be subject to the reasonable approval of the Landlord and the Tenant and Landlord shall submit its plans therefor to the Tenant at least three (3) months prior to the date the Landlord intends to begin the work. Thereafter, the Landlord shall also submit to the Tenant an estimate of the total "soft" and "hard" costs thereof and the relevant bids in advance of ordering work for Capital Improvements. The Tenant shall have the option, exercised within thirty (30) days from the date it receives this information, to obtain bids and require that the work be done by the lowest qualified bidder who

will equal or exceed the quality of workmanship found in the Project.

(e) Prior to commencement of the work, the Landlord and the Tenant shall agree upon the total cost for the Capital Improvements to be paid by the Tenant in accordance with Section 3.06. Such cost shall be divided by the number of remaining monthly periods of the

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Term, and the resulting sum added to the monthly rent due under this Lease. The parties shall agree upon the adjusted monthly rent by an amendment to this Lease.

#### Section 3.07. COMPUTATION AND BILLING.

(a) The words "Landlord's Statement" shall mean a statement, prepared by Landlord setting forth in detail the amount of (1) each item included in the Operating Expense for the Operating Expense Year or Semi-Annual Portion thereof, and/or the Real Estate Taxes for the Real Estate Tax Year and (2) any other Additional Rent or adjustments to the Fixed Rent. Within forty-five (45) days after the end of each Operating Expense Year or Semi-Annual Portion thereof, Landlord shall provide Tenant with the Landlord's Statement.

(b) Landlord shall, at Tenant's request, within 7 business days make available to Tenant for inspection and examination at Tenant's cost the books and records that relate to Landlord's Statement. If Tenant disputes any portion of Landlord's Statement and the parties cannot resolve their differences within thirty (30) days thereafter, either party may resolve the matter by arbitration as provided in Article Thirty-Eight. Pending resolution of any dispute, Tenant may withhold payment of the amount in dispute otherwise required to be paid under Section 3.08(d) or Section 3.07(e).

(c) If the actual Operating Expenses in any Operating Expense Year or semi-annual portion thereof are less (more) than the Operating Expenses paid by the Tenant for the Operating Expense Year or semi-annual portion thereof, the difference of shall be paid by Landlord to Tenant (paid by Tenant to Landlord) in a lump sum within thirty (30) days following the date Landlord renders Landlord's Statement to Tenant.

(d) If the actual Real Estate Taxes in any Real Estate Tax Year are less (more) than the Real Estate Taxes paid by the tenant for the Real Estate Tax Year, the difference shall be paid by Landlord to Tenant (paid by Tenant to Landlord) in a lump sum within thirty (30) days following the date Landlord renders Landlord's Statement to Tenant.

(e) If Landlord after written notice from Tenant has not provided Tenant a Landlord's Statement by the end of twelve (12) months following the year (whether calendar or fiscal) in which the Operating Expenses or Real Estate Taxes are payable by Landlord, Landlord agrees that Landlord has waived its claim against Tenant for any increase in Operating Expenses and Real Estate Taxes for that year.

(f) This Article shall survive the expiration or earlier termination of the Term.

#### Section 3.08. TAX CONTEST.

(a) In consideration of Tenant's undertaking to reimburse Landlord for Real Estate Taxes, Tenant shall have the right, by appropriate proceedings, to protest any assessment or reassessment or any special assessment, or any change in the tax rate, or the validity of any of

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the above, provided that such contest

(b) Landlord shall notify Tenant in writing within fifteen (15) days after Landlord's receipt of notice of all assessments and the tax rates and any proposed changes to them. Tenant shall notify Landlord in writing within fifteen (15) business days after receipt of Landlord's notice if Tenant wants to file a protest. Prior to such notice or if Landlord fails to give such notice, Tenant shall not be obligated to pay Tenant's share of any increase in Real Estate Taxes.

(c) In the tax proceedings, Tenant may act in its own name and/or the name of Landlord and Landlord will, at Tenant's request and provided Landlord is not put to any expense thereby, cooperate with Tenant in any way Tenant may reasonably require in connection with the protest. Any protest conducted by Tenant hereunder shall be at Tenant's expense and if interest or late charges become payable with respect to the Real Estate Taxes as a result, Tenant shall reimburse Landlord for the same. However, Landlord shall be solely responsible for any penalties, interest or late charges imposed on Landlord through no fault of Tenant.

(d) Tenant may require Landlord at Landlord's expense to protest any type

of assessment or the tax rate one time only during the Term by timely notification to Landlord. Tenant shall bear Landlord's cost of protest. If Landlord is unable or fails to act on such request, then Tenant may contest taxes at its expense.

(e) If Landlord shall receive a reduction or refund for any year for which Tenant shall be obligated to pay or shall have paid Real Estate Taxes, the amount of such reduction or refund shall be subtracted from the Real Estate Taxes payable or paid by Landlord for the tax year to which the reduction or refund applies and proper reimbursement shall be made by Landlord to Tenant promptly after Landlord receives or is credited with such refund or reduction. Landlord agrees to keep Tenant apprised of all tax protest filings and proceedings undertaken by Landlord or others to obtain a tax reduction or refund for the Project. If the refund or reduction resulted from Tenant's efforts, Landlord shall also reimburse Tenant for reasonable attorneys' fees and any other reasonable expenses incurred by Tenant in connection with the protest. Otherwise, Landlord may deduct from the total refund any reasonable attorneys' fees and other reasonable expenses incurred by Landlord therefor.

#### Section 3.09. PLACE FOR PAYMENT.

Installments of the Fixed Annual Rent and all other payments required to be made by the Tenant to the Landlord pursuant to the provisions of this Lease shall be paid to the Landlord at Suite 1105, One Logan Square, Philadelphia, Pennsylvania 19103, Att: Clay W. Hamlin, III, President, or at such other place as the Landlord may from time to time designate by notice to the Tenant.

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#### ARTICLE FOUR

##### ACCEPTANCE

Tenant agrees to accept possession of the Leased Premises under this Lease in the condition, state of title and status of all other matters existing as of the Commencement Date. Notwithstanding anything contained in this Lease to the contrary, Landlord makes no warranty or representation, express or implied, as to the condition of the Leased Premises or the Project or the suitability of the Leased Premises or the Project for Tenant's use or for any other purpose, or as to any other matter relating to the Leased Premises or the Project. Tenant acknowledges that Tenant owned the Project immediately before the Commencement Date and is fully aware of and thoroughly familiar with all matters relating to the Leased Premises and the Project including, without limitation, the condition of, the Leased Premises, and agrees that the Leased Premises and the Project are, as of the Commencement Date, in compliance with the provisions of this Lease.

#### ARTICLE FIVE

##### LANDLORD'S TITLE

Section 5.01. LANDLORD'S REPRESENTATIONS REGARDING TITLE AND USE. Landlord represents and warrants as a condition of this Lease that it possesses good marketable fee title to the Project; that it is authorized to make this Lease for the Term; and that the provisions of this Lease do not or will not conflict with or violate the provisions of existing or future agreements between Landlord and third parties.

#### ARTICLE SIX

##### SERVICES

Section 6.01. SERVICES PROVIDED BY LANDLORD. Landlord shall, at its expense and subject to Tenant's reimbursement as provided in Section 3.04, furnish to Tenant the following services, utilities, supplies and facilities:

(1) Access to the Leased Premises twenty-four (24) hours a day, seven (7) days a week.

(2) Passenger elevator service twenty-four (24) hours a day, seven (7) days a week and freight elevator service reasonably required by Tenant, only if such elevator service exists.

(3) (a) Heat, ventilation and air conditioning ("HVAC") in accordance with EXHIBIT C, on Tenant's business days from 6:30 a.m. to 6:00 pm. and, at Tenant's request, at all other times as hereinafter provided in this Article.

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(b) Landlord shall furnish HVAC beyond the above-stated hours, provided that notice requesting such service is delivered to Landlord before noon on the business day when such service is required for that evening, and by noon of the preceding business day when such service is required on Saturday, Sunday or the holidays ("Holidays") listed on EXHIBIT I. This service shall be furnished at "Landlord's Costs" which shall mean the actual labor and utility

costs incurred by Landlord to provide such overtime service, without markup of any kind. Landlord's Costs shall be paid by Tenant or, alternatively, shall be shared proportionately (based on square feet of rentable area serviced by this overtime HVAC and hours of use requested by the occupant) between Tenant and other tenants, if any, located in the same HVAC zone who have requested and are enjoying the benefit of the service at the same time as Tenant. Landlord shall bill Tenant on or before the last day of the month following the month in which Landlord's Costs are incurred, and shall submit with its invoice a tabulation of the hours and the dates on which the overtime HVAC was furnished. Tenant shall reimburse Landlord therefor within thirty (30) days after receipt of the invoice and other data supporting the charges that Tenant may reasonably request.

(4) Hot and cold running potable water for Tenant's purposes.

(5) Electricity for lighting and for the operation of Tenant's office machines, appliances and equipment, and for the Common Buildings Facilities and Buildings Parking Area.

(6) Providing, installing and replacing light bulbs, tubes and ballasts in the Common Buildings Facilities and Buildings Parking Area.

(7) Removing of ice and snow from the Common Buildings Facilities and Buildings Parking Area.

(8) Vermin extermination and repair and replacing any item in the Buildings damaged by vermin.

(9) Facilities for Tenant's loading, unloading, delivery and pick-up activity at the Buildings, including access thereto twenty-four (24) hours a day, seven (7) days a week.

#### Section 6.02. LANDLORD'S FAILURE TO PROVIDE SERVICES.

Section 24.02 of this Lease shall govern Tenant's remedies in the event of Landlord's default in furnishing or paying for any utilities, services or facilities to be furnished to Tenant hereunder.

### ARTICLE SEVEN

#### PARKING

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#### Section 7.01. TENANT'S PARKING SPACES.

(a) Landlord shall, at its expense, provide Tenant with 640 self-parking parking spaces (which number is based on a minimum of 3.2 parking spaces per 1,000 square feet of rentable area in the Leased Premises) within the Buildings Parking Area for Tenant's use. The Buildings Parking Area is shown on EXHIBIT E. The Buildings Parking Area shall be available for use twenty-four (24) hours a day, every day of the year during the Term and shall be illuminated when necessary to maintain a safe environment. Further, Landlord shall keep and maintain the Buildings Parking Area in a clean, safe and first-class condition.

(b) If Tenant, its employees, licensees or guests are not able to use the Buildings Parking Area and access ways thereto because of unauthorized use by others, Landlord shall take whatever steps are necessary to end and prevent further unauthorized use including, if appropriate, posting signs, distributing parking stickers and towing away unauthorized vehicles.

Section 7.02. VISITORS' SPACES. During the Term, Landlord shall reserve twenty (20) parking spaces in the Buildings Parking Area adjacent to the main entrance of Building 1 as depicted on Exhibit E for use by invitees of Tenant and the other tenants in the Buildings. These parking spaces shall be designated for transient use, and Landlord shall take reasonable steps to insure that these parking spaces are available for such use at all times.

### ARTICLE EIGHT

#### USE OF LEASED PREMISES

Section 8.01. GENERAL USES. Tenant shall have the right to use the Leased Premises solely and only for executive and administrative offices; marketing, display, storage, service, repair and use of Tenant's products and equipment; engineering; education and training of Tenant's customers and employees, and all other uses incidental and related directly thereto, and for no other purpose.

Section 8.02. SPECIAL USES. If Tenant shall institute a special use of Leased Premises which requires an amendment to the existing certificate of occupancy, Tenant shall be responsible for obtaining the same as well as any other governmental permit, approval or license required by applicable Laws. Landlord, at Tenant's sole cost and expense, shall cooperate with Tenant and

shall execute all applications, authorizations and other instruments reasonably required to enable Tenant to fulfill its responsibilities under this Section.

#### ARTICLE NINE

##### REPAIRS AND MAINTENANCE

Section 9.01. LANDLORD'S REPAIRS. Except for Tenant's maintenance, repair,

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restoration and replacement obligations specified under this Lease, Landlord shall maintain, and perform repair, restoration, replacement, work at, the Project, including, without limitation, the obligations of Landlord to maintain, repair and replace, as necessary, and keep in good order, safe and clean condition (1) the plumbing, sprinkler, HVAC (excluding supplemental HVAC systems located in computer, raised floor areas) and electrical and mechanical lines and equipment associated therewith, elevators and boilers, broken or damaged glass and damage by vandals; (2) utility and trunk lines, tanks and transformers and the interior and exterior structure of the Buildings, including the roof, exterior walls, bearing walls, support beams, floor slabs, foundation, support columns and window frames; (3) improvements to the Land; (4) including ditches, shrubbery, landscaping and fencing, and (5) the Common Buildings Facilities located within or outside the Buildings, including the common entrances, corridors, interior and exterior doors and windows, loading docks, stairways, lavatory facilities and the Buildings Parking Area and access ways therefor. Further, Landlord shall perform all repairs and restoration work required by Article Ten, "Fire and Other Casualty - Insurance" and Article Twelve, "Condemnation." In no event shall Landlord be obligated to repair any damage caused by any act, omission or negligence of Tenant or its employees, agents, invitees, licensees, subtenants or contractors.

Section 9.02. TENANT'S REPAIRS. Except for Landlord's obligations under Section 9.01, Tenant shall maintain the Leased Premises and the fixtures and appurtenances therein in good condition and repair at all times, and will not commit any act of waste. Tenant shall be responsible at Tenant's sole cost and expense for the maintenance, repair and/or replacement of any special heating, ventilating, air conditioning, plumbing, electrical or other systems and fixtures installed solely to service the Leased Premises, whether installed or paid for by Landlord or by Tenant with Landlord's consent. Tenant shall reimburse Landlord for all costs and expenses of repairing and replacing all damage or injury to the Leased Premises, the Buildings, or the Project and to fixtures and equipment caused by Tenant or its employees, agents, invitees, licensees, subtenants, or contractors, or as the result of all or any of them moving in or out of the Buildings or by installation or removal of furniture, fixtures or other property. Such costs and expenses shall be collectible as Additional Rent and paid by Tenant upon demand by Landlord. Tenant shall not be liable for repairs or replacements necessitated by ordinary wear and tear, damage by fire or other casualty and damage caused by Landlord or by others for whom Tenant is not responsible. Tenant shall give prompt notice to Landlord of any accident, fire, damage or other casualty occurring on or to the Leased Premises, whether or not Landlord may have or assume any liability therefor or any responsibility to repair or remedy the same.

Section 9.03. LANDLORD'S FAILURE TO MAKE REPAIRS.

Section 24.02 of this Lease shall govern Tenant's remedies in the event of Landlord's failure or refusal to perform any repairs, restoration work, or replacements which it is required to perform under Section 9.01 or elsewhere in this Lease.

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Section 9.04. EMERGENCY REPAIRS. If during the Term repairs, restoration work or replacements become necessary because of an emergency and the provisions hereof require the Landlord to make these repairs and replacements, Tenant may in good faith perform them if, in Tenant's reasonable opinion, they are necessary to preserve the Leased Premises, or the safety or health of the occupants in the Leased Premises, or Tenant's Property, or are required by the Laws; provided, however, that Tenant shall first make a reasonable effort to inform Landlord before making them.

#### ARTICLE TEN

##### FIRE AND OTHER CASUALTY - INSURANCE

Section 10.01. DAMAGE OR DESTRUCTION.

(a) If any portion of the Project is damaged by fire, earthquake, flood or other casualty, or by any other cause of any kind or nature not caused by Tenant

(the "Damaged Property") and the Damaged Property can, in the opinion of Landlord's architect reasonably exercised, be repaired within one hundred eighty (180) days from the date of the damage, Landlord shall proceed immediately to make such repairs as required by Section 10.01 (c). This Lease shall not terminate, but Tenant shall be entitled to a pro rata abatement of Annual Rent and Additional Rent payable during the period commencing on the date of the damage and ending on the date the Damaged Property is repaired as aforesaid and the Leased Premises are delivered to Tenant. The extent of rent abatement shall be based upon the portion of the Leased Premises rendered untenable, unfit or inaccessible for use by Tenant for the purposes stated in this Lease during such period. When required by this Article, the architect's opinion shall be delivered to Tenant within thirty (30) days from the date of the damage. The architect's opinion shall be made in good faith after a thorough investigation of the facts required to make an informed judgment. The architect shall consider and include as part of his evaluation the period of time necessary to obtain the required approvals of the mortgagee, insurer, and municipal authorities, to order and obtain materials, and to engage contractors. Landlord, at Landlord's election, may also carry such other insurance, including, without limitation, comprehensive general liability insurance, that Landlord may deem appropriate, provided that such insurance is generally of the type and amount customarily carried by owners or tenants in projects similar to the Project, and the premiums for such insurance shall be included as part of the Operating Expenses.

(b) If (1) in the opinion of Landlord's architect reasonably exercised, damage to the Damaged Property cannot be repaired within one hundred eighty (180) days from the date of the damage, or (2) Landlord commences and proceeds with due diligence but fails to complete the repair of the Damaged Property as required by paragraph (c) within the one hundred eighty (180) day period, subject to an extension of time allowed for an Excusable Delay, or (3) the Term will expire within one (1) year from the date of the damage and Tenant fails to extend the Term in accordance with any right granted in Section 2.02 within ninety (90) days from the date of the damage, either party may terminate this Lease as follows: for the reason stated

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in subparagraph (b) (1), by notice to the other within twenty (20) days from the date on which the architect's opinion is delivered to Tenant; (2) for the reason stated in subparagraph (b) (2), by such notice within twenty (20) days from the end of the one hundred eighty (180) day period, as it may have been extended by an Excusable Delay, and (3) for the reason stated in subparagraph (3), by such notice within one hundred (100) days from the date of the damage. Upon termination, Annual Rent and Additional Rent shall be apportioned as of the date of the damage and all prepaid Annual Rent and Additional Rent shall be repaid.

(c) If neither party exercises its option to terminate hereunder Landlord shall, with due diligence, repair the Damaged Property as a complete architectural unit of substantially the same usefulness, design and construction existing immediately prior to the damage; provided, that, with respect to improvements or alterations made by Tenant after the commencement Date, Tenant shall pay all costs relating to such improvements or alterations. Tenant shall be entitled to a pro rata abatement of Annual Rent and Additional Rent in the manner and to the extent provided in paragraph (a).

(d) If by operation of this Article Landlord undertakes but fails to complete repairs of the Damaged Property as required by the provisions of this Article and deliver the leased Premises to Tenant within two hundred seventy (270) days from the date of the damage, for any reason other than a material and adverse delay caused by Tenant, Tenant may exercise its rights under Section 24.02, failing which either party may terminate this Lease by notice to the other within three hundred (300) days from the date of the damage. If either party elects to terminate, this Lease and the Term shall end on the date specified in the notice and Annual Rent and Additional Rent shall be apportioned as of the date of the damage and all prepaid Annual Rent and Additional Rent shall be repaid.

(e) The word "repair" shall include rebuilding, replacing, and restoring the Damaged Property.

#### Section 10.02. CASUALTY INSURANCE.

(a) Through the Term, Landlord shall cause the improvements located on the Land (including, without limitation, the Buildings, including the tenant improvements therein ) to be insured against loss or damage by fire and the perils commonly covered under the standard extended coverage endorsement to the extent of not less than the "full replacement cost" thereof, including all improvements, alterations, additions and changes made by Landlord or tenants, but excluding foundations, footings and excavation, and excluding fixtures and equipment owned by Landlord or its tenants. Provided this Lease has not been terminated pursuant to the Article entitled "Fire or Other Casualty" the proceeds of such insurance in case of loss or damage shall be used to restore the Leased Premises, the Buildings and/or other improvements at the Land to the extent that such proceeds are required for such purposes.

(b) Through the Term, Tenant shall cause all improvements made by Tenant to the Leased Premises, along with Tenant's trade fixtures, furnishings, equipment and other items of

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personal property located on the Leased Premises, to be insured against loss or damage by fire and the perils commonly covered under the Standard extended coverage endorsement, in form and amount reasonably satisfactory to Landlord. Notwithstanding anything to the contrary provided herein, all proceeds of insurance payable with respect to damage or destruction of Tenant's property, including, but not limited to, Tenant's fixtures and equipment, shall be paid to, and retained by Tenant.

(c) With respect to any loss or damage that may occur to the Land (or any improvements thereon) or the respective property of the parties therein, arising from any peril customarily insured under a fire and extended coverage insurance policy, regardless of the cause or origin, including negligence of the parties, their agents, servants or employees, the party required to carry such insurance and suffering such loss hereby releases the other party from all claims with respect to such loss, and Landlord and Tenant mutually agree that their respective insurance companies shall have no right of subrogation against the other party on account of any such loss, and each party shall procure from its respective insurers under all policies of fire and extended coverage insurance a waiver of all rights of subrogation against the other party which the insurers might otherwise have under such policies.

(d) Tenant shall at all times during the period in which it has any occupancy rights in the Demised Premises, maintain in full force and effect comprehensive public liability insurance, naming Landlord as an additional insured, covering injury to persons and damage to property occurring in or about the Demised Premises, in such amounts as may reasonably be required by Landlord from time to time, but not less than \$2,000,000 combined single limit. Tenant shall lodge with Landlord certificates of such insurance at or prior to the date Tenant shall make its initial entry into the Demised Premises, and shall lodge with Landlord renewals thereof at least fifteen (15) days prior to expiration. All such policies of insurance shall provide that they shall not be canceled or amended without at least twenty (20) days prior notice to Landlord.

#### ARTICLE ELEVEN

##### INDEMNIFICATION

Subject to the provisions of Section 10.02(c), Landlord and Tenant each agree to indemnify and save the other harmless from any and all claims for bodily injury (including death) or property damage made against one of the parties hereto if (1) arising from any breach or default by the other party hereto (including its agents, invitees, employees or contractors) in the performance of any covenant or agreement on its part to be performed pursuant to the provisions of this Lease, or (2) occurring within the Project limits and arising from the misconduct or gross negligence of the other party (including its agents, invitees, employees or contractors). This indemnity shall include all court costs, reasonable attorneys' fees, expenses and liabilities incurred by the indemnified party against which the claim is made. If any action or proceeding is brought against either Landlord or Tenant by reason of any such claim, the indemnifying party agrees to defend the action or proceeding at its expense

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upon notice from the party to be indemnified.

#### ARTICLE TWELVE

##### CONDEMNATION

Section 12.01. TAKING - LEASE ENDS. If at any time during the Term the whole of the Leased Premises shall be taken for any public or quasi-public use, under any statute or by right of eminent domain, this Lease shall terminate on the date of such taking except as provided in Section 12.03. If less than all of the Leased Premises shall be so taken and in Tenant's reasonable opinion the remaining part is insufficient for the conduct of Tenant's business Tenant may, by notice to Landlord within sixty (60) days after the date Tenant is notified of such taking, terminate this Lease. If Tenant exercises its option, this Lease and the Term shall end on the required date of delivery of the condemned area to the condemning authority and the Annual Rent and Additional Rent shall be apportioned and paid to the date specified in Tenant's notice.

Section 12.02. TAKING - LEASE CONTINUES. If less than all of the Leased Premises shall be taken and, in Tenant's reasonable opinion communicated by notice to Landlord within sixty (60) days after Tenant is notified of such

taking, Tenant is able to gain access to and continue the conduct of its business in the part not taken, this Lease shall remain unaffected, except that Tenant shall be entitled to a pro rata abatement of Annual Rent and Additional Rent based upon the nature of the space taken (office space, storage, parking area) and upon the proportion which the area of the Leased Premises or Buildings Parking Area, as case may be, so taken bears to the area of the Leased Premises or Buildings Parking Area, as case may be, immediately prior to such taking. Landlord and Tenant agree that Tenant shall be conclusively presumed to have access to and be able to conduct business in the remaining portion of the Leased Premises if less than thirty percent (30%) of the Leased Premises is taken by condemnation.

Section 12.03. TEMPORARY TAKING. If the use and occupancy of the whole or more than thirty percent (30%) of the Leased Premises is temporarily taken for a public or quasi-public use for a period longer than nine (9) months but less than the balance of the Term, at Tenant's option to be exercised in writing and delivered to Landlord not later than sixty (60) days after the date Tenant is notified of such taking, this Lease and the Term shall terminate on the required date of delivery of the condemned area to the condemning authority or shall continue in full force and effect. If this Lease remains in effect Tenant shall be entitled to a pro rata abatement of Annual Rent and Additional Rent in the manner and to the extent provided in Section 12.02.

Section 12.04. LANDLORD'S AWARD. Landlord shall be entitled to receive the entire award or awards in any condemnation proceeding without deduction therefrom for any estate vested in Tenant and Tenant shall receive no part of such award or awards from Landlord or in the proceedings except as otherwise expressly provided in Section 12.05.

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Subject to the foregoing, Tenant hereby assigns to Landlord any and all of Tenant's right, title and interest in or to such award or awards or any part thereof.

Section 12.05. TENANT'S AWARD. If there is a taking hereunder, Tenant shall be entitled to receive out of the award or, if allowed by the Laws, to appear, claim, prove and receive in the condemnation proceeding Tenant's relocation and moving expenses and the value of Tenant's personal property.

Section 12.06. RESTORATION BY LANDLORD. If there is a taking hereunder and this Lease is continued Landlord shall, at its expense, proceed with reasonable diligence use the award proceeds to repair, replace and restore the Buildings as a complete architectural unit of substantially the same proportionate usefulness, design and construction existing immediately prior to the date of taking.

Section 12.07. DEFINITIONS. Taking by condemnation or eminent domain hereunder shall include the exercise of any similar governmental power and any sale, transfer or other disposition of the Buildings or Land in lieu or under threat of condemnation. The word "Buildings," as used in this Article only, shall mean only the Leased Premises, Buildings Parking Area and access ways thereto and Common Buildings Facilities.

#### ARTICLE THIRTEEN

##### ALTERATIONS AND IMPROVEMENTS

###### Section 13.01. TENANT'S CHANGES - NO APPROVAL.

(a) Tenant may place and replace its trade fixtures, tools, machinery, furniture, floor covering, equipment and other tangible personal property ("Tenant's Personal Property") in the Leased Premises and may make alterations, improvements, replacements and other changes to the Leased Premises Service Systems and to the interior of the Leased Premises as it may desire at its own expense without Landlord's consent. Tenant shall not alter, improve, replace or change the Buildings Service Systems or the Structure except in accordance with Section 13.02.

(b) The words "Leased Premises Service Systems" shall mean the electrical, HVAC, mechanical, plumbing, safety and health systems that directly service the Leased Premises from a localized point of distribution. Such systems are dedicated to the Leased Premises at their available capacities (such as HVAC for computer rooms) and do not service any space other than the Leased Premises.

###### Section 13.02. TENANT'S CHANGES - LANDLORD'S APPROVAL.

(a) Tenant may make alterations, improvements, replacements and other changes to the Buildings Service Systems and to the Structure if Landlord consents thereto, which consent

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shall not be unreasonably withheld or delayed provided that such work does not in Landlord's reasonable judgment impair the value of the Buildings or Project.

(b) If Tenant desires to make alterations, improvements, replacements or other changes to the Structure or Buildings Service Systems, Tenant shall make a written request for Landlord's approval by submitting to Landlord a list of proposed contractors and plans and specifications for the work to be performed. Landlord shall respond within fifteen (15) business days from receipt of the same, approving those contractors and those portions of the work that are acceptable and disapproving those contractors and portions of the work that are, in Landlord's judgment reasonably exercised, unacceptable and specifying in detail the nature of Landlord's objection. Failure of Landlord to respond as aforesaid shall be tantamount to approval of such contractors and plans and specifications in all respects. Tenant shall cause all work done by or on behalf of Tenant to be done in compliance with all Laws, in first class good and workmanlike manner, free and clear of all liens.

(c) The words "Buildings Service Systems" shall mean the electrical, HVAC, mechanical, plumbing, safety and health systems that service the Buildings up to the point of localized distribution. Such systems provide the main source of supply and distribution throughout the Buildings.

(d) The word "Structure" shall mean bearing walls, roof, exterior walls, support beams, foundation, window frames, floor slabs and support columns of the Buildings.

Section 13.03. TENANT'S OWNED PROPERTY. All of Tenant's Personal Property and all non-structural alterations, improvements, replacements and changes made prior to or during the Term, whether paid for directly by Tenant (collectively, "Tenant Owned Property" as set forth in Exhibit "M" attached hereto and hereby made a part hereof) shall be owned by and remain the property of Tenant..

Section 13.04. REMOVAL OF TENANT'S OWNED PROPERTY. Tenant may remove all or any of Tenant's Owned Property at any time during the Term or, at its option, Tenant may abandon the same, in whole or in part, to Landlord at the expiration or earlier termination of the Term by vacating the Leased Premises without removing the same; provided that, if requested by Landlord, Tenant shall remove Tenant's Owned Property at the expiration or sooner termination of this Lease in accordance with Article 16. If Tenant removes such things or any of them, Tenant shall repair all damage caused by such removal and restore to its previous condition any portion of the Buildings damaged by such removal.

Section 13.05. LANDLORD'S CHANGES - TENANT'S APPROVAL. During the Term, Landlord shall obtain Tenant's consent, which shall not be unreasonably withheld or delayed, before making any substantial addition to the Buildings or materially altering the external appearance thereof, unless required by the Laws.

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#### ARTICLE FOURTEEN

##### LANDLORD'S ACCESS

(a) Landlord shall, upon advance oral notice to Tenant (except in an emergency), have the right (1) at all reasonable times during Tenant's business hours to inspect the Leased Premises and to show the same to prospective mortgagees and purchasers; (2) to show the same to prospective tenants during the last nine (9) months of the Lease Term, and (3) at all times to make repairs or replacements as required by this Lease or as may be necessary; provided, however, that Landlord shall use all reasonable efforts not to disturb Tenant's use and occupancy of the Leased Premises.

(b) Tenant may designate one or more areas in the Leased Premises as secure areas, and Landlord shall have no right of access thereto without being accompanied by Tenant's designated representative except in the case of emergencies.

#### ARTICLE FIFTEEN

##### COMPLIANCE WITH LAWS

Section 15.01. TENANT'S COMPLIANCE WITH LAWS. Tenant shall comply with all federal, state and local statutes, rules, ordinances, orders, codes and regulations, and legal requirements and standards issued thereunder, including, without limitation, environmental laws, and requirements (collectively referred to in this Lease as the "Laws") which are applicable to Tenant's use and manner of use of the Leased Premises.

Section 15.02. LANDLORD'S COMPLIANCE WITH LAWS.

(a) Landlord shall comply with all Laws which relate to the performance by Landlord of any duties or obligations to be performed by Landlord under this Lease.

(b) All boilers and other pressure vessel equipment shall be maintained by Landlord in accordance with the ASME Standards and Codes.

(c) Landlord shall regularly inspect and maintain the HVAC system and treat the cooling tower water with U.S. Environmental Protection Agency registered chemicals to prevent the buildup of slime, algae and bacteria, and shall follow the latest recommendations of the Center for Disease Control or current practices of the American Society of Heating, Refrigeration and Air Conditioning Engineers.

#### ARTICLE SIXTEEN

##### SURRENDER OF POSSESSION

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(a) At the expiration or earlier termination of the Term, Tenant will peaceably yield up the Leased Premises to Landlord.

(b) Any alterations, improvements or additions to the Leased Premises made by or at the request of Tenant after the Commencement Date shall remain upon the Leased Premises at the expiration or earlier termination of this Lease and shall become the property of Landlord unless Landlord shall, at such time as Landlord gives its written consent to such alterations, improvements or additions, Landlord gives written notice to Tenant that Tenant must remove such alterations, improvements, and additions at the expiration or earlier termination of the Lease. If Landlord approval is given for the outfitting of general office space substantially similar to the general office space in the Leased Premises at the Commencement Date, Tenant shall not be obligated to remove any such alterations, improvements or additions in such substantially similar general office space. Tenant shall promptly repair any damage caused by such removal (including, but not limited to, repairing and patching holes, replacing ceiling, floor and wall surfaces and repainting), and restore the Leased Premises to substantially the same condition in which it existed prior to the time that any such alterations, improvements, or additions were made. Should Tenant fail to remove any such alterations, improvements or additions or to repair such damage when required or requested by Landlord so to do pursuant to this Section 16(b), Landlord may do so, and the cost and expense thereof shall be paid by Tenant to Landlord as Additional Rent.

(c) Notwithstanding any other provision of this Lease to the contrary, any personal property which shall remain in the Leased Premises or any part thereof after the expiration or termination of this Lease shall be deemed to have been abandoned and either may be retained by Landlord as Landlord's property or may be disposed of in such manner as Landlord may see fit, provided that notwithstanding the foregoing, Tenant shall, upon request of Landlord made no later than ten (10) days after the expiration or termination of this Lease, promptly remove from the Buildings any such personal property at Tenant's own cost and expense. Should Tenant fail to do so, Landlord may do so, and the cost and expense thereof shall be paid by Tenant to Landlord as Additional Rent. If such personal property or any part thereof shall be sold by Landlord, Landlord may receive and retain the proceeds of such sale(s) as Landlord's property. The covenants contained in this Article 16 shall survive the expiration or earlier termination.

#### ARTICLE SEVENTEEN

##### SIGNS

Section 17.01. TENANT'S SIGNS. Tenant may place its signs on the entrance doors to the Leased Premises and in hallways or elevator lobbies on floors wholly leased by Tenant. On floors partially leased by Tenant, Tenant may place its signs on entrance doors to the Leased Premises and, at Tenant's expense, Landlord shall place signs in the elevators and in

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the hallways leading to the Leased Premises which give direction to the Leased Premises.

Section 17.02. PROJECT SIGN AND NAME.

(a) Tenant agrees that the Project has been renamed the "South Brunswick Corporate Center."

(b) If at any time after the execution of this Lease Landlord changes the Project name or installs new or substitute signs which are not the Project name, Landlord shall notify Tenant at least sixty (60) days prior to the date of the proposed change. The proposed new or changed name or the proposed signs may not identify a direct competitor of Tenant.

Section 17.03. LIMITATIONS ON LANDLORD'S RIGHTS. Neither Tenant nor Landlord shall install or permit installation of any signs, sculptures and/or graphics which adversely reflect on the dignity or character of the Project as a first-class office Project. Except during the final nine (9) months of the Term of this Lease, no "for rent" or other similar signs or flags, other than the American flag and flag of the State in which the Buildings is located, may be placed within the Project limits without Tenant's written approval, which shall not be unreasonably withheld or delayed.

Section 17.04. COMPLIANCE WITH LAWS. All signs installed by Landlord or Tenant shall comply with applicable Laws and shall be installed in a good and workmanlike manner. Landlord must approve all exterior signage installed by Tenant, such approval not to be unreasonably withheld.

#### ARTICLE EIGHTEEN

##### SUBORDINATION AND NON-DISTURBANCE

This Lease shall be subordinate and subject to any mortgages covering the fee of the Project, and to all renewals, modifications or replacements thereof; provided, however, that with respect to any existing mortgage, no later than the date Tenant executes and delivers this Lease and, with respect to any future mortgage, on or before the effective date thereof, Landlord shall obtain from its mortgagee, a written agreement with Tenant generally in the form attached hereto and marked EXHIBIT K. The agreement shall be binding on their respective legal representatives, successors and assigns and provide, among other provisions, that so long as this Lease shall be in full force and effect (a) Tenant shall not be joined as a defendant in any proceeding which may be instituted to foreclose or enforce the mortgage; (b) Tenant's possession and use of the Project in accordance with the provisions of this Lease shall not be affected or disturbed by reason of the subordination to or any modification of or default so long as Tenant is not in default under this Lease; and (c) the mortgagee will make available to Landlord the insurance proceeds payable under policies of insurance required to be carried by Landlord in Article Ten for the purposes agreed upon in Article Ten. If the mortgagee or any successor in interest shall succeed to the rights of Landlord under this Lease, whether

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through possession, surrender, assignment, subletting, judicial or foreclosure action, or delivery of a deed or otherwise, Tenant will attorn to and recognize such successor-landlord as Tenant's landlord provided the successor-landlord accepts such attornment and recognizes Tenant's rights of possession and use of the Leased Premises in accordance with the provisions of this Lease.

#### ARTICLE NINETEEN

##### MECHANICS' LIENS

During the Term, Tenant shall immediately discharge by payment, bond or otherwise those mechanics' liens filed against the Project for work, labor, services or materials claimed to have been performed at or furnished to the Leased Premises for or on behalf of Tenant, except when the mechanics' liens are filed by a contractor, supplier, materialman or laborer retained by Landlord, in which event Landlord shall discharge the liens by payment, bond or otherwise.

#### ARTICLE TWENTY

[INTENTIONALLY OMITTED]

#### ARTICLE TWENTY-ONE

[INTENTIONALLY OMITTED]

#### ARTICLE TWENTY-TWO

##### TENANT'S SECURITY

Section 22.01. LIMITED RESTRICTIONS AGAINST OTHER TENANTS. In order to protect Tenant's trade secrets and confidential information and enhance security in Buildings 1 and 3, Landlord agrees that with respect to Buildings 1 and 3, Landlord will not lease or consent to any lease or sublease or assign this Lease or consent to the assignment of any sublease to any Person which, as a major part of its business (1) leases or sells data processing products, telecommunications products, software products, printer products or other products of the kind sold by Tenant, or (2) leases or sells parts or supplies

manufactured by Tenant for such products, or (3) furnished services for any of such products, including programming, engineering, repair or maintenance, or (4) offers training in the use, repair or application of any of such products.

Section 22.02. INCLUSION OF RESTRICTION IN OTHER LEASES AND SUBLEASES. Landlord shall include the foregoing prohibition in all tenant leases and subleases which are executed after the date hereof and cover space in Building 1 and Building 3.

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Section 22.03. ADVANCE CONSULTATION WITH TENANT. Landlord shall consult with Tenant before making any commitment which may violate this Article.

ARTICLE TWENTY- THREE

[INTENTIONALLY OMITTED]

ARTICLE TWENTY-FOUR

DEFAULT

Section 24.01. TENANT'S DEFAULT

(a) The occurrence of any of the following shall, at Landlord's option, constitute an "Event of Default" by Tenant under this Lease:

(1) Failure to pay the Annual Rent, Additional Rent or any other sum of money called for therein, or any part thereof, when due and continuation of such failure for fifteen (15) days after notice from Landlord to Tenant; provided, however, Landlord shall not be required to give such notice, and Tenant shall not be entitled to such grace period, more than three times in any twelve (12) month period;

(2) Failure to comply with or perform any of the other terms, covenants, conditions or agreements to be complied with or performed by Tenant under or pursuant to the terms of this Lease and continuation of such failure for thirty (30) days after notice from Landlord to Tenant, or if the failure is of such a character as cannot reasonably be cured within thirty (30) days, failure to initiate within said thirty (30) day period such action as reasonably can be taken toward curing the same and/or failure to prosecute such action as diligently as is reasonably possible after said action is initiated and to cure the default within seventy-five (75) days after the notice; provided, however, Landlord shall not be required to give such notice, and Tenant shall not be entitled to such grace period, more than three (3) times in any twelve (12) month period;

(3) If Tenant shall file a voluntary petition in bankruptcy or shall be adjudicated a bankrupt or insolvent or if any order for relief be entered against Tenant in any federal bankruptcy proceeding, or, in any action or proceeding, Tenant shall file any petition or answer seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future applicable federal, state or other statute or law, or shall seek the consent to or acquiesce in the appointment of any trustee, receiver or liquidator of Tenant or of all or substantially all of its properties or of the Leased Premises; and

(4) If, within sixty (60) days after the commencement of any proceeding

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against Tenant seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future federal bankruptcy act or any other present or future applicable federal, state or other statute or law, such proceeding shall not have been dismissed, or if, within sixty (60) days after the appointment, without consent or acquiescence of Tenant, of any trustee, receiver or liquidator of Tenant or all or substantially all of its properties or of the Leased Premises, such appointment shall not have been vacated or stayed on appeal or otherwise, or if, within sixty (60) days after the expiration of any such stay, such appointment shall not have been vacated.

(b) Upon the occurrence of an Event of Default, Landlord, in addition to all other rights and remedies available to Landlord by law or equity or by any other provisions of this Lease, may at any time thereafter:

(1) declare to be immediately due and payable, on account of the rent and other charges herein reserved for the balance of the Term of this Lease (taken without regard to any early termination of said Term on account of default), a sum equal to the Accelerated Rent Component (as hereinafter

defined), and Tenant shall remain liable to Landlord as hereinafter provided, and/or;

(2) whether or not Landlord has elected to recover the Accelerated Rent Component, terminate this Lease and, on the date specified in the notice of termination, this Lease and the Term hereby demised and all rights of Tenant hereunder shall expire and terminate and Tenant shall thereupon quit and surrender possession of the Demised Premises to Landlord in the condition elsewhere herein required and Tenant shall remain liable to Landlord as hereinafter provided.

(c) For purposes of this Lease, the Accelerated Rent Component shall mean the aggregate of:

(1) all Annual Rent, Additional Rent and other charges, payments, costs and expenses due from Tenant to Landlord and in arrears at the time of the election of Landlord to recover the Accelerated Rent Component;

(2) the Annual Rent reserved for the then entire unexpired balance of the Term of this Lease (taken without regard to any early termination of the Term by virtue of any default), plus Additional Rent and all other charges, payments, costs and expenses herein agreed to be paid by Tenant up to the end of said Term which shall be capable of precise determination at the time of Landlord's election to recover the Accelerated Rent Component, discounted to present value at the then existing prime rate of CoreStates Bank, N.A., Philadelphia, Pennsylvania; and

(3) Landlord's good faith estimate of all charges, payments, costs and expenses herein agreed to be paid by Tenant up to the end of said Term which shall not be capable of precise determination as aforesaid (and for such purposes no estimate of any

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component of Additional Rent shall be less than the amount which would be due if each such component continued at the highest monthly rate or amount in effect during the twelve (12) months immediately preceding the default) discounted to present value at the then existing prime rate of CoreStates Bank, N.A., Philadelphia, Pennsylvania.

(d) In any case in which the Lease shall have been terminated, or in any case in which Landlord shall have elected to recover the Accelerated Rent Component and any portion of such shall remain unpaid, Landlord may, without further notice, enter upon and repossess the Leased Premises, by summary proceedings, ejectment or otherwise, and may dispose Tenant and remove Tenant and all other persons and property from the Leased Premises and may have, hold and enjoy the Leased Premises and the rents and profits therefrom. Landlord may, in its own name, as agent for Tenant, if this Lease has not been terminated, or in its own behalf, if this Lease has been terminated, relet the Leased Premises or any part thereof for such term or terms (which may be greater or less than the period which would otherwise have constituted the balance of the term of this Lease) and on such conditions and provisions (which may include concessions or free rent) as Landlord in its sole discretion may determine. Landlord may, in connection with any such reletting, cause the Leased Premises to be redecorated, altered, divided, consolidated with other space or otherwise changed or prepared for reletting. No reletting shall be deemed a surrender and acceptance of the Leased Premises.

(e) Tenant shall, with respect to all periods of time up to and including the expiration of the Term of this Lease (or what would have been the expiration date in the absence of default or breach) remain liable to Landlord as follows:

(1) In the event of termination of this Lease on account of Tenant's default or breach, Tenant shall remain liable to Landlord for damages equal to the rent and other charges payable under this Lease by Tenant as if this Lease were still in effect, less the net proceeds of any reletting after deducting all costs incident thereto (including without limitation all repossession costs, brokerage and management commissions, operating and legal expenses and fees, alteration costs and expenses of preparation for reletting) and to the extent such damages shall not have been recovered by Landlord by virtue of payment by Tenant of the Accelerated Rent Component (but without prejudice to the right of Landlord to demand and receive the Accelerated Rent Component), such damages shall be payable to Landlord monthly upon presentation to Tenant of a bill for the amount due.

(2) In the event and so long as this Lease shall not have been terminated after default or breach by Tenant, the rent and all other charges payable under this Lease shall be reduced by the net proceeds of any reletting by Landlord (after deducting all costs incident thereto as above set forth) and by any portion of the Accelerated Rent Component paid by Tenant to Landlord, and any amount due to Landlord shall be payable monthly upon presentation to Tenant of a bill for the amount due.

(f) In the event Landlord shall, after default or breach by Tenant, recover the Accelerated Rent Component from Tenant and it shall be determined at the expiration of the

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term of this Lease (taken without regard to early termination for default) that a credit is due Tenant because the net proceeds of reletting, as aforesaid, plus the amounts paid to Landlord by Tenant exceed the aggregate of rent and other charges accrued in favor of Landlord to the end of said term, Landlord shall refund such excess to Tenant, without interest, promptly after such determination.

(g) Landlord shall in no event be responsible or liable for any failure to relet the Leased Premises or any part thereof, or for any failure to collect any rent due upon a reletting, but Landlord agrees to use reasonable efforts to mitigate damages.

(h) As a cumulative and alternative remedy of Landlord in the event of termination of this Lease by Landlord following any breach or default by Tenant, Landlord, at its option, shall be entitled to recover damages for such breach in an amount equal to the Accelerated Rent Component (determined from and after the date of Landlord's election under this subsection (g)) less the fair rental value of the Leased Premises for the remainder of the term of this Lease (taken without regard to the early termination), discounted to present value at the then existing prime rate of CoreStates Bank, N.A, Philadelphia, Pennsylvania, and such damages shall be payable by Tenant upon demand.

(i) Nothing contained in this Lease shall limit or prejudice the right of Landlord to prove for and obtain as damages incident to a termination of this Lease, in any bankruptcy, reorganization or other court proceedings, the maximum amount allowed by any statute or rule of law in effect when such damages are to be proved.

(j) If Annual Rent, Additional Rent or any other sum due from Tenant to Landlord or payable by Tenant under this Lease shall be overdue for more than ten (10) days, such overdue payment shall thereafter from its due date bear interest at the rate of five percent (5%) per annum during such overdue period in effect until paid by Tenant.

(k) No right or remedy herein conferred upon or reserved to Landlord is intended to be exclusive of any other right or remedy herein or by law provided, but each shall be cumulative and in addition to every right or remedy given herein or now or hereafter existing at law or inequity. No waiver by Landlord or any breach by Tenant of any of Tenant's obligations, agreements or covenants herein shall be a waiver of any subsequent breach or of any obligation, agreement or covenant, nor shall any forbearance by Landlord to seek a remedy for any breach by Tenant be a waiver by Landlord of any rights and remedies with respect to such breach or any subsequent breach. No re-entry or taking of possession of the Leased Premises or making of repairs, alterations or improvements thereto, or reletting thereof shall be construed as an election on the part of Landlord to terminate this Lease unless written notice of such intention is given under the terms hereof to Tenant. The receipt by Landlord of any sum payable under this Lease, with knowledge of the breach of any covenant or agreement (other than the prior failure to pay such sum) shall not constitute a waiver or cure of such breach or prevent Landlord from exercising any of its rights or remedies hereunder on account of Tenant's breach. Landlord shall be entitled, to the extent permitted by law, to injunctive

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relief in case of the violation, or attempted or threatened violation, of any covenant, agreement, condition or provision of this Lease, or to a decree compelling performance of any covenant, agreement, condition or provision of this Lease, or to any other remedy allowed by law or in equity.

Section 24.02. DEFAULT BY LANDLORD. In the event that Landlord shall fail to perform any of its obligations under this Lease and shall fail to cure such default within 10 days after Tenant shall have given written notice of such default, and within ten (10) days of Tenant giving further notice of its intent to exercise the remedies provided in this Section 24.02, to Landlord and to any mortgagees of Landlord (provided that Landlord shall have informed Tenant of such mortgagee's name and address) or, with respect to a default that cannot reasonably be cured within 10 days, if Landlord or any such mortgagee fails to commence to cure such default within such period and to diligently pursue such cure to completion, then a Landlord default ("Landlord Default") shall be deemed to have occurred, and Tenant shall have the following rights. Tenant shall have the right to cure the default and after effecting such cure the reasonable cost thereof shall be reimbursed to Tenant by Landlord within 15 days after receiving Tenant's invoices, failing which Tenant, in addition to all remedies available at law or in equity to collect such costs, may withhold the amount thereof from

Additional Rent (but not Annual Rent). In addition to the foregoing, Tenant shall be entitled to all remedies available at law and in equity for a Landlord Default. For purposes of this Section 24.02, any cure by a mortgagee of Landlord shall be deemed to be a cure by Landlord. Any improper exercise of Tenant's right hereunder to withhold all or any portion of the Additional Rent shall constitute a default of Tenant as of the date of the improper withholding.

#### ARTICLE TWENTY-FIVE

##### HOLDOVER

If Tenant, or any person claiming by or under Tenant, remains in possession of the Leased Premises after the expiration of the Lease Term, then in addition to all other rights and remedies provided in this Lease or by law or in equity, Landlord shall be entitled to receive from Tenant (a) as agreed damages for such unlawful retention, an amount, calculated on a per diem basis for each day of unlawful retention, equal to twice the Annual Rent for such period, or the established market rental of the Leased Premises, whichever is greater, plus (b) Additional Rent and all other damages, costs and expenses sustained or incurred by Landlord by reason of such unlawful retention. Without in any way limiting Landlord's rights or remedies or creating any additional rights or privileges for Tenant during any period when Tenant is wrongfully holding over, all powers granted to Landlord by this Lease may be exercised and all obligations imposed upon Tenant by this Lease shall be performed by Tenant both during the Lease Term hereof and during any period of holdover or extension of the Lease Term, whether or not such holdover or extension constitutes and Event of Default under this Lease.

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#### ARTICLE TWENTY-SIX

##### NOTICES

Any notice, request or demand under this Lease shall be in writing, and shall be considered properly delivered when addressed as hereinafter provided, and (a) served personally, (b) registered or certified (return receipt requested) and deposited in a United States general or branch post office, or (c) sent by a private express mail carrier or nationally recognized next day delivery service. Any notice, request or demand by Tenant to Landlord shall be addressed to Landlord at Hamlin/Shidler Investment Corporation, One Logan Square, Suite 1105, Philadelphia, Pennsylvania 19103, Attention: Clay W. Hamlin, III, President (telephone, 215-567-1800 and telecopy, 215-567-1907) until otherwise directed in writing by Landlord and, if requested in writing by Landlord, simultaneously served on or sent to Landlord's first mortgagee at the address specified in such request. Any notice, request or demand by Landlord to Tenant shall be addressed to Tenant at IBM - Real Estate Services, Old Orchard Road, Armonk, New York 10504, Attention: Legal Counsel with copies addressed simultaneously to Tenant at IBM - Real Estate Services, 150 Kettletown Road, Southbury, Connecticut 06488 and Tenant's Administration Manager at the Leased Premises, until otherwise directed in writing by Tenant. Rejection or other refusal to accept a notice, request or demand, or the inability to deliver the same because of a changed address of which no notice was given, shall be deemed to be receipt of the notice, request or demand sent.

#### ARTICLE TWENTY-SEVEN

##### ASSIGNMENT AND SUBLETTING

Section 27.01. ASSIGNMENT OR SUBLEASE. Other than an assignment or subletting to a party referred to in (a) or (b) below, Tenant shall not assign or sublet any part of the Leased Premises without Landlord's prior written consent, which shall not be unreasonably withheld. Notwithstanding anything contained in this Lease to the contrary, Tenant shall not sublease more than 30,000 square feet of office space (excluding warehouse space which may be sublet without use restriction and with no limitation in rental rate) in the aggregate of the Leased Premises, and the rent for any such sublease shall not be for an amount less than \$8.50 per square foot net before the earlier of (i) 36 months from the Commencement Date or (ii) the date 100,000 rentable square feet of space in Landlord's building known generally as Building 2 on Lot No. 1 shown on the Subdivision Plan (as defined in EXHIBIT H) has been leased. Provided that the use by the assignee or sublessee complies with the requirements of Article 8 of this Lease, Tenant may, without Landlord's consent, assign this Lease or sublease all or any part of the Leased Premises at any time during the Term to (a) an Affiliated Person of Tenant or (b) a successor entity created by merger, reorganization, recapitalization, or acquisition. For purposes of this Section, the words "Affiliated Person of Tenant" mean a Person, directly or indirectly, through one or more intermediaries, controlled by Tenant or under common control with Tenant. Tenant shall pay to Landlord one-half of the amount of assignment or sublet proceeds (net of

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commissions, tenant improvements and other expenses) in excess of \$8.50 per square foot in connection with any assignment or sublease to parties other than those referred to in (a) and (b) above.

Section 27.02. LIABILITY OF IBM. If Tenant assigns or sublets hereunder, Tenant shall notify Landlord thereof and Tenant shall remain responsible for the faithful performance and observance of all of its covenants and obligations set forth in this Lease. Landlord agrees that if Tenant assigns this Lease and the assignee defaults and fails to cure such default within the applicable grace period provided in Article Twenty-Four, Tenant shall have the right to recover possession of the Leased Premises by curing the assignee's default within such grace period.

#### ARTICLE TWENTY-EIGHT

##### EQUAL EMPLOYMENT OPPORTUNITY

There are incorporated in this Lease the provisions of Executive Order 11246 (as amended) of the President of the United States on Equal Employment Opportunities and the rules and regulations issued pursuant thereto with which Landlord represents that it will comply unless exempted.

#### ARTICLE TWENTY-NINE

##### QUIET ENJOYMENT

Provided Tenant performs the covenants and obligations in this Lease on Tenant's part to be performed, Landlord covenants and agrees to take all necessary steps to secure and to maintain for the benefit of Tenant the quiet and peaceful possession of the Leased Premises, the Common Buildings Facilities and Buildings Parking Area for the Term, without hindrance, claim or molestation by Landlord or any other Person claiming by, through or under Landlord.

#### ARTICLE THIRTY

##### WAIVER

Failure by either party to complain of any action, inaction or default of the other party shall not constitute a waiver of the aggrieved party's rights hereunder. Waiver by either party of any right to claim a default of the other party shall not constitute a waiver of any right to claim a subsequent default of the same obligation or to claim any other default, past, present or future. Landlord and Tenant hereby waive trial by jury in any action, proceeding or counterclaim brought by either against the other concerning any matters whatsoever arising out of or in any way connected with this Lease or the relationship of the parties hereunder.

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#### ARTICLE THIRTY-ONE

##### PARTIAL INVALIDITY

If any covenant, condition or provision of this Lease, or the application thereof to any Person or circumstance, shall be held to be invalid or unenforceable, then in each such event the remainder of this Lease or the application of such covenant, condition or provision to any other Person or any other circumstance (other than those as to which it shall be invalid or unenforceable) shall not be thereby affected, and each covenant, condition and provision hereof shall remain valid and enforceable to the fullest extent permitted by the Laws.

#### ARTICLE THIRTY-TWO

##### RULES AND REGULATIONS

Section 32.01. TENANT'S OBLIGATION. Tenant shall abide by and observe the rules and regulations marked EXHIBIT F and such other rules and regulations which are necessary for the safety, security, care and appearance of the Project or the preservation of good order therein, or for the operation and maintenance of the Project or equipment therein (the "Rules and Regulations"); provided the same are in conformity with common practice and usage in similar buildings, are not inconsistent with the provisions of this Lease and apply to all tenants and occupants of the Buildings, and provided further that a copy thereof is received by Tenant.

Section 32.02. STANDARDS APPLICABLE TO LANDLORD. Landlord shall (a) not discriminate against Tenant in enforcing the Rules and Regulations; (b) not unreasonably withhold or delay its consent to any approval required by Tenant under the Rules and Regulations, and (c) exercise its judgment in good faith in any instance when the exercise of Landlord's judgment under the Rules and Regulations is required.



Section 32.03. LANDLORD'S ENFORCEMENT. Landlord shall use reasonable efforts to obtain compliance of the Rules and Regulations by all tenants and other occupants within the Project limits, but Landlord may permit reasonable waivers so long as such waivers do not unreasonably interfere with or materially and adversely affect Tenant in the conduct of its business in the Leased Premises or violate any rights granted to Tenant under this Lease.

Section 32.04. CONFLICT. If there is a conflict between or ambiguity created by the provisions of this Lease and Rules and Regulations published pursuant to this Article, the provisions of this Lease shall control and be binding on the parties hereto.

ARTICLE THIRTY-THREE

ESTOPPEL CERTIFICATES

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Section 33.01. TENANT'S ESTOPPEL CERTIFICATE. Tenant agrees, at any time and from time to time, upon not less than ten (10) days prior notice from Landlord, to execute, acknowledge and deliver to Landlord or any Person designated by Landlord a statement in writing (1) certifying that this Lease is unmodified and in full force and effect (or if there have been modifications, that this Lease is in full force and effect as modified and stating the modifications); (2) whether or not the Term has commenced and if it has commenced, stating the dates to which the Annual Rent and Additional Rent have been paid by Tenant, and (3) stating, to the best of Tenant's knowledge, whether or not Landlord is in default in the performance of any covenant, agreement or condition contained in this Lease, and if Tenant has knowledge of such a default, specifying each such default.

Section 33.02. LANDLORD'S ESTOPPEL CERTIFICATE. Prior to commencement of and during the Term Landlord shall, within ten (10) days after Tenant's request, deliver an estoppel certificate to Tenant or any Person designated by Tenant relative to the status of this Lease and/or any ground lease, underlying lease and/or mortgage encumbering the Project.

ARTICLE THIRTY-FOUR

EXECUTION OF LEASE

THIS DOCUMENT SHALL NOT BE A VALID AGREEMENT WHICH IS BINDING ON EITHER PARTY HERETO UNTIL AT LEAST ONE (1) COUNTERPART, EXECUTED BY DULY AUTHORIZED REPRESENTATIVES OF LANDLORD AND TENANT, HAS BEEN DELIVERED BY EACH PARTY TO THE OTHER.

ARTICLE THIRTY-FIVE

COUNTERPARTS

When several counterparts of this Lease have been executed, each shall be considered an original for all purposes; provided, however, that all counterparts shall, together, constitute one and the same instrument.

ARTICLE THIRTY-SIX

ANTENNA

Tenant, at its cost, may install and, once installed, modify and maintain a microwave, satellite or other antenna communications system on the roof of the Buildings for use in connection with Tenant's business. Tenant shall furnish detailed plans and specifications for the system (or modification) to Landlord for approval, which approval shall not be unreasonably withheld or delayed. Upon approval, the system shall be installed, at Tenant's expense, by a contractor selected in the manner agreed to in Section 13.02. Tenant is hereby granted such easements and licenses for (a) use of any Buildings shafts and other Common

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Buildings Facilities required to install the electrical or communication wiring, (b) access to the roof at all reasonable times and in emergencies and (c) use of a mutually agreed upon area of the roof to install and operate the system. Tenant shall be responsible for maintenance of the Common Buildings Facilities, Buildings and roof associated with the antenna and for procuring whatever licenses or permits may be required for the use or operation of the system, and Landlord makes no warranties or representations as to the permissibility of the system under applicable Laws. The system shall not constitute a nuisance or unreasonably interfere with the operations of Landlord or other tenants occupying the Project. Landlord agrees that after the date Tenant installs its system, Landlord will not permit the installation of a similar system on the roof of the Buildings by any Person without Tenant's prior written approval,

which approval shall not be unreasonably withheld or delayed; provided that Tenant may withhold approval where the installation and/or operation of the other system would interfere with the operation of Tenant's system. Notwithstanding any other provision of this Lease to the contrary, Tenant shall remove Tenant's rooftop communications system in accordance with Article 16 of this Lease.

#### ARTICLE THIRTY-SEVEN

##### BROKER

Each party warrants that it has had no dealings with any broker or agent in connection with the negotiation or execution of this Lease except as may be specified in Section 1 hereof and each party agrees to indemnify the other against all costs, expenses, attorneys fees or other liability for commission or other compensation or charges claimed by any other broker or agent claiming the same by, through or under said party.

#### ARTICLE THIRTY-EIGHT

##### ARBITRATION

###### Section 38.01. APPLICABILITY.

(a) If arbitration is agreed upon hereunder as a dispute resolution procedure, the arbitration shall be conducted as provided in this Article. All proceedings shall be conducted according to the Commercial Arbitration Rules of the American Arbitration Association, except as hereinafter provided. No action at law or in equity in connection with any such dispute shall be brought until arbitration hereunder shall have been waived, either expressly or pursuant to this Article. The judgement upon the award rendered in any arbitration hereunder shall be final and binding on both parties hereto and may be entered in any court having jurisdiction thereof.

(b) During an arbitration proceeding pursuant to this Article, the parties shall continue to perform and discharge all of their respective obligations under this Lease, except as otherwise provided in this Lease.

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Section 38.02. NOTICE AND DEMAND. All disputes that may be arbitrated in accordance with this Article shall be raised by notice to the other party, which notice shall state with particularity the nature of the dispute and the demand for relief, making specific reference by article number and title of the provisions of this Lease alleged to have given rise to the dispute. The notice shall also refer to this Article and shall state whether or not the party giving the notice demands arbitration under this Article. If no such demand is contained in the notice, the other party against whom relief is sought shall have the right to demand arbitration under this Article within five (5) business days after such notice is received. Unless one of the parties demands arbitration, the provisions of this Article shall be deemed to have been waived with respect to the dispute in question.

Section 38.03. SELECTION OF ARBITRATOR. Tenant and Landlord shall mutually and, promptly select one person who has demonstrated at least ten (10) years experience in commercial real estate matters and, in particular, the subject matter of the dispute, to act as arbitrator hereunder. If a selection is not made within thirty (30) days after a demand for arbitration is made, upon the request of either party the arbitrator shall be appointed by The American Arbitration Association. The arbitration proceedings shall take place at a mutually acceptable location in Philadelphia, Pennsylvania.

###### Section 38.04. SCOPE.

(a) When resolving any dispute, the arbitrator shall apply the pertinent provisions of this Lease without departure therefrom in any respect. The arbitrator shall not have the power to change any of the provisions of this Lease, but this Section shall not prevent in any appropriate case the interpretation, construction and determination by the arbitrator of the applicable provisions of this Lease to the extent necessary in applying the same to the matters to be determined by arbitration. The arbitrator shall limit his or her deliberations to the following issues only and no others:

(1) under Article Six, Nine or Twenty-Four of this Lease (a) whether a party has committed an event of default, (b) whether a party either has failed to cure the default within the grace period allowed by the provisions of this Lease for curing the default or, having eventually cured the default, nevertheless has failed to proceed with due diligence, or (c) whether the length of time specified by Tenant in a notice of default given under Article Six, Nine or Twenty-Four was reasonable, taking into consideration the nature of the default and surrounding circumstances (such as availability of parts, required municipal approvals, and effect of the default on occupants and invitees of the Project) existing at the time notice was given.

(2) whether an item included in Landlord's Statement as Operating Expenses or Real Estate Taxes is properly includable pursuant to Article Three.

(b) The right of Landlord and Tenant to submit a dispute to arbitration is limited to

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issues agreed in this Lease to be submitted to arbitration.

#### ARTICLE THIRTY-NINE

##### EXCUSABLE DELAY

Whenever a party hereto is required by the provisions of this Lease to perform an obligation and such party is prevented beyond its reasonable control from doing so by reason of an Excusable Delay, such party shall be temporarily relieved of its obligation to perform, provided it promptly notifies the other party of the specific delay and exercises due diligence to remove or overcome it. The words "Excusable Delay" shall mean any delay due to strikes, lockouts or other labor or industrial disturbance; civil disturbance; future order of any government, court or regulatory body claiming jurisdiction; act of the public enemy; war, riot, sabotage, blockade or embargo; failure or inability to secure materials, supplies or labor through ordinary sources by reason of shortages or priority or similar regulation or order of any government or regulatory body; lightning, earthquake, fire, storm, hurricane, tornado, flood, washout or explosion, or act or omission of one party hereto which prevents the party claiming delay from complying, or which materially and adversely interferes with the claiming party's ability to comply with an obligation under this Lease on its part to be performed.

#### ARTICLE FORTY

##### MISCELLANEOUS

Section 40.01. RULES OF INTERPRETATION. This Lease shall be strictly construed neither against Landlord or Tenant; each provision hereof shall be deemed both a covenant and a condition running with the Land; except as otherwise expressly provided in this Lease and its Exhibits and other attachments, the singular includes the plural and the plural includes the singular; "or" is not exclusive; a reference to an agreement or other contract includes supplements and amendments thereto to the extent permitted by this Lease; a reference to the Laws includes any amendment or supplement to such Laws; a reference to a Person includes its permitted successors and assigns; accounting provisions have the meanings assigned to them by generally accepted accounting principles and practices applied on a consistent basis; the words "such as," "include," "includes" and "including" are not limiting; except as specifically agreed upon in this Lease, any right may be exercised at any time and from time to time and all obligations are continuing obligations throughout the Term, and in calculating any time period, the first day shall be excluded and the last day shall be included and all days are calendar days unless otherwise specified.

Section 40.02. NO EXCLUSIVE REMEDIES. No remedy or election given by any provision in this Lease shall be deemed exclusive unless so indicated, but each shall, wherever possible, be cumulative in addition to all other remedies at law or in equity which either party may have arising out of an event of default of the other party.

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Section 40.03. PROJECT CONTRACTORS AND SUPPLIERS. Except as otherwise specifically set forth in this Lease, Landlord hereby covenants and represents that Tenant may deal with any Person for services (including food and vending services), supplies, materials, labor, equipment, transportation, tools, machinery and any other similar or dissimilar services or items in connection with the use and occupation of the Leased Premises and any work performed therein.

Section 40.04. GOVERNING LAWS. This Lease shall be governed in all respects by the Laws of the State in which the Project is located.

##### Section 40.05. NON-DISCLOSURE OF LEASE.

(a) Prior to the Commencement Date, Landlord and its agents, employees and contractors shall not disclose the existence of this Lease without Tenant's written consent.

(b) Landlord, its agents, employees and contractors shall keep the provisions of this Lease in confidence and shall not publish or disclose the same at any time during the Term except as permitted by Article Forty-One.

(c) This Section shall not apply to disclosures that must be made by Landlord or Tenant to obtain financing for, or in connection with any sale or

leasing of any portion of, any portion of the Project.

ARTICLE FORTY-ONE

MEMORANDUM OF LEASE

Neither this Lease nor any memorandum of this Lease shall be recorded by either Landlord or Tenant.

ARTICLE FORTY-TWO

BINDING AGREEMENT

This Lease shall bind and inure to the benefit of Landlord and its executors, distributees and heirs, and to Tenant's and Landlord's respective representatives, successors and permitted assigns.

ARTICLE FORTY-THREE

ENVIRONMENTAL MATTERS

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(a) Except as otherwise specifically provided in this Lease, (i) this Lease is not intended to address the rights and liabilities of the parties with respect to Environmental Conditions at the Property, compliance with Environmental Laws, Compliance with ISRA and Compliance with the ACO, as such terms are defined in the Environmental Indemnification Agreement by and between Landlord, as purchaser by assignment from Hamlin/Shidler Investment Corporation, and Tenant, as seller, dated August 11, 1994, as it may be amended, (the "Environmental Agreement"), and (ii) the Environmental Agreement sets forth the entire and exclusive rights and obligations of the parties with respect to Environmental Conditions at the Property, compliance with Environmental Laws, Compliance with ISRA and Compliance with the ACO, as such terms are defined in the Environmental Agreement.

(b) Beginning on the Commencement Date and continuing during the term of this Lease and thereafter until Seller has fully completed the groundwater remediation at the Property, Tenant shall reimburse Landlord in an amount up to Fifteen Thousand Dollars (\$15,000.00) annually for Landlord's cost of engaging environmental consultants to monitor the Tenant's groundwater remediation activities at or in connection with the Property. Such amounts shall be reimbursed by Tenant by submission of copies of invoices from Landlord's consultants. Tenant's obligations under this Section 43(b) shall be applicable notwithstanding anything to the contrary contained in this Agreement or the Environmental Agreement. This Section 43(b) shall survive expiration or sooner termination of this Lease.

(c) Tenant's obligation to pay Annual Rent and Additional Rent shall continue without deduction, offset or abatement, in the event that Tenant is unable to use the Leased Premises in whole or in part, as a direct result of investigation or remediation activities undertaken by Tenant, or on behalf of Tenant with Tenant's approval, at the Property in connection with Tenant's environmental remediation obligations under the Environmental Agreement, including Tenant's Compliance with ISRA and Compliance with the ACO.

ARTICLE FORTY-FOUR

[INTENTIONALLY OMITTED]

ARTICLE FORTY-FIVE

[INTENTIONALLY OMITTED]

ARTICLE FORTY-SIX

ENTIRE AGREEMENT

This Lease, including all Exhibits and other attachments referred to herein, contains the entire agreement of Landlord and Tenant with respect to the matters stated herein, and may not be modified except by an instrument in writing which is signed by both parties and delivered

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by each to the other. Exhibits and such other attachments are incorporated herein as fully as if their contents were set out in full at each point of reference to them.

ARTICLE FORTY-SEVEN

TERMINATION OF FIRST LEASE

This Lease is intended to replace and supersede the First Lease, from and

after the Commencement Date. Accordingly, Landlord and Tenant agree that the First Lease shall be terminated as of the Commencement Date with the same force and effect as if such date were the date originally set forth in the First Lease for the termination thereof. The foregoing shall not be construed to relieve either Landlord or Tenant from any liability or obligation arising or accruing under the First Lease prior to the Commencement Date.

IN WITNESS WHEREOF, this Lease has been executed by the duly authorized representatives of Landlord and Tenant as of the date first above written.

LANDLORD:

SOUTH BRUNSWICK INVESTORS,  
L.P., a Delaware limited partnership

By: SOUTH BRUNSWICK  
INVESTMENT COMPANY, L.L.C.

By: \_\_\_\_\_  
Clay W. Hamlin, III,  
Authorized Member

TENANT:

ATTEST: INTERNATIONAL BUSINESS  
MACHINES CORPORATION

By: \_\_\_\_\_

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EXHIBIT A1 TO A4

FLOOR PLANS OF LEASED PREMISES

EXHIBIT B

SUPPLEMENTAL AGREEMENT

By this Supplemental Agreement dated \_\_\_\_\_, 1995, the parties to Amended and Restated Lease dated \_\_\_\_\_, 1995 made by and between SOUTH BRUNSWICK INVESTORS, L.P., as Landlord and INTERNATIONAL BUSINESS MACHINES CORPORATION, as Tenant, agree as follows with respect to the Leased Premises located at 431 Ridge Road, Dayton, New Jersey.

1. The Work (Tenant's Improvements and Base Building), if any, required to be constructed and finished by Landlord in accordance with the provisions of the Lease has been Substantially Completed by Landlord and accepted by Tenant.

2. The Leased Premises have been delivered to and accepted by Tenant.

3. The Commencement Date of the Lease is \_\_\_\_\_, 19\_\_\_\_, and the expiration date is March 31, 2002, subject, however, to the provisions of the Lease.

4. The Leased Premises consists of 200,000 square feet of rentable area.

5. Commencing on the Rent Commencement Date (as defined in the Lease) the Annual Rent shall be \$1,700,000.00, payable in equal monthly installments of \$141,666.67, subject, however, to the provisions of the Lease. The Annual Rent has been calculated at the annual rate of \$8.50 per square foot of rentable area of the Leased Premises.

IN WITNESS WHEREOF, this Supplemental Agreement has been executed by the duly authorized representatives of Landlord and Tenant as of the date first above written.

Landlord:

SOUTH BRUNSWICK INVESTORS, L.P., a  
Delaware limited partnership

By: SOUTH BRUNSWICK INVESTMENT  
COMPANY, L.L.C.

By: \_\_\_\_\_  
Clay W. Hamlin, III

Authorized Officer

Tenant:

INTERNATIONAL BUSINESS MACHINES  
CORPORATION, a New York corporation

By: \_\_\_\_\_  
Name:

Title:

EXHIBIT C

HEAT, VENTILATION AND AIR CONDITIONING SPECIFICATIONS

Landlord shall provide heat, ventilation and air conditioning on a year-round basis throughout the Leased Premises and Common Buildings Facilities. The equipment shall be capable of maintaining the following indoor design conditions:

Winter: 72 degrees FDB with 30% RH  
Summer: 78 degrees FDB with 55% RH

The equipment shall permit operation within the parameters defined by the "Comfort Chart" shown in the latest edition of ASHRAE Standard 55, "Thermal Environmental Conditions For Human Occupancy."

The minimum outdoor air supply rates shall not be less than 0.15 cfm/npsf or 20 cfm/person of outdoor air, whichever is greater. Outdoor air for ventilation shall meet the requirements of the latest edition of ASHRAE Standard 62, "Ventilation For Acceptable Indoor Air Quality."

The central HVAC equipment shall be capable of cooling a process load (personal computers) in every work station. The planning load for each workstation is 250 watts.

Systems serving general office areas shall be equipped with 80% efficiency filters, rateDEG. d in accordance with the atmospheric dust spot method per ASHRAE Standard 52, "Method Of Testing Air Cleaning Devices Used In General Ventilation For Removing Particulate Matter."

Tenant represents to Landlord that the Buildings equipment meets the above criteria as of the Commencement Date.

EXHIBIT D

INTENTIONALLY OMITTED

EXHIBIT E

BUILDING PARKING AREA

EXHIBIT F

RULES AND REGULATIONS

1. No sign, lettering, picture, notice or advertisement shall be placed on any outside window or in any position so as to be visible from outside the Buildings.

2. Tenant, its customers, invitees, licensees, and guests shall not obstruct sidewalks, entrances, passages, courts, corridors, vestibules, halls, elevators and stairways in and about the Buildings. Tenant shall not place objects against glass partitions or doors or windows or adjacent to any open common space which would be unsightly from the Buildings corridors or from the exterior of the Buildings, and will promptly remove the same upon notice from Landlord.

3. Without the prior written consent of Landlord, Tenant shall not make noises, cause disturbances, create vibrations, odors or noxious fumes or use or operate any electrical or electronic devices or other devices that emit sound waves or are dangerous to other tenants and occupants of the Buildings or that would interfere with the operation of any device or equipment or radio or television broadcasting or reception form or within the Buildings or elsewhere and shall not place or install any projections, antennae, aerials or similar devices inside or outside of the premises.

4. Tenant shall not make any room-to-room canvass to solicit business from other tenants in the Buildings, and shall not exhibit, sell or offer to sell, use, rent or exchange any item or services in or from the Leased Premises unless ordinarily embraced within the Tenant's use of the Leased Premises as specified in its Lease.

5. Tenant shall not waste electricity or water and agrees to cooperate fully with Landlord to assure the most effective operation of the Buildings heating and air conditioning and shall refrain from attempting to adjust any controls. Tenant shall keep public corridor doors closed.

6. Bicycles shall not be permitted in the Buildings in other than Landlord-designated locations.

7. Tenant assumes full responsibility for protecting its space from theft, robbery and pilferage, which includes keeping doors locked and other means of entry to the Leased Premises closed and secured.

8. Peddlers, solicitors and beggars shall be reported to the office of the Building or as Landlord otherwise requests.

9. Tenant shall neither install nor operate machinery or any mechanical devices of a nature not directly related to Tenant's ordinary use of the Leased Premises without the

written permission of the Landlord.

10. No person or contractor not employed by Landlord shall be used to perform window washing, cleaning in the Leased Premises.

11. Unless Landlord so consents, Tenant shall not, and Tenant shall not permit or suffer anyone to:

(i) Cook in the Leased Premises;

12. Tenant shall not:

(i) Use the Leased Premises for lodging or for any immoral or illegal purposes.

(ii) Use the Leased Premises to engage in the manufacture or sale of, or permit the use of, any spirituous, fermented, intoxicating or alcoholic beverages on the Leased Premises.

(iii) Use the Leased Premises to engage in the manufacture or sale of, or permit the use of, any illegal drugs on the Leased Premises.

13. In no event shall any person bring into the Buildings inflammables such as gasoline, kerosene, naphtha and benzene, or explosives or firearms or any other article of intrinsically dangerous nature. If by reason of the failure of Tenant to comply with the provisions of this paragraph, any insurance premium payable by Landlord for all or any part of the Buildings shall at any time be increased above normal insurance premiums for insurance not covering the items aforesaid, Landlord shall have the option to either terminate the Lease or to require Tenant to make immediate payment for the whole of the increased insurance premium.

14. Tenant shall cooperate and participate in all security programs affecting the Buildings.

15. Tenant shall cause all floors within the Premises to be carpeted; provided that areas such as kitchens, utility closets, entrances, photo-copying areas and other similar areas may contain another type of floor-covering if Tenant first obtains written approval from Landlord.

16. Tenant shall not drill, or permit to be drilled, any holes in any window frames (mullions) located within the Premises.

Landlord shall have the right from time to time to prescribe additional rules and regulations

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which, in its judgement, may be desirable for the use, entry, operation and management of the Premises and Buildings, each of which rules and regulations and any amendments thereto shall become a part of this Lease without further action of the parties. Tenant shall comply with all such rules and regulations; provided, however, that such rules and regulations shall not substantially diminish any right or privilege herein expressly granted to Tenant.

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EXHIBIT G

INTENTIONALLY OMITTED

EXHIBIT H

ALL THAT CERTAIN lot, tract, or parcel of land, together with buildings and improvements thereon, situate, lying and being in the Township of South Brunswick, County of Middlesex, State of New Jersey and known as Lot No. 2 (31.748 acres +/-) as more particularly bounded and described according to a plan prepared by Ezra Golub & Associates, Registered Professional Engineers and Registered Land Surveyors of Levittown, Pennsylvania dated April 7, 1995 and numbered D26320303 (the "Subdivision Plan"), as follows to wit:

(Describe Lot No. 2 by metes and bounds.)

EXHIBIT I

LIST OF HOLIDAYS

EXHIBIT J

INTENTIONALLY OMITTED

EXHIBIT K

SUBORDINATION, ATTORNMEN AND NONDISTURBANCE AGREEMENT

THIS AGREEMENT, made this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_, by and between INTERNATIONAL BUSINESS MACHINES CORPORATION, a New York corporation, having its principal office at Old Orchard Road, Armonk, New York ("IBM") and \_\_\_\_\_ a \_\_\_\_\_ banking corporation, having its principal office at \_\_\_\_\_ ("Mortgagee").

WITNESSETH:

WHEREAS, \_\_\_\_\_ ("Landlord") and IBM have entered into a lease (the "Lease") dated \_\_\_\_\_ of certain commercial office space described therein (the "Premises") located in \_\_\_\_\_ and erected on the tract of land described in EXHIBIT H, attached hereto and made a part hereof; and

WHEREAS, Landlord had made, executed and delivered to Mortgagee a certain promissory note secured by a first lien Deed of Trust (the "Mortgage") on the land and a building thereon of which the Premises are a part; and

WHEREAS, the Lease will be assigned by Landlord to Mortgagee as further security for the promissory note.

NOW, THEREFORE, in consideration of the foregoing and the mutual promises hereinafter contained and other good and valuable consideration, the receipt and sufficiency which are hereby acknowledged, IBM and Mortgagee, intending to be legally bound hereby, covenant and agree as follows:

1. The Lease shall be subject and subordinate to the lien of the Mortgage and to all of the terms, conditions and provisions thereof, to all advances made or to be made thereunder, and to any renewals, extensions, modifications or replacements thereof.

2. Provided IBM is not in default beyond the applicable grace period provided for in the Lease:

(a) IBM shall not be joined as an adverse or party defendant in any action or proceeding which may be instituted, or commenced by Mortgagee to foreclose or enforce the Mortgage.

(b) IBM shall not be evicted from the Premises nor shall any of IBM's rights under the Lease be affected or disturbed in any way by reason of this subordination or any modifications of or default under the Mortgage.

(c) IBM's leasehold estate under the Lease shall not be terminated or



disturbed during the term of the Lease, as it may be extended, by reason of any default under the Mortgage.

(d) Mortgagee hereby agrees to make available to Landlord the insurance proceeds otherwise payable to Landlord and/or Mortgagee, when and to the extent necessary, subject to Mortgagee's right to control the disbursement of such proceeds, for Landlord to comply with its obligations of repair and restoration as required by the provisions of the Lease.

(e) If Mortgagee or any successor in interest to it shall succeed to the rights of Landlord under the Lease, whether through possession; termination or cancellation of the Lease, surrender, assignment, judicial action, sublettings, foreclosure action or delivery of a deed or otherwise, IBM will attorn to and recognize such successor-landlord as IBM's landlord and the successor-landlord will accept such attornment and recognize IBM's rights of possession and use of the Premises in accordance with the provisions of the Lease and, without further evidence of such attornment and acceptance, the parties shall be bound by and comply with all of the terms, provisions, covenants, and obligations contained in the Lease on their respective parts to be performed.

3. Mortgagee shall not be liable for any default by Landlord under the Lease occurring prior to the date on which Mortgagee shall have succeeded to the rights of Landlord under the Lease; Mortgagee shall not be liable for any default by Landlord under the lease occurring prior to the date on which Mortgagee shall have succeeded to the rights provided, however, that nothing contained in this Section 3 shall be deemed to release Mortgagee from any liability arising out of defaults occurring prior or subsequent to the date on which Mortgagee shall have succeeded to the rights of Landlord under the Lease if IBM shall have given Mortgagee a notice of such defaults as and when they occur and shall be given Mortgagee the time required by Paragraph 4 below to remedy them.

4. IBM will not terminate or cancel the Lease or the term thereof by reason of a default thereunder by Landlord unless and until IBM has given Mortgagee written notice of the default at the same time Landlord is notified thereof, at Mortgagee's address stated on page one hereof or such other address designated in writing to IBM, and has afforded Mortgagee such time granted to Landlord under the Lease to remedy the particular default, plus ten (10) days.

5. (a) IBM will not pay an installment of rent or any part thereof more than one month in advance.

(b) After notice from Mortgagee to IBM, IBM will pay to Mortgagee, or to such person or firm designated by Mortgagee, all rentals and other moneys due and owing to

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Landlord under the Lease.

(c) After the date hereof, no amendment entered into between IBM and Landlord, which materially and adversely affects the security lien of Mortgagee, shall be valid against Mortgagee unless Mortgagee has approved such amendment writing.

6. This Agreement shall continue in effect until payment in full of all sums secured by the Mortgage are paid, and the Mortgage is satisfied.

7. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective legal representatives, successors and assigns and may not be modified orally or by any course of conduct other than by a written instrument signed by both parties hereto.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the day and year first above written.

WITNESS:

INTERNATIONAL BUSINESS  
MACHINES CORPORATION

By: \_\_\_\_\_

WITNESS:

(Mortgagee)

By: \_\_\_\_\_

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EXHIBIT L

INTENTIONALLY OMITTED

EXHIBIT M

LIST OF TENANT OWNED PROPERTY

1. All furniture located in the Leased Premises.
2. All computer equipment located with Leased Premises.
3. All equipment and fixtures located in the Leased Premises not mechanically fastened to the structure or building service systems (including shelving racks in the warehouse area).

AMENDMENT TO AMENDED AND RESTATED LEASE

THIS AMENDMENT TO AGREEMENT OF LEASE MENDED AND RESTATED LEASE dated as of the 1st day of June, 1996, by and between SOUTH BRUNSWICK INVESTORS, L.P., a Delaware limited partnership having a mailing address at c/o THE SHIDLER GROUP, Suite 1105, One Logan Square, Philadelphia, Pennsylvania 19103, hereinafter called "Landlord," and INTERNATIONAL BUSINESS MACHINES CORPORATION, a New York corporation, having its principal office at Old Orchard Road, Armonk, New York 10504, hereinafter called "Tenant."

Background

A. Pursuant to an Amended and Restated Lease dated August 11, 1995 (the "Lease"), Tenant leased from Landlord premises located in South Brunswick Township, Middlesex County, New Jersey. Capitalized terms used herein and not otherwise defined shall have the meanings given to them in the Lease.

B. Landlord and Tenant now wish to modify certain terms of the Lease, as set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants contained in this Amendment and intending to be legally bound hereby, Landlord and Tenant agree as follows:

1. Section 2.03 of the Lease is hereby deleted in its entirety and the following is substituted in lieu thereof:

Section 2.03. EXTENDED TERM. Tenant shall have the option to extend the term of this Lease for Building 1 (but not for Building 3) for One (1) consecutive Five (5) year term (the "Extended Term"). Such option shall be exercised by written notice to Landlord given at least nine (9) months prior to the expiration of the Initial Term. The Extended Term shall be upon the same covenants, agreements, provisions and conditions that are contained herein for the Initial Term, except that Tenant shall not have any further option to extend the term of this Lease. The Annual Rent specified in Section 3.02 shall be payable during the Extended Term.

2. In Section 2.04 of the Lease, the phrase "as to entire leased premises or only as to the entirety of Building 1 or the entirety of Building 3, as Tenant shall elect in Tenant's notice of termination" is hereby deleted, and the following is substituted in lieu thereof: "of Building 1".

3. Except as expressly set forth herein, all terms and conditions of the Lease shall remain in full force and effect and are incorporated herein by reference. The parties ratify and confirm the Lease as amended by this Amendment. This Amendment shall

be binding upon and inure to the benefit of the parties hereto and their successors and assigns.

4. This Amendment may be executed in counterpart with the same effect as if the signatures thereto and hereto were taken upon the same instrument, but all of such counterparts taken together shall be deemed to constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed as of the day and year first above written.

LANDLORD:

SOUTH BRUNSWICK INVESTORS, L.P., a Delaware limited partnership

By: South Brunswick Investment Company,

L.L.C.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

TENANT:

INTERNATIONAL BUSINESS  
MACHINES CORPORATION

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

AGREEMENT OF LEASE  
BETWEEN  
SOUTH BRUNSWICK INVESTORS, L.P. (LANDLORD)  
AND  
TELEPORT COMMUNICATIONS GROUP INC. (TENANT)

DATED February 20, 1996

AGREEMENT OF LEASE  
BETWEEN  
SOUTH BRUNSWICK INVESTORS, L.P. (LANDLORD)  
AND  
TELEPORT COMMUNICATIONS GROUP INC. (TENANT)

DATED February 20, 1996

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List of Exhibits

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Exhibit "A": Plan of Demised Premises and Option Areas  
Exhibit "B": Rent Schedule  
Exhibit "C": Taxes, Operating Expense and Other Additional Rent  
Exhibit "D": Schedule of Landlord's Work  
Exhibit "E": Janitorial Specifications  
Exhibit "F": Rules and Regulations  
Exhibit "G": Tenant Estoppel Certificate and Statement  
Exhibit "H": Property Environmental Status  
Exhibit "I": HVAC Specifications  
Exhibit "J": Holidays  
Exhibit "K": Plan of Project and Parking Areas  
Exhibit "L": Tenant Work  
Exhibit "M": Form of Subordination, Non-disturbance and Attornment Agreement

(iii)

AGREEMENT OF LEASE

THIS AGREEMENT OF LEASE ("Lease") is made this 20th day of February, 1996, by and between SOUTH BRUNSWICK INVESTORS, L.P., a Delaware limited partnership ("Landlord") and TELEPORT COMMUNICATIONS GROUP INC., a Delaware corporation ("Tenant").

Intending to be legally bound, Landlord and Tenant agree as set forth below.

1. DEMISED PREMISES. Landlord, for the term and subject to the provisions and conditions hereof, leases to Tenant, and Tenant rents from Landlord, the space (the "Demised Premises") containing 87,550 rentable square feet shown on Exhibit "A" attached hereto and made a part hereof, in the buildings (the "Buildings") erected on Lot #1 (the "Land") as shown on Exhibit "K", which Land is depicted on that certain subdivision plan entitled "Plan of Minor Subdivision" prepared by Ezra Golub Associates and recorded in the Clerk's Office of Middlesex County in Book 4300, page 868 (the "Plan"), and which comprises a portion of the South Brunswick Corporate Center, 431 Ridge Road, Dayton, New Jersey (the "Project"), together with rights of ingress and

gress thereto, and with the right in common with others to use, to the extent applicable, the elevators and common lobbies, loading docks, passageways, stairways and vestibules, and to pass over and park on those areas designated by Landlord for tenant parking. The Buildings contain 142,385 rentable square feet and are depicted as Building 2 ("Building 2") and Building 4 (the "UPS Building") on the Plan.

2. LEASE TERM. The Lease Term (the "Lease Term") shall commence on July 1, 1996 (the "Commencement Date") and shall continue until December 31, 2006, unless extended or sooner terminated as provided herein.

The first lease year of the Lease Term shall commence on the Commencement Date and shall end (i) on the day immediately preceding the first anniversary of the Commencement Date, if the Commencement Date is the first day of the month, or (ii) on the last day of the month in which the first anniversary of the Commencement Date occurs, if the Commencement Date is any day other than the first day of a calendar month. Each subsequent lease year shall be a period of twelve months, commencing on the day immediately following the expiration of the prior lease year and expiring on the day immediately preceding the anniversary of the commencement of such lease year.

3. FIXED RENT. Fixed rent (the "Fixed Rent") is payable by Tenant beginning on the Commencement Date in monthly installments equal to one-twelfth (1/12th) of the total annual Fixed Rent (the "Annual Fixed Rent") payable for the applicable Lease Year as set forth in Exhibit "B" attached hereto, without prior notice or demand, and without any setoff or deduction whatsoever, in advance, on the first day of each month at such place as Landlord may direct, except that the Fixed Rent for the first full month of the Lease Term will be paid on the date of execution of this Lease. The Annual Fixed Rent set forth herein is an

annualized amount. In addition, if the Lease Term commences on a day other than the first day of a calendar month, Tenant shall pay to Landlord, on or before the Commencement Date of the Lease Term, a pro rata portion of the monthly installment of rent (including Fixed Rent and any Additional Rent, as hereinafter defined), such pro rata portion to be based on the actual number of calendar days remaining in such partial month after the Commencement Date of the Lease Term. If the Lease Term shall expire on other than the last day of a calendar month, such monthly installment of Fixed Rent and Additional Rent shall be prorated for each calendar day of such partial month. Upon the second occurrence and those thereafter within any six-month period during the Lease Term, if any portion of Fixed Rent, Additional Rent or any other sum payable to Landlord hereunder shall be due and unpaid for more than ten (10) days, Tenant shall pay to Landlord, without notice or demand, a late charge equal to 5% of such overdue amount to partially compensate Landlord for its administrative costs. Tenant acknowledges that such late fee is a reasonable approximation of such costs and does not constitute a penalty. In addition, all amounts overdue and unpaid in excess of ten (10) days after notice by Landlord that such amounts are overdue and unpaid shall bear interest at a rate equal to two percent (2%) per annum greater than the prime rate of interest as published in the Wall Street Journal, eastern edition, from time to time (the "Default Rate"), as the same may change from time to time, from the due date until the date of payment thereof by Tenant, provided, however, that nothing contained herein or elsewhere in this Lease shall be construed or implemented in such a manner as to allow Landlord to charge or receive interest in excess of the maximum legal rate then allowed by law. Landlord and Tenant understand and agree that memos written on rental checks or any other payment forms delivered to Landlord do not and shall not, throughout the Lease Term hereunder, constitute satisfaction of any current or outstanding debt of Tenant pursuant to this Lease, and, provided further that any such memo shall not preclude Landlord from recovering any balance of any sum or sums due under this Lease. In addition, a letter or similar type statement accompanying any rental check or payment form delivered to Landlord pursuant to this Lease also shall have no force or effect under this Lease as such may relate to the satisfaction of any debt of Tenant hereunder.

4. ADDITIONAL RENT. Tenant shall pay, without any setoff or deduction whatsoever, the Tax Adjustment and the Operating Expense Adjustment, as such terms are defined in Exhibit "C" hereto, in the amounts and in the manner set forth in Exhibit "C." The Tax Adjustment, the Operating Expense Adjustment and all other sums due hereunder (other than Fixed Rent) are sometimes hereinafter referred to together as the Additional Rent.

5. USE OF DEMISED PREMISES.

5.1. Subject to all other restrictions set forth in this Lease, the

Tenant may use the Demised Premises only for the installation, operation and maintenance (including repair and replacement) of equipment and facilities in connection with Tenant's telecommunications business, executive and general office uses and any other legally permitted uses related thereto, and for no other purpose. For purposes of this Lease, the term "general office use" shall not include use as a school, college, university or educational institution of any type other than the training of Tenant's customers, agents and employees, use as a governmental agency, use for any purpose which is not consistent with the operation of the Buildings as first-class office buildings, use as an employment, recruitment or temporary help service or agency, or any use involving regular traffic by the general public.

5.2. Tenant shall not use or permit any use of the Demised Premises which creates any safety or environmental hazard, or which would: (i) be dangerous to the Demised Premises, the Buildings, or other tenants in the Buildings, (ii) be disturbing to other tenants of the Buildings, or (iii) cause any increase in the premium cost for any insurance which Landlord may then have in effect with respect to the Buildings generally, unless Tenant refuses to pay such additional costs.

5.3. This Lease includes the right of Tenant to use the Common Building Facilities in common with other tenants of the Buildings. The words "Common Building Facilities" shall mean all of the facilities in or around the Buildings designed and intended for use by the tenants of the Buildings in common with Landlord and each other, including corridors; elevators; fire stairs; telephone and electric closets; telephone trunk lines and electric risers; aisles; walkways; truck docks; plazas; the roof and Building Parking Area to the extent not reserved for exclusive use by Landlord or others; courts; restrooms; service areas; lobbies; landscaped areas, and all other common and service areas of the Buildings intended for such use on the date hereof; excluding, however, (1) that part of the roof of the Buildings licensed for the exclusive use of Tenant in accordance with Section 33.7 and/or 33.8 and (2) the restrooms, lobbies, corridors and telephone and electric closets on floors leased entirely by Tenant which shall be for the exclusive use of Tenant and shall not be used in common with other tenants or occupants of the Buildings.

5.4. (a) During the Term, Tenant shall comply with all statutes, rules, ordinances, orders, codes and regulations, other governmental requirements and legal requirements and standards issued thereunder (collectively referred to in this Lease as the "Laws") which are applicable to Tenant's use and occupancy of the Demised Premises. Nothing herein shall be deemed to impose any obligation upon Tenant for any elements of the Structure or Building Service Systems for which Tenant is not otherwise responsible pursuant to the provisions of this Lease or for any restorations, alterations, replacements or repairs to the Buildings required to be made by Landlord pursuant to the provisions of this Lease.

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(b) (i) Except as otherwise set forth herein, Landlord shall comply with all Laws which (1) affect the Buildings and Land or (2) relate to the performance by Landlord of any duties or obligations to be performed by Landlord under this Lease. Landlord represents that, except as otherwise set forth in Exhibit "H" and with regard to matters covered by the Americans with Disabilities Act, the Buildings and Land are in compliance with all applicable Laws as of the date of this Lease. Except as otherwise set forth in Exhibit "H", Landlord shall be responsible for ensuring that the Buildings and Land shall at all times from the date hereof to the date of expiration of this Lease comply with all design, construction, energy conservation, environmental, fire, health, and safety Laws, provided, however, that Tenant shall be responsible for ensuring, at its sole cost, that the Tenant Work (as defined in Exhibit "L") and any other alterations, additions or improvements to the Buildings or on the Land constructed by Tenant (collectively with the Tenant Work, "Tenant Improvements") comply, at all times from the date hereof to the date of expiration of this Lease, with all design, construction, energy conservation, environmental, fire, health, and safety Laws and the requirements of Landlord's insurance underwriters.

(ii) All boilers and other pressure vessel equipment shall be constructed and maintained by Landlord in accordance with ASME Standards and Codes.

(iii) Landlord shall regularly inspect and maintain the HVAC system and treat the cooling tower with U.S. Environmental Protection Agency registered chemicals to prevent the buildup of slime, algae, and bacteria, and shall follow the current practices of the American Society of Heating, Refrigeration and Air Conditioning Engineers.

6. COMPLETION OF DEMISED PREMISES. Tenant agrees to accept possession of the Demised Premises in an "AS IS" condition, subject to the right of any existing tenant to remove its personal property or improvements, except for

the work to be performed by Landlord pursuant to Exhibit "D." Landlord will promptly correct any latent defects in the Buildings, other than those relating to Tenant Improvements, provided that such defects are reported to Landlord within six months after the Commencement Date.

7. ALTERATIONS OR IMPROVEMENTS BY TENANT.

7.1. (a) Except as otherwise provided in Exhibit "L", Tenant shall not during the Lease Term make any alterations, additions or improvements to the Demised Premises (including, without limitation, the Demised Premises Service Systems) in excess of \$25,000 without the prior written approval of Landlord, and then only in accordance with plans and specifications previously approved in writing by Landlord, which approval shall not be unreasonably withheld or delayed, provided, however, that such approval may be subject to reasonable conditions including, without limitation, that Tenant be required to pay for any out-of-pocket cost to Landlord occasioned thereby. Notwithstanding the foregoing, Landlord

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agrees that Tenant shall be permitted, if necessary, to reinforce a portion of the floor(s) within the Demised Premises to support battery stacks and other equipment.

(b) The words "Demised Premises Service Systems" shall mean the electrical, HVAC, mechanical, plumbing, safety and health and telecommunication (voice/data/signal) systems that directly service only the Demised Premises from a localized point of distribution. Such systems are dedicated to the Demised Premises at their available capacities and do not service any space other than the Demised Premises.

(c) In the event of a dispute arising concerning the provisions of this Section 7.1, either party shall be permitted to submit such dispute to arbitration under the provisions of Section 32 hereof.

7.2. (a) Except as otherwise provided in Exhibit "L", Tenant shall not alter, improve, replace or change the Building Service Systems or the Structure except in accordance with this Section 7.2. Tenant may make alterations, improvements, replacements and other changes to the Building Service Systems and to the Structure, provided that Landlord consents thereto, which consent may be withheld at Landlord's reasonable discretion.

(b) If Tenant desires to make alterations, improvements, replacements or other changes to the Structure or Building Service Systems, Tenant shall make a request for Landlord's approval by submitting to Landlord a list of proposed contractors and detailed plans and specifications for the work to be performed. Landlord shall respond within ten (10) business days from receipt of the same, approving those contractors and those portions of the work that are acceptable and disapproving those contractors and portions of the work that are, in Landlord's reasonable judgment, unacceptable, and specifying in detail the nature of Landlord's objection.

(c) The words "Building Service Systems" shall mean the electrical, HVAC, mechanical, plumbing, safety and health and telecommunication (voice/data/signal) systems that service the Buildings up to the point of localized distribution. Such systems provide the main source of supply and distribution throughout the Buildings.

(d) The word "Structure" shall mean bearing walls, roof, exterior walls, support beams, foundation, window frames, floor slabs and support columns of the Buildings.

(e) In the event of a dispute arising concerning the provisions of this Section 7.2, either party shall be permitted to submit such dispute to arbitration under the provisions of Section 32 hereof.

7.3. Regardless of whether or not Tenant is required under this Lease to obtain Landlord's consent to the construction of a particular Tenant Improvement, Tenant shall, in all

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cases, prior to construction of the Tenant Improvement, provide Landlord, with (i) notice of its intent to construct such Tenant Improvement, and (ii) copies of all permits required to construct the Tenant Improvement. All Tenant Improvements shall be constructed in accordance with the requirements of all applicable laws, ordinances, regulations, codes and other requirements of governmental authorities and with the regulations of Landlord's insurance underwriter. In addition, all Tenant Improvements shall be constructed in a



thorough, first-class and workmanlike manner and shall be in good and usable condition at the date of completion. At any time and from time to time during the construction of the Tenant Improvements, Landlord, Landlord's architect and Landlord's general contractor may enter upon the Demised Premises and inspect the Tenant Improvements for the protection of the Buildings and/or any premises adjacent to the Demised Premises. Such inspection shall, however, be for Landlord's benefit only and may not be relied upon by Tenant or any other party. When constructing any Tenant Improvements, Tenant shall comply with the requirements of Sections 7, 8, 9, 10, 11 and 12 of Exhibit "L" attached hereto.

(a) In the event of a dispute arising concerning the provisions of this Section 7.3, either party shall be permitted to submit such dispute to arbitration under the provisions of Section 32 hereof.

7.4. Tenant Improvements shall be deemed part of the Buildings and shall not be removed by Tenant. Notwithstanding the foregoing, by notice to Tenant given at the time of approval, Landlord may require that Tenant either: (i) remove any such alterations, additions or improvements, repair any damage to the Buildings or the Demised Premises occasioned by their installation or removal, and restore the Demised Premises to substantially the same condition as existed prior to the time when any such alterations, additions or improvements were made, or (ii) reimburse Landlord for the cost of such removal, repair and restoration. With regard to any alterations, additions or improvements which Tenant is entitled to construct without Landlord consent, Tenant may, prior to constructing such alterations, additions or improvements, request that Landlord inform Tenant whether it will require that such alterations, additions or improvements be removed and Landlord shall, with reasonable promptness, so inform Tenant.

(a) In the event of a dispute arising concerning the provisions of this Section 7.4, either party shall be permitted to submit such dispute to arbitration under the provisions of Section 32 hereof.

7.5. As used in this Lease, the term "Tenant Improvements" shall not include Tenant's moveable personal property, trade fixtures and equipment (collectively, "Tenant's Owned Property"). Tenant's Owned Property shall be owned by and remain the property of Tenant and, subject to the provisions of Section 15, Tenant may remove all or any of Tenant's Owned Property at any time during the Term. If Tenant removes such things or any of them, Tenant shall not be required to remove pipes, wires and the like from the walls, ceilings or

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floors, provided Tenant properly cuts, disconnects and caps such pipes and wires and seals them off as required by Laws and Landlord's insurance underwriters.

(a) In the event of a dispute arising concerning the provisions of this Section 7.5, either party shall be permitted to submit such dispute to arbitration under the provisions of Section 32 hereof.

## 8. COVENANTS OF LANDLORD.

8.1. Tenant shall be granted access to the Demised Premises, including facilities for loading, unloading, delivery and pickup in the ordinary course of business, twenty-four (24) hours per day, seven (7) days a week. Landlord shall provide passenger elevator service twenty-four (24) hours a day, seven (7) days a week, and freight elevator service as reasonably required by Tenant, subject to reasonable outages for repairs or maintenance.

8.2. Landlord will supply, for normal office use, heat or air conditioning Monday through Friday from 7:00 a.m. to 6:00 p.m., and Saturday from 8:00 a.m. to 1:00 p.m. local time excluding Holidays (as defined in Exhibit "J"), elevator service (where applicable), janitorial and cleaning services as set forth in Exhibit "E" hereto, electricity, and hot and cold potable water, all in amounts consistent with services provided in similar first-class buildings in the community, provided that: (i) Landlord shall not be liable for failure to supply or interruption of any such service by reason of any cause beyond Landlord's reasonable control and Landlord shall not be liable for consequential damages in any event; (ii) Landlord shall install meters to measure the electricity consumed on the Demised Premises and Tenant shall pay directly for the cost of Tenant's electrical consumption in the Demised Premises (which shall, for purposes of this Section, exclude base building heating and cooling, and common area electricity, the cost of which is included in Operating Expenses); (iii) if Tenant requires janitorial and cleaning services beyond those provided by Landlord, Tenant shall arrange for such additional services through Landlord, and Tenant shall pay Landlord for such additional services upon receipt of billing therefor; and (iv) if Tenant requires installation of a separate or supplementary heating, cooling, ventilating and/or air conditioning system Tenant shall pay all costs in

connection with the furnishing, installation and operation thereof.

8.3. In the event that Tenant requires heat or air conditioning beyond the hours set forth in Section 8.2 above, Tenant shall so notify Landlord (i) before noon on the business day when such service is required for the evening or (ii) by noon of the preceding business day when such service is required on a Saturday, Sunday or Holiday, and Tenant shall pay Landlord for Landlord's actual costs incurred thereby, within thirty (30) days of being billed therefor. Any such bill shall include a tabulation of the days and hours upon which such services were provided.

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8.4. Landlord shall make all necessary repairs to the exterior windows, walls and other structural parts of the Demised Premises and the Buildings, the base building plumbing, heating, ventilating, air conditioning and electrical systems, the roofs of the Buildings, the common areas of the Buildings, and the parking areas, sidewalks and other common areas of the Land, and shall keep all such common areas reasonably free of debris, ice and snow. Notwithstanding the foregoing, Landlord shall not be obligated to make any such repair until the expiration of a reasonable period of time after Landlord becomes aware that such repair is needed. Furthermore, in no event shall Landlord be obligated to repair any damage caused by any act, omission or negligence of Tenant or any of its employees, agents, invitees, licensees, subtenants or contractors, or any defect or damage attributable to failure by Tenant or any of its employees, agents, invitees, licensees, subtenants or contractors to construct any Tenant Improvements in compliance with the terms of this Lease. Tenant shall reimburse Landlord for all costs and expenses of repairing and replacing all damage or injury to the Buildings caused by Tenant or any of its employees, agents, invitees, licensees, subtenants or contractors, or by all or any of them moving in or out of the Buildings, or by installation or removal of furniture, fixtures or other property by all or any of them, or by the failure of all or any of them to construct any Tenant Improvements in compliance with the terms of this Lease. Such costs and expenses shall be payable as Additional Rent hereunder and shall be paid by Tenant within thirty (30) days after Tenant is billed therefor.

8.5. Tenant, upon paying the Annual Fixed Rent and all Additional Rent when due, and upon observing, keeping and performing when required all of the covenants, agreements and conditions of this Lease on Tenant's part to be observed, kept and performed, shall quietly have and enjoy the Demised Premises throughout the Lease Term without hindrance or molestation by Landlord or by anyone claiming in, through or under Landlord, subject, however, to the terms of this Lease.

8.6. (a) If, after notice by Tenant, Landlord fails or refuses to make any repairs, restoration, or replacements which it is required to make under Section 8 or elsewhere in this Lease (other than repairs following a casualty, which are covered in Section 12) within thirty (30) days, or if such repairs, restorations or replacements cannot reasonably be made within thirty (30) days, if Landlord shall not commence such repairs within thirty (30) days and thereafter diligently pursue the same to completion, Tenant may declare an event of default and cure such default. Landlord shall reimburse Tenant for the cost of such cure within thirty (30) days after Landlord receives Tenant's invoice.

(b) In the event of a dispute arising concerning the provisions of this Section 8.6, either party shall be permitted to submit such dispute to arbitration under the provisions of Section 32 hereof.

8.7. If, by reason of an emergency, repairs, restoration, or replacements become necessary and by the provisions hereof are the responsibility of Landlord, Tenant may make

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such repairs, restoration or replacements which, in the opinion of Tenant, are necessary for the preservation of the Demised Premises, or of the safety or health of the occupants in the Project, or of Tenant's Owned Property, or are required by the Laws; provided, however, that Tenant shall first make a reasonable effort to inform Landlord before making them.

## 9. COVENANTS OF TENANT.

9.1. Tenant will, at Tenant's sole cost and expense, keep the Demised Premises and the fixtures and appurtenances therein in good order and repair at all times, reasonable wear and tear excepted. Such obligation shall include, without limitation, all plumbing, heating, ventilating, air conditioning and electrical systems exclusively serving the Demised Premises from the point that such systems connect to the base building systems on each floor. Notwithstanding the foregoing, Landlord may, upon thirty (30) days'

written notice (except in case of emergency), but shall not be required to, perform all or any portion of Tenant's repair obligations as set forth above on Tenant's behalf. In such event, following the performance of such repairs by Landlord, Landlord shall charge Tenant the amount of the expense therefor.

If Tenant fails to pay such amount within thirty (30) days following delivery of Landlord's invoice therefor, such amount shall thereafter bear interest at the Default Rate until the date of payment by Tenant. In the event Landlord does not elect to perform all or any portion of Tenant's repair obligations as set forth above and Tenant fails to make such repairs within thirty (30) days of the date such work becomes necessary, Landlord may, but shall not be required to, perform such work and charge the amount of the expense therefor, with interest accruing and payable thereon, all in accordance with Section 19 below;

9.2. Tenant will comply with any covenants, easements and restrictions governing the Land or Buildings (including, but not limited to (i) that certain Declaration of Cross-Easements, Covenants and Restrictions of South Brunswick Corporate Center made by Landlord, dated October 9, 1995 and to be recorded in the Clerk's Office of Middlesex County and (ii) that certain Declaration of Certain Easements and Covenants of South Brunswick Corporate Center made by Landlord, dated October 9, 1995 and to be recorded in the Clerk's Office of Middlesex County) and shall indemnify, defend and hold Landlord harmless from all consequences from Tenant's failure to do so;

9.3. Tenant will promptly notify Landlord of any damage to or defects in the Demised Premises of which it becomes aware, any notices of violation received by Tenant and any injuries to person or property which occur therein or claims relating thereto;

9.4. Tenant will not place within the Demised Premises or bring into the Buildings any machinery or other personalty having a weight in excess of the design capacity of the Buildings, such capacity on above-grade floors being 60 pounds per square foot, without the prior written consent of Landlord and without full compliance with all applicable building security measures;

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9.5. Tenant will comply with the rules and regulations set forth in Exhibit "F" hereto and with all reasonable changes and additions thereto upon notice by Landlord to Tenant (such rules and regulations, together with all changes and additions thereto, being part of this Lease);

9.6. Tenant will comply with all reasonable recommendations of Landlord's or Tenant's insurance carriers relating to layout, use, storage of materials and maintenance of the Demised Premises; and

9.7. Tenant further agrees to the following:

(a) As used in this Lease, the following terms shall have the following meanings:

(i) "Environmental Laws" shall mean all federal, state or local laws, regulations, rules, ordinances or administrative or judicial rulings relating to (A) releases or threatened releases of Hazardous Materials or materials containing Hazardous Materials, including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act or the New Jersey Spill Compensation and Control Act; (B) the manufacture, handling, transport, use, treatment, storage or disposal of Hazardous Materials or materials containing Hazardous Materials (C) the transfer of industrial facilities, including, without limitation, ISRA; (D) storage tanks; or (E) otherwise relating to the environment or to the protection of human health.

(ii) "Hazardous Materials" shall mean all chemical, biological, organic, inorganic, infectious, toxic or hazardous pollutants, contaminants, chemicals, substances, materials or wastes of whatever kind or nature, whether liquid, solid or gaseous, including, without limitation, pollutants, contaminants, chemicals, substances, materials and wastes regulated under, defined, listed or included in any Environmental Laws. Hazardous Materials shall include, without limitation, asbestos, polychlorinated biphenyls, and petroleum products.

(iii) "Hazardous Materials Inventory" shall mean a comprehensive inventory of all Hazardous Materials used, generated, stored, treated or disposed of by Tenant at the Demised Premises.

(iv) "ISRA" shall mean the New Jersey Industrial Site Recovery Act, N.J.S.A. 13:1K-6 et seq. and the regulations promulgated thereunder, as amended from time to time.

(v) "Losses" shall mean all liabilities, obligations, losses, damages, penalties, actions, judgment, lawsuits, costs, expenses, disbursements, orders or decrees, including, without limitation, attorneys' and consultants' fees and expenses.

(vi) "NJDEP" shall mean the New Jersey Department of Environmental Protection.

(b) Tenant shall not use the Demised Premises, the Buildings or the Land for the generation, use, manufacture, recycling, transportation, treatment, storage, handling, discharge or disposal of any Hazardous Materials; provided, however, that the foregoing shall not be deemed or construed to prohibit Tenant's possession or use of products containing Hazardous Materials so long as such products are commonly found in an office environment or non-manufacturing telecommunications business and are handled, stored, used and disposed of in compliance with all Environmental Laws. Furthermore, Tenant will not engage in any activity at the Demised Premises, the Buildings or the Land which poses a risk of damage to the environment or which would subject Tenant, Landlord, the Demised Premises, the Buildings or the Land to responsibility or liability under any Environmental Law.

(c) Tenant shall (i) comply with all Environmental Laws in connection with Tenant's use or occupancy of the Demised Premises, Buildings and Land; (ii) obtain, maintain in full force and effect, and comply with, all permits required under Environmental Laws; (iii) comply with all record keeping and reporting requirements imposed by Environmental Laws concerning the use, handling, treatment, storage, disposal or release of Hazardous Materials on the Demised Premises, Buildings and Land; (iv) report to Landlord any release or discharge of Hazardous Materials within two business days of such discharge or release; (v) provide to Landlord copies of all written reports concerning such discharge of Hazardous Materials that are required to be filed with Governmental Entities under Environmental Laws; (vi) maintain and annually update a Hazardous Materials Inventory with respect to Hazardous Materials used, generated, treated, stored or disposed of at the Demised Premises, Buildings and Land; and (vii) make available to Landlord for inspection and copying (at Landlord's expense), upon reasonable notice and at reasonable times, such Hazardous Materials Inventory and any other reports, inventories or other records required to be kept under Environmental Laws concerning the use, generation, treatment, storage, disposal or release of Hazardous Materials.

(d) In the event that Tenant's operations at the Demised Premises, Buildings or Land cause any part of the Demised Premises, Buildings or Land, to be deemed an industrial establishment (as such term is defined by ISRA) and such Tenant takes any action that triggers the applicability of ISRA, Tenant shall: (i) take all steps necessary to achieve compliance with ISRA with respect to such transaction or event; (ii) pay all costs and fees associated with achieving compliance with ISRA in connection with such matter; and (iii) provide Landlord with copies of: (a) all correspondence with the NJDEP; (b) all field and

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laboratory data generated by or on behalf of Tenant; and (c) all reports, summaries proposals and recommendations submitted to the NJDEP in connection with such matter.

(e) Tenant does hereby agree to indemnify, defend and save harmless Landlord from any and all Losses resulting from any claim, demand, liability, obligation, right or cause of action, including but not limited to governmental action or other third party action, (collectively, "Claims"), that is asserted against or incurred by Landlord, the Demised Premises, the Buildings or the Land as a result of Tenant's breach of any representation, warranty, or covenant hereof; or arising out of the operations or activities or presence of Tenant or any assignee, sublessee, agent, or representative of Tenant at the Demised Premises, the Buildings or the Land; or arising from environmental conditions or violations at the Demised Premises including without limitation the presence of Hazardous Materials at, on, or under the Demised Premises or the discharge or release of Hazardous Materials from the Demised Premises, provided, however, that Tenant shall not be obligated to indemnify Landlord under this paragraph if (i) the Claim arises due to events or conditions which occurred prior to the date of this Lease or (ii) Tenant is not responsible for such Claim under Environmental Laws, except as consequence of any negligence or willful misconduct of Landlord.

(f) Landlord does hereby agree to indemnify and save harmless Tenant from all Losses resulting from any Claims that are asserted against Tenant or the Demised Premises as a result of the presence of Hazardous Materials at the Demised Premises (i) deposited at the Demised Premises prior to the date of this Lease or (ii) for which Tenant is not responsible under Environmental Laws. To the best of Landlord's knowledge, the Buildings and Demised Premises are in compliance with Environmental Laws as of the date

hereof.

(g) The indemnities contained herein and the environmental representations, warranties and covenants of Landlord and Tenant shall survive termination of this Lease.

(h) Exhibit "H" contains a summary of certain environmental conditions on the Property concerning which International Business Machines Corporation ("IBM") has certain remediation obligations pursuant to an agreement with Landlord and various agreements with NJDEP.

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#### 10. ASSIGNMENT AND SUBLETTING.

10.1. Tenant shall not assign, pledge, mortgage or otherwise transfer or encumber this Lease, nor sublet all or any part of the Demised Premises or permit the same to be occupied or used by anyone other than Tenant or its employees, without Landlord's prior written consent, which consent shall not be unreasonably withheld or delayed. It will not be unreasonable for Landlord to withhold its consent if the financial responsibility or business of a proposed assignee or subtenant is unsatisfactory to Landlord, or if Landlord deems such business not to be consonant with that of other tenants in the Buildings.

10.2. Tenant's request for consent to any sublet or assignment shall be in writing and shall contain the name, address, and description of the business of the proposed assignee or subtenant, its most recent financial statement and other evidence of financial responsibility, its intended use of the Demised Premises, and the terms and conditions of the proposed assignment or subletting. Within twenty (20) days from receipt of such request, Landlord shall either: (1) grant or refuse consent; or (2) if the request is for consent to a proposed assignment of this Lease, to terminate this Lease and the Lease Term effective as of the last day of the third month following the month in which the request was received.

10.3. Each assignee hereunder shall assume and be deemed to have assumed this Lease and shall be and remain liable jointly and severally with Tenant for all payments and for the due performance of all terms, covenants, conditions and provisions herein contained on Tenant's part to be observed and performed. No assignment shall be binding upon Landlord unless the assignee shall deliver to Landlord an instrument in form and substance satisfactory to Landlord containing a covenant of assumption by the assignee, but the failure or refusal of assignee to execute and deliver the same shall not release assignee from its liability as set forth herein. Any sublease or assignment document shall comply with the requirements of Section 5 of this Lease. Fifty percent (50%) of any profit or additional consideration or rent in excess of the Fixed Rent or Additional Rent payable by Tenant hereunder which is payable to Tenant as a result of any assignment or subletting (excluding any assignment or subletting to Related Parties (as defined hereafter)) after subtraction of Tenant's subleasing expenses, shall be paid to Landlord as Additional Rent when received by Tenant; provided that, in no event shall any rental paid for use of Tenant's Owned Property be payable to Landlord. Any such purported lease, sublease, license, concession or other agreement shall be absolutely void and ineffective as a conveyance of any right or interest in the possession, use or occupancy of any part of the Demised Premises. Notwithstanding the foregoing, Tenant shall have the right to place the telecommunication equipment of other tenants and/or other of its customers on the Demised Premises and such placement shall not be deemed an assignment or sublease, provided, however, that except for a right of use, neither such placement nor any agreement between Tenant and any other tenant or customer with regard to such placement shall grant to any such tenant or customer any rights whatsoever in or to the Demised Premises.

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10.4. Any consent by Landlord hereunder shall not constitute a waiver of strict future compliance by Tenant with the provisions of this Section or a release of Tenant from the full performance by Tenant of any of the terms, covenants, provisions, or conditions in this Lease contained.

10.5. Notwithstanding any of the foregoing, Tenant may assign or sublet this Agreement, or any portion thereof, without Landlord's consent, to any entity (i) which controls, is controlled by or is under common control with Tenant, (ii) resulting from the merger or consolidation with Tenant, or to any entity which acquires all of the assets of Tenant as a going concern or the assets of the business that is being conducted on the Demised Premises, (iii) in which Tenant, or any entity affiliated with Tenant has at least a ten percent (10%) ownership interest, or (iv) which has entered into a management contract with Tenant or any entity in which Tenant, or any entity having at least a ten percent (10%) ownership interest in Tenant, has

at least a ten percent (10%) ownership interest (collectively, "Related Parties"). Any such assignment or sublease shall not, in any way, affect or limit the liability of Tenant under the terms of this Agreement.

#### 11. EMINENT DOMAIN.

11.1. If the whole or more than fifty percent (50%) of the Demised Premises, Buildings or Land (or use or occupancy of the Demised Premises) shall be taken or condemned by any governmental or quasi-governmental authority for any public or quasi-public use or purpose (including sale under threat of such a taking), or if the owner elects to convey title to the condemnor by a deed in lieu of condemnation, then this Lease shall cease and terminate on the earlier of (i) the date when title vests in such governmental or quasi-governmental authority or (ii) the date upon which such governmental or quasi-governmental authority takes possession. The Fixed Rent and Additional Rent shall be abated from and after such date.

11.2. If fifty percent (50%) or less of the Demised Premises, Buildings or Land shall be taken or condemned by any governmental or quasi-governmental authority for any public or quasi-public use or purpose (including sale under threat of such a taking), or if the owner elects to convey title to the condemnor by a deed in lieu of condemnation, and as a result thereof, in Tenant's reasonable judgment, the Demised Premises cannot be used for Tenant's permitted use as set forth herein, then this Lease shall cease and terminate on the earlier of (i) the date when title vests in such governmental or quasi-governmental authority or (ii) the date upon which such governmental or quasi-governmental authority takes possession. The Fixed Rent and Additional Rent shall be abated from and after such date.

11.3. If fifty percent (50%) or less of the Demised Premises, Buildings or Land shall be taken or condemned by any governmental or quasi-governmental authority for any public or quasi-public use or purpose (including sale under threat of such a taking), or if the owner

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elects to convey title to the condemnor by a deed in lieu of condemnation, and this Lease is not terminated as set forth in Section 11.2 above, the Fixed Rent and Tenant's Proportionate Share (as defined in Exhibit "C") shall be equitably adjusted from and after the earlier of (i) the date when title vests in such governmental or quasi-governmental authority or (ii) the date upon which such governmental or quasi-governmental authority takes possession. The Lease shall otherwise continue in full force and effect.

11.4. Tenant shall have no claim against Landlord for any portion of the amount that may be awarded as damages as a result of any governmental or quasi-governmental taking or condemnation (or sale under threat of such taking or condemnation) and all rights of Tenant or damages therefore are hereby assigned by Tenant to Landlord. The foregoing shall not, however, deprive Tenant of any separate award for moving expenses, dislocation damages or for any other award which would not reduce the award payable to Landlord.

#### 12. CASUALTY DAMAGE.

12.1. In the event of damage to or destruction of the Demised Premises caused by fire or other casualty, or any such damage or destruction to the Buildings or the facilities necessary to provide services and normal access to the Demised Premises in accordance herewith, Landlord shall undertake to make repairs and restorations with reasonable diligence within two hundred forty (240) days of the casualty as hereinafter provided, unless this Lease has been terminated by Landlord or Tenant as hereinafter provided or unless any mortgagee which is entitled to receive casualty insurance proceeds fails to make available to Landlord a sufficient amount of such proceeds to cover the cost of such repairs and restoration. If (i) the damage is of such nature or extent that, in Landlord's reasonable judgment, more than two hundred forty (240) days would be required (with normal work crews and hours) to repair and restore the part of the Demised Premises or Buildings which has been damaged, or (ii) the Demised Premises or the Buildings is so damaged that, in Landlord's reasonable judgment, it is uneconomical to restore or repair the Demised Premises or the Buildings, as the case may be, or (iii) less than two (2) years then remain on the current Lease Term, Landlord shall so advise Tenant promptly, and either party, in the case described in clause (i) above, or Landlord, in the cases described in clauses (ii) or (iii) above, within thirty (30) days after any such damage or destruction, shall have the right to terminate this Lease by written notice to the other, as of the date specified in such notice, which termination date shall be no later than ten (10) days after the date of such notice. In the event that less than two (2) years remain on the current Lease Term and the damage is of such a nature or extent that, in Landlord's reasonable judgment, more than ninety (90) days would be required (with normal work crews) to repair and restore the part of the Demised Premises or Buildings which has been damaged, Tenant shall have the right to terminate this Lease by written notice to Landlord, as of the date specified in such

notice, which termination date shall be no later than ten (10) days after the date of such notice.

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12.2. In the event of fire or other casualty damage, provided this Lease is not terminated pursuant to the terms of this Section and is otherwise in full force and effect, and sufficient casualty insurance proceeds are available for application to such restoration or repair, Landlord shall proceed diligently to restore the Demised Premises to substantially its condition prior to the occurrence of the damage. Landlord shall not be obligated, however, to repair or restore any improvements, alterations or additions in excess of the Building Standard Tenant Improvements (whether or not Tenant has the right or the obligation to remove the same or is required to leave the same on the Demised Premises as of the expiration or earlier termination of this Lease) unless Tenant, in a manner reasonably satisfactory to Landlord, assures or agrees to assure payment in full of all costs as may be incurred by Landlord in connection therewith. (For purposes of this Lease, the Tenant Work shall be deemed representative of "Building Standard Tenant Improvements" for the Buildings.) If there are any such improvements, alterations or additions and Tenant does not assure or agree to assure payment of the cost of restoration or repair as aforesaid, Landlord shall have the right to restore the Demised Premises to substantially the same condition as existed prior to the damage, excepting such improvements, alterations or additions. Tenant shall be responsible for the repair or restoration of all of Tenant's Owned Property located in or on the Demised Premises, subject to Section 7 and such other conditions as Landlord may require.

12.3. Landlord shall not be required to insure any improvements, alterations or additions to the Demised Premises in excess of Building Standard Tenant Improvements, or to insure any of Tenant's Owned Property. Tenant shall, at its sole expense, insure the value of its leasehold improvements, alterations and additions in excess of Building Standard Tenant Improvements, for the purpose of providing funds to Landlord and Tenant to repair and restore the Demised Premises to substantially its condition prior to occurrence of the casualty.

12.4. The validity and effect of this Lease shall not be impaired in any way by the failure of Landlord to complete repairs and restoration of the Demised Premises or of the Buildings within two hundred forty (240) days after commencement of the work, even if Landlord had in good faith notified Tenant that the repair and restoration could be completed within such period, provided that Landlord proceeds diligently with such repair and restoration and completes such repair and restoration within two hundred seventy (270) days after commencement of the work. In the event the work is not completed within such two hundred seventy (270) day period, Tenant shall have the right, by notice given within fifteen (15) days after the expiration of such two hundred seventy (270) day period, to terminate the Lease. In the case of damage to the Demised Premises which is of a nature or extent that Tenant's continued occupancy is in the judgment of Landlord substantially impaired, then the Annual Fixed Rent payable by Tenant hereunder and Tenant's Proportionate Share shall be equitably abated or adjusted for the duration of such impairment.

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### 13. INSURANCE; INDEMNIFICATION OF LANDLORD; WAIVER OF SUBROGATION.

13.1. Tenant covenants and agrees to exonerate, indemnify, defend, protect and save Landlord, its representatives and Landlord's managing agent, if any, harmless from and against any and all claims, demands, expenses, losses, suits and damages as may be occasioned by reason of (i) any accident or matter occurring on or about the Demised Premises, causing injury to persons or damage to property (including, without limitation, the Demised Premises), unless such accident or other matter resulted from the negligence or otherwise tortious act of Landlord or Landlord's agents or employees, (ii) the failure of Tenant fully and faithfully to perform the obligations and observe the conditions of this Lease, and (iii) the negligence or otherwise tortious act of Tenant or anyone in or about the Project on behalf of or at the invitation or right of Tenant. Tenant shall maintain in full force and effect, at its own expense, comprehensive general liability insurance (including a contractual liability and fire legal liability insurance endorsement) naming as an additional insured Landlord and Landlord's managing agent, if any, against claims for bodily injury, death or property damage in amounts not less than \$2,000,000.00 (or such higher limits as may be determined by Landlord from time to time) and business interruption insurance in an amount sufficient to reimburse Tenant for loss of earnings attributable to prevention of access to the Buildings or the Demised Premises for a period of at least twelve (12) months. All policies shall be issued by companies having a Best's financial rating of A or better and a size class rating of XII (12) or larger or otherwise acceptable to Landlord. At or prior to the

Commencement Date, Tenant shall deposit certificates of such insurance with Landlord and shall deposit with Landlord renewals thereof at least fifteen (15) days prior to the expiration thereof. Such policy or policies of insurance or certificates thereof shall have attached thereto an endorsement that such policy shall not be canceled without at least thirty (30) days prior written notice to Landlord and Landlord's managing agent, if any, that no act or omission of Tenant shall invalidate the interest of Landlord under such insurance and expressly waiving all rights of subrogation as set forth below. At Landlord's request, Tenant shall provide Landlord with a letter from an authorized representative of its insurance carrier stating that Tenant's current and effective insurance coverage complies with the requirements contained herein. Any insurance required of Tenant hereunder may be furnished by Tenant under a blanket policy carried by it, provided that such blanket policy shall contain an endorsement that names Landlord as an additional insured, specifically references the Demised Premises, and guarantees a minimum limit available for the Demised Premises

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equal to or greater than the insurance amounts required under this Section. Each policy evidencing the insurance to be carried by Tenant hereunder shall contain a clause that such policy and the coverage evidenced thereby shall be primary with respect to any policies carried by Landlord, and that any coverage carried by Landlord shall be excess insurance.

13.2. Landlord and Tenant hereby release the other from any and all liability or responsibility to the other or anyone claiming through or under them by way of subrogation or otherwise for any loss or damage to property covered by insurance then in force, even if any such fire or other casualty occurrence shall have been caused by the fault or negligence of the other party, or anyone for whom such party may be responsible. This release shall be applicable and in full force and effect, however, only to the extent of and with respect to any loss or damage occurring during such time as the policy or policies of insurance covering such loss shall contain a clause or endorsement to the effect that this release shall not adversely affect or impair such insurance or prejudice the right of the insured to recover thereunder. To the extent available, Landlord and Tenant further agree to provide such endorsements for such insurance policies agreeing to the waiver of subrogation as required herein.

#### 14. INSPECTION; ACCESS; CHANGES IN BUILDING FACILITIES.

14.1. Upon reasonable notice and at reasonable times, accompanied by Tenant's employee or agent, Landlord and its agents or other representatives shall be permitted to enter the Demised Premises (i) to examine, inspect and protect the Demised Premises and the Buildings, (ii) during the last nine (9) months of the Lease Term, or prior thereto if Tenant vacates the Demised Premises, to show the Demised Premises to prospective tenants and to affix to any suitable part of the Buildings a notice for letting the Demised Premises, or (iii) to show the Demised Premises to prospective purchasers, lenders and other interested parties and to affix to any suitable part of the Buildings a notice for sale of the Buildings. Notwithstanding the foregoing, notice of entry shall not be required in the event of an emergency.

14.2. Upon reasonable notice and at reasonable times, accompanied by Tenant's employee or agent, Landlord shall have access to and use of all areas in the Demised Premises (including exterior Buildings walls, core corridor walls and doors and any core corridor entrances), any roofs adjacent to the Demised Premises, and any space in or adjacent to the Demised Premises used for shafts, stacks, pipes, conduits, fan rooms, ducts, electric or other utilities, sinks or other Buildings facilities, as well as access to and through the Demised Premises for the purpose of operation, maintenance, decoration and repair, provided, however, that except in emergencies such access shall not be exercised so as to interfere unreasonably with Tenant's use of the Demised Premises. Tenant shall permit Landlord to install, use and maintain pipes, ducts and conduits in and through the Demised Premises, provided that the installation work is performed at such times and by such methods as will not materially interfere with Tenant's use of the Demised Premises, materially reduce the floor

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area thereof or materially and adversely affect Tenant's layout. Landlord and Tenant shall cooperate with each other in the location of Landlord's and Tenant's facilities requiring such access.

14.3. Landlord reserves the right at any time upon ten (10) days' prior notice, without incurring any liability to Tenant therefor, to make such changes in or to the interior and exterior of the Buildings and the fixtures and equipment thereof, as well as in or to the entrances, halls, foyers, passages, doors, doorways, corridors, elevators, if any, stairways, bathrooms and other public parts thereof, and to the Land and any other improvements thereon, as Landlord may deem necessary or desirable; provided that there shall be no change that materially detracts from the character or



quality of the Buildings or, in Tenant's reasonable judgment, materially and adversely affects Tenant's use and enjoyment of the Demised Premises and other rights granted pursuant to this Lease.

14.4. In the event of a dispute arising concerning the provisions of this Section 14, either party shall be permitted to submit such dispute to arbitration under the provisions of Section 32 hereof.

15. DEFAULT. Any other provisions in this Lease notwithstanding, it shall be an event of default ("Event of Default") under this Lease if: (i) Tenant fails to pay any installment of Fixed Rent, Additional Rent or other sum payable by Tenant hereunder when due and such failure continues for a period of ten (10) days after written notice from Landlord of such failure, or (ii) Tenant fails to observe or perform any other covenant or agreement of Tenant herein contained and such failure continues after written notice given by or on behalf of Landlord to Tenant for more than 30 days, or (iii) Tenant uses or occupies the Demised Premises other than as permitted hereunder, or (iv) Tenant assigns or sublets, or purports to assign or sublet, the Demised Premises or any part thereof other than in the manner and upon the conditions set forth herein, or (v) Tenant abandons or vacates the Demised Premises without paying rent, (vi) Tenant files a petition commencing a voluntary case, or has filed against it a petition commencing an involuntary case, under the Federal Bankruptcy Code (Title 11 of the United States Code), as now or hereafter in effect, or under any similar law, or files or has filed against it a petition or answer in bankruptcy or for reorganization or for an arrangement pursuant to any state bankruptcy law or any similar state law, and, in the case of any such involuntary action, such action shall not be dismissed, discharged or denied within sixty (60) days after the filing thereof, or Tenant consents or acquiesces in the filing thereof, or (viii) if Tenant is a banking organization, Tenant files an application for protection, voluntary liquidation or dissolution applicable to banking organizations, or (ix) a custodian, receiver, trustee or liquidator of Tenant or of all or substantially all of Tenant's property or of the Demised Premises shall be appointed in any proceedings brought by or against Tenant and, in the latter case, such entity shall not be discharged within sixty (60) days after such appointment or Tenant consents to or acquiesces in such appointment, or (x) Tenant shall generally not pay Tenant's debts as such debts become due, or shall make an assignment for

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the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due, or (xi) any of the foregoing occurs as to any guarantor or surety of Tenant's performance under this Lease, or such guarantor or surety defaults on any provision under its guaranty or suretyship agreement. The notice and grace period provisions in clauses (i) and (ii) above shall have no application to the Events of Default referred to in clauses (iii) through (x) above or, to the extent applicable, (xi).

#### 16. LANDLORD'S REMEDIES.

16.1. Upon the occurrence of any Event of Default, Landlord at any time thereafter may at its option exercise any one or more of the following remedies:

(a) Landlord may terminate this Lease, by written notice to Tenant, without any right by Tenant to reinstate its rights by payment of rent due or other performance of the terms and conditions hereof. Upon such termination Tenant shall immediately surrender possession of the Demised Premises to Landlord, and Landlord shall immediately become entitled to receive from Tenant an amount equal to the aggregate of all Fixed Rent and Additional Rent (which Additional Rent shall be fixed at the level of the last complete Operating Year prior to such termination) reserved under this Lease for the balance of the Lease Term, determined as of the date of such termination.

(b) Landlord may, at Landlord's option, with or without terminating this Lease, enter upon the Demised Premises and remove any and all persons therefrom and take and retain possession thereof by any means available to Landlord, including summary dispossession proceedings.

(c) If Landlord elects to terminate Tenant's right to possession only, without terminating the Lease, Landlord may, at the Landlord's option, enter into the Demised Premises, remove Tenant's signs and other evidences of tenancy, and take and hold possession thereof as hereinabove provided, without such entry and possession terminating the Lease or releasing Tenant, in whole or in part, from Tenant's obligations to pay the rent hereunder for the full term or for any other of its obligations under this Lease. Landlord may, but will not be under obligation to, relet all or any part of the Demised Premises in any manner, for any term, for such rent and upon terms satisfactory to Landlord and may decorate or make any repairs, changes, alterations or additions in or to the Demised Premises that may be necessary or convenient. If Landlord does not relet the Demised Premises, Tenant will pay the Landlord on demand all amounts due from Tenant to Landlord under this

Lease for the remainder of the Lease Term. If the Demised Premises are relet, Tenant shall pay any excess of the rent over the actual proceeds of such reletting, net of all expenses, including repairs or construction costs and leasing commissions. If the Demised Premises are at the time of any Event of Default sublet or leased by Tenant to others, Landlord may collect rents due from any

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subtenant or other tenant and apply such rents to the rent and other amounts due hereunder without in any way affecting Tenant's obligation to Landlord hereunder.

(d) Landlord may declare Fixed Rent and all items of Additional Rent (the amount thereof to be based on historical amounts and Landlord's estimates for future amounts) for the entire balance of the then current Lease Term immediately due and payable, together with all other charges, payments, costs, and expenses payable by Tenant as though such amounts were payable in advance on the date the Event of Default occurred.

(e) Landlord may remove all persons and property from the Demised Premises, and store such property in a public warehouse or elsewhere at the cost of and for the account of Tenant, upon service of notice or resort to legal process and without being deemed guilty of trespass or becoming liable for any loss or damage which may be occasioned thereby.

16.2. No expiration or termination of this Lease Term by operation of law or otherwise (except as expressly provided herein), and no repossession of the Demised Premises or any part thereof shall relieve Tenant of its liabilities and obligations hereunder, all of which shall survive such expiration, termination or repossession, and Landlord may, at its option, sue for and collect all rent and other charges due hereunder at any time as and when such charges accrue.

16.3. In the event of breach or threatened breach by Tenant of any provision of this Lease, Landlord shall have the right of injunction and the right to invoke any remedy allowed at law or in equity in addition to other remedies provided for herein.

16.4. Tenant hereby expressly waives any and all rights of redemption granted by or under any present or future law in the event this Lease is terminated, or in the event of Landlord obtaining possession of the Demised Premises, or in the event Tenant is evicted or dispossessed for any cause, by reason of violation by Tenant of any of the provisions of this Lease.

16.5. No right or remedy herein conferred upon or reserved to Landlord is intended to be exclusive of any other right or remedy herein or by law provided, but each shall be cumulative and in addition to every other right or remedy given herein or now or hereafter existing at law or in equity or by statute.

16.6. In the event that Landlord commences suit for the repossession of the Demised Premises, for the recovery of rent or any other amount due under the provisions of this Lease, or because of the breach of any other covenant herein contained on the part of Tenant to be kept or performed, Tenant shall, if Landlord shall prevail in such suit, pay to Landlord all reasonable expenses incurred in connection therewith, including reasonable attorneys' fees.

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17. LANDLORD'S RIGHT TO CURE TENANT'S DEFAULT. If Tenant defaults in the making of any payment or in the doing of any act herein required to be made or done by Tenant (including expiration of any applicable cure periods), then Landlord may, but shall not be required to, make such payment or do such act, and charge the amount of Landlord's expense, with interest accruing and payable thereon at the Default Rate as of the date of the expenditure by Landlord or as of the date of payment thereof by Tenant, whichever is higher, from the date paid or incurred by Landlord to the date of payment thereof by Tenant. Such payment and interest shall constitute Additional Rent hereunder due and payable with the next monthly installment of Fixed Rent, but the making of such payment or the taking of such action by Landlord shall not operate to cure such default by Tenant or to estop Landlord from the pursuit of any remedy to which Landlord would otherwise be entitled.

18. TENANT'S REMEDIES. In the event of breach or threatened breach by Landlord of any provision of this Lease, Tenant shall have the right of injunction and the right to invoke any remedy allowed at law or in equity in addition to other remedies provided for herein.

19. ESTOPPEL CERTIFICATE. Tenant shall, at any time and from time to time, at the request of Landlord, upon ten (10) business days notice, execute and

deliver to Landlord a certificate in the form of Exhibit "G" attached hereto or some other reasonable form supplied by Landlord, it being intended that any such certificate delivered pursuant hereto may be relied upon by others with whom Landlord may be dealing.

20. HOLDING OVER. If Tenant retains possession of the Demised Premises or any part thereof after the termination of this Lease by expiration of the Lease Term or otherwise, in the absence of any written agreement between Landlord and Tenant concerning any such continuance of the Lease Term, Tenant shall pay Landlord (i) an amount, calculated on a per diem basis for each day of such unlawful retention, equal to the greater of (a) 150% the Annual Fixed Rent in effect immediately prior to the expiration or earlier termination of the Lease Term, or (b) the market rental for the Demised Premises, as determined by Landlord, for the time Tenant thus remains in possession, plus, in each case, all Additional Rent and other sums payable hereunder. Without limiting any rights and remedies of Landlord resulting by reason of the wrongful holding over by Tenant, or creating any right in Tenant to continue in possession of the Demised Premises, all Tenant's obligations with respect to the use, occupancy and maintenance of the Demised Premises shall continue during such period of unlawful retention.

21. SURRENDER OF DEMISED PREMISES. Tenant shall, at the expiration or earlier termination of this Lease, promptly surrender the Demised Premises in good order and condition and in conformity with the applicable provisions of this Lease, excepting only reasonable wear and tear and casualty. Any of Tenant's Owned Property which shall remain in the Demised Premises after the expiration or earlier termination of this Lease shall be deemed to have been abandoned and either may be retained by Landlord as Landlord's

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property or may be disposed of in such manner as Landlord may see fit, provided that, notwithstanding the foregoing, Tenant shall, upon request of Landlord made prior to or within a reasonable period after the expiration or earlier termination of this Lease, promptly remove from the Buildings any such Tenant's Owned Property at Tenant's sole cost and expense. Should Tenant fail to do so, Landlord may do so, and the cost and expense thereof, together with interest at the Default Rate from the date such costs and expenses are incurred by Landlord, shall be paid by Tenant to Landlord as "Additional Rent" within fifteen (15) days after Tenant is billed therefor. If such Tenant's Owned Property or any part thereof shall be sold by Landlord, Landlord may receive and retain the proceeds of such sale as Landlord's property.

22. SUBORDINATION, ATTORNMEN AND NONDISTURBANCE.

22.1. This Lease and the estate, interest and rights hereby created are subordinate to any mortgage now or hereafter placed upon the Buildings or the Land or any estate or interest therein, including, without limitation, any mortgage on any leasehold estate, and to all renewals, modifications, consolidations, replacements and extensions of same as well as any substitutions therefor. Tenant agrees that in the event any person, firm, corporation or other entity acquires the right to possession of the Buildings or the Land, including any mortgagee or holder of any estate or interest having priority over this Lease, Tenant shall, if requested by such person, firm, corporation or other entity, attorn to and become the tenant of such person, firm, corporation or other entity, upon the same terms and conditions as are set forth herein for the balance of the Lease Term. Notwithstanding the foregoing, any mortgagee may, at any time, subordinate its mortgage to this Lease, without Tenant's consent, by notice in writing to Tenant, and thereupon this Lease shall be deemed prior to such mortgage without regard to their respective dates of execution and delivery, and in that event, such mortgagee shall have the same rights with respect to this Lease as though it had been executed prior to the execution and delivery of the mortgage. Tenant, if requested by Landlord, shall execute such instruments in recordable form as may reasonably be required by Landlord in order to confirm or effect the subordination or priority of this Lease, as the case may be, and the attornment of Tenant to future landlords in accordance with the terms of this Section.

22.2. With respect to any existing lease, estate, interest and/or mortgage, no later than the date sixty (60) days after Tenant executes and delivers this Lease, and with respect to any future lease, estate and/or mortgage, on or before the effective date thereof, Landlord shall obtain from its lessor and/or mortgagee, as the case may be, a written agreement with Tenant in a form substantially in conformity with the form attached hereto as Exhibit "M", which agreement shall be binding on their respective legal representatives, successors and assigns and shall provide, among other provisions, that so long as this Lease shall be in full force and effect (a) Tenant shall not be joined as a defendant in any proceeding which may be instituted to terminate or enforce the lease or to foreclose or enforce the mortgage, and (b) Tenant's possession and use of the Demised Premises in accordance with the provisions of this

Lease shall not be affected or disturbed by reason of the subordination to or any modification of or default under the ground or underlying lease or mortgage. If such lessor and/or mortgagee or any successor -in-interest shall succeed to the rights of Landlord under this Lease, whether through possession, surrender, assignment, subletting, judicial or foreclosure action, or delivery of a deed or otherwise, Tenant will attorn to and recognize such successor-landlord as Tenant's landlord and the successor-landlord will accept such attornment and recognize Tenant's rights of possession and use of the Demised Premises in accordance with the provisions of this Lease. This clause shall be self-operative and no further instrument of attornment or recognition shall be required.

23. BROKERS. The parties agree that Buschman/Jackson-Cross, Inc. (the "Broker") and Cushman and Wakefield, Inc. (the "Cooperating Broker") are the real estate broker and cooperating broker, respectively, who have brought the parties together in connection with the transactions contemplated hereby and that Landlord shall be responsible for all brokerage commissions to be paid to Broker and Cooperating Broker on the terms and conditions set forth in a separate agreement between Landlord and Broker. Each party represents and warrants to the other that he, she or they have not made any agreement or taken any action which may cause anyone (other than Broker or Cooperating Broker) to become entitled to a commission as a result of the transactions contemplated by this Lease, and each will indemnify and defend the other from any and all claims, actual or threatened, for compensation by any such third person (other than Broker or Cooperating Broker) by reason of such party's breach of his, her or their representation or warranty contained in this Section.

24. NOTICES. All notices or other communications hereunder shall be in writing and shall be sent to the address of the party for whom such notice is intended as set forth below (or to such other address as a party may hereafter designate for itself by notice to the other party as required hereby). Any such notice or communication shall be sufficient if sent by registered or certified mail, return receipt requested, postage prepaid, by prepaid overnight delivery service, or by hand delivery. Any such notice or communication shall be deemed to have been given: if hand delivered, then when delivered or when such delivery is refused; if sent by an overnight delivery service, then on the day following the day deposited with such service; or if sent by registered or certified mail, then on the third business day following the date deposited in the United States mails. All notices and communications to Tenant may also be given by leaving same at the Demised Premises during the hours set forth in Section 8 hereof.

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## 24.1. If to Landlord:

South Brunswick Investors, L.P.  
c/o South Brunswick Investment Company, L.L.C.  
Suite 1105, One Logan Square  
Philadelphia, PA 19103  
Attention: Clay W. Hamlin, III

With a required copy to:

Saul, Ewing, Remick & Saul  
3800 Centre Square West  
Philadelphia, PA 19102  
Attention: F. Michael Wysocki, Esquire

Notice to mortgagees: All notices by Tenant to Landlord relating to any default by Landlord under this Lease must also be given by Tenant to the holders of any mortgage on the Land and/or Buildings of which Tenant has notice.

## 24.2. If to Tenant:

Teleport Communications Group Inc.  
One Teleport Drive  
Staten Island, NY 10311  
Attention: General Counsel

With a required copy to:

Teleport Communications Group Inc.  
One Teleport Drive  
Staten Island, NY 10311  
Attention: S.V.P. Engineering

Teleport Communications Group Inc.  
One Teleport Drive

25. [INTENTIONALLY OMITTED]

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26. TERMINATION OPTION.

26.1. Tenant, by notice to Landlord (the "Early Termination Notice") given no later than one (1) year prior to the Termination Date (as hereinafter defined), shall have the one-time right to terminate this Lease (the "Termination Option") effective on the date which is three (3) years prior to the then-current expiration date of the Lease (the "Termination Date").

26.2. If Tenant shall exercise the Termination Option, then:

- (i) Tenant shall pay to Landlord an amount (the "Termination Fee") equal to the sum of (a) 15 months Fixed Rent for the Demised Premises (calculated based upon the rent scheduled to be paid during the fifteen (15) month period commencing on the Termination Date) and (b) the unamortized portions of any Tenant allowances granted by Landlord pursuant to Sections 27 and 28 and Exhibit "L" hereof and any prepaid broker's commissions (with amortization and such unamortized portions being calculated based upon a ten (10) year level payment amortization schedule at an interest rate of 10%), which Termination Fee shall be due and payable fifty percent (50%) with the delivery of the Early Termination Notice and the balance upon the Termination Date; and
- (ii) the Term shall expire on the Termination Date as if the Termination Date were the Expiration Date, but such expiration shall not release Tenant from its obligations with respect to periods prior thereto.

26.3. The Termination Option may only be exercised during the initial Term of the Lease (as the same may have been extended pursuant to Section 27 and/or 28 hereof) and not during either of the Renewal Terms provided for in Section 29. Moreover, the Termination Option may not be exercised by Tenant if Tenant is in default under the terms of this Lease on the date which is twelve (12) months prior to the Termination Date.

27. FIRST OPTION SPACE.

27.1. Tenant is hereby granted the option (the "First Option"), to be exercised by Tenant, one or more times, to lease certain space containing up to 26,425 rentable square feet in the location identified on Exhibit "A" on the second floor of Building 2 (the "First Option Space") in one or more increments of at least 5,000 rentable square feet each (or the balance of the second floor of Building 2, if less).

27.2. Tenant shall exercise the First Option, if at all, by giving one or more notices (each, a "First Option Notice") to Landlord on or before April 1, 1997.

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27.3. If Tenant elects to exercise the First Option for all or part of the First Option Space (the "Exercised First Option Space"):

- (i) The Exercised First Option Space shall become part of the Demised Premises and all of the terms and conditions of this Lease shall apply to the Exercised First Option Space, except as otherwise provided herein.
- (ii) The commencement date of the Term as to such Exercised First Option Space (the "Exercised First Option Space Commencement Date") shall be the date upon which Landlord delivers the Exercised First Option Space to Tenant (1) free of other tenants and occupants and (2) with all of Landlord's First Option Improvements (as defined in Exhibit "D") completed. The Exercised First Option Space Commencement Date shall take place not more than ninety (90) days after Landlord's receipt of the First Option Notice or, if the Exercised First Option Space comprises less than the entire second floor of Building 2, not more than ninety (90) days after Landlord and Tenant agree on the location of such Exercised First Option Space pursuant to Section 27.4 below; provided, however, that such ninety (90) day period shall be extended by the duration of any delays due to governmental regulation, unusual scarcity of or inability to obtain labor

or materials, labor difficulties, casualty or any other causes not within Landlord's reasonable control. In the event that the Exercised First Option Space Commencement Date shall not occur within such ninety (90) day period (as extended), Tenant shall (i) receive a credit against Rent and Additional Rent due for such Exercised First Option Space in an amount equal to 200% of the daily Rent due for such Exercised First Option Space multiplied by the number of days by which the Exercised First Option Space Commencement Date is delayed beyond the expiration of such ninety (90) day period (as extended), and (ii) with prior written notice to Landlord be entitled to complete the Landlord's First Option Improvements and charge Landlord for all costs incurred by Tenant thereby.

- (iii) The Annual Fixed Rent for the Exercised First Option Space shall be that set forth in Exhibit "B". Tenant shall commence paying Annual Fixed Rent and Additional Rent for any Exercised First Option Space ninety (90) days after the Exercised First Option Space Commencement Date for such space (such date, for such space, the "Exercised First Option Space Rent Commencement Date").
- (iv) Tenant's Proportionate Share from and after the Exercised First Option Space Rent Commencement Date for such space shall be increased based

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upon the number of additional rentable square feet included in such Exercised First Option Space. The Operating Expense Allowance and Tax Allowance for all Exercised First Option Space shall be those set forth in Exhibit "C".

- (v) Tenant shall, within twenty (20) business days after exercising the First Option, submit to Landlord proposed plans and specifications for improvements to be constructed by Tenant in the Exercised First Option Space ("Tenant's First Option Improvements"), which plans and specifications shall be subject to Landlord's approval, not to be unreasonably withheld or delayed.

Landlord shall grant Tenant a Tenant allowance of up to Forty Dollars (\$40) per square foot of Exercised First Option Space leased by Tenant pursuant to this Section for construction of the Tenant's First Option Improvements, subject to compliance by Tenant with the provisions in Exhibit "L" in constructing the First Option Space Improvements. Such allowance shall be payable no earlier than the Exercised First Option Space Rent Commencement Date for such space.

27.4. Tenant may exercise the First Option for all or part of the second floor of Building 2, provided that, if Tenant exercises the First Option for less than all of the second floor of Building 2, then Landlord and Tenant shall mutually agree upon the location of the First Option Space and, further provided, that the remaining portions of the second floor of Building 2 must be, in Landlord's reasonable judgment, independently marketable.

27.5. If Tenant exercises the First Option for the entire second floor of Building 2, the Term of the Lease with respect to the entire Demised Premises (including the Exercised First Option Space) shall automatically be extended to the date which is ten (10) years from the end of the month in which falls the latest Exercised First Option Space Rent Commencement Date.

27.6. The First Option may not be exercised by Tenant if Tenant is in default under the terms of this Lease on the date of exercise of the First Option.

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## 28. SECOND OPTION SPACE.

28.1. Provided that Tenant has exercised the First Option for the entire second floor of Building 2, Tenant is hereby granted the option (the "Second Option"), to be exercised by Tenant one or more times, to lease certain space containing up to 28,410 rentable square feet in the location identified on Exhibit "A" on the third floor of Building 2 (the "Second Option Space"), in one or more increments of at least 5,000 rentable square feet each (or the balance of the third floor of Building 2, if less).

28.2. Tenant shall exercise the Second Option, if at all, by giving

one or more notices (each, a "Second Option Notice") to Landlord on or before April 1, 1998.

28.3. If Tenant elects to exercise the Second Option for all or part of the Second Option Space (the "Exercised Second Option Space"):

- (i) The Exercised Second Option Space shall become part of the Demised Premises and all of the terms and conditions of this Lease shall apply to the Exercised Second Option Space, except as otherwise provided herein.
- (ii) The commencement date of the Term as to such Exercised Second Option Space (the "Exercised Second Option Space Commencement Date") shall be the date upon which Landlord delivers the Exercised Second Option Space to Tenant (1) free of other tenants and occupants and (2) with all of Landlord's Second Option Improvements (as defined in Exhibit "D") completed. The Exercised Second Option Space Commencement Date shall take place not more than ninety (90) days after Landlord's receipt of the Second Option Notice or, if the Exercised Second Option Space comprises less than the entire third floor of Building 2, not more than ninety (90) days after Landlord and Tenant agree on the location of such Exercised Second Option Space pursuant to Section 28.4 below; provided, however, that such ninety (90) day period shall be extended by the duration of any delays due to governmental regulation, unusual scarcity of or inability to obtain labor or materials, labor difficulties, casualty or any other causes not within Landlord's reasonable control. In the event that the Exercised Second Option Space Commencement Date shall not occur within such ninety (90) day period (as extended), Tenant shall (i) receive a credit against Rent and Additional Rent due for such Exercised Second Option Space in an amount equal to 200% of the daily Rent due for such Exercised Second Option Space multiplied by the number of days by which the Exercised Second Option Space Commencement Date is delayed beyond the

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expiration of such ninety (90) day period (as extended), and (ii) with prior written notice to Landlord be entitled to complete the Landlord's Second Option Improvements and charge Landlord for all costs incurred by Tenant thereby.

- (iii) The Annual Fixed Rent for the Exercised Second Option Space shall be that set forth in Exhibit "B". Tenant shall commence paying Annual Fixed Rent and Additional Rent for any Exercised Second Option Space ninety (90) days after the Exercised Second Option Space Commencement Date for such space (such date, for such space, the "Exercised Second Option Rent Commencement Date").
- (iv) Tenant's Proportionate Share from and after the Exercised Second Option Space Rent Commencement for such space shall be increased based upon the number of additional rentable square feet included in such Exercised Second Option Space. The Operating Expense Allowance and Tax Allowance for all Exercised Second Option Space shall be those set forth in Exhibit "C".
- (v) Tenant shall, within twenty (20) business days after exercising the Second Option, submit to Landlord proposed plans and specifications for improvements to be constructed by Tenant in the Exercised Second Option Space ("Tenant's Second Option Improvements"), which plans and specifications shall be subject to Landlord's approval, not to be unreasonably withheld or delayed.

Landlord shall grant Tenant a Tenant allowance of up to Forty Dollars (\$40) per square foot of Exercised Second Option Space leased by Tenant pursuant to this Section for construction of the Tenant's Second Option Improvements, subject to compliance by Tenant with the provisions in Exhibit "L" in constructing the Second Option Space Improvements. Such allowance shall be payable no earlier than the Exercised Second Option Space Rent Commencement Date for such space.

28.4. Tenant may exercise the Second Option for all or part of the third floor of Building 2, provided that, if Tenant exercises the Second Option for less than all of the third floor of Building 2, then Landlord and

Tenant shall mutually agree upon the location of the Second Option Space and, further provided, that the remaining portions of the third floor of Building 2 must be, in Landlord's reasonable judgment, independently marketable.

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28.5. If Tenant exercises the Second Option for the entire third floor of Building 2, the Term of the Lease with respect to the entire Demised Premises (including the Exercised Second Option Space) shall automatically be extended to the date which is ten (10) years from the end of the month in which falls the latest Exercised Second Option Space Rent Commencement Date.

28.6. The Second Option may not be exercised by Tenant if Tenant is in default under the terms of this Lease on the date of exercise of the Second Option.

28.7. In the event the Tenant does not exercise any portion of the First Option, the Second Option shall apply to the second floor of Building 2 rather than the third floor (and all references in Sections 28.1 through 28.6 shall be deemed to refer to the second floor), and Tenant shall have no option to lease any space on the third floor.

28.8. Tenant will, from the Commencement Date hereof until the earlier of (i) the Second Option Space Commencement Date or (ii) July 1, 1998, pay Landlord each month in advance as Additional Rent the sum of \$7,102.50 (the "Option Payments") as consideration for the Second Option. If Tenant exercises the First Option for the entire second floor of Building 2 in accordance with provisions of Section 27 and the Second Option for the entire third floor of Building 2 in accordance with the provisions of this Section, Landlord will credit all Option Payment monies paid to Landlord against Fixed Rent and Additional Rent due under this Lease, until all such Option Payments have been fully recovered by Tenant. If Tenant exercises the Second Option for space on the second floor of Building 2 pursuant to the provisions of Section 28.6 or for less than all of the third floor of Building 2 pursuant to the provisions of Section 28.7, Tenant shall not be entitled to any credit for Option Payment monies paid to Landlord.

29. RENEWAL TERMS. Tenant shall have the option to extend the term of this Lease for the entire Demised Premises for two consecutive five-year terms (each a "Renewal Term"), on the same terms and conditions as set forth herein except that (i) Tenant shall be entitled to a Tenant Allowance at the commencement of each Renewal Term equal to Ten Dollars (\$10) per square foot included in the Demised Premises, and (ii) Tenant shall not be entitled to any further Renewal Terms after the second Renewal Term. The Annual Fixed Rent during each Renewal Term is set forth in Exhibit "B" hereto. Each option to extend shall be exercised by written notice to Landlord given at least 270 days prior to the then-current expiration date for the Term. Notwithstanding anything herein to the contrary, the term shall not be extended if Tenant is in default under the terms of this Lease on the date which is 270 days prior to the commencement of a Renewal Term. As used in this Lease, the word "Term" and the words "term of this Lease" shall mean the initial Lease Term, any extensions pursuant to Sections 27 and/or 28 and any Renewal Terms which may become effective.

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### 30. SIGNS.

30.1. Tenant may, subject to approval of Landlord not to be unreasonably withheld, place its signs on the entrance doors to the Demised Premises and in hallways or elevator lobbies on floors wholly leased by Tenant. On floors partially leased by Tenant, Tenant may place its signs on entrance doors to the Demised Premises and, at Tenant's expense, Landlord shall place signs in the hallways leading to the Demised Premises which give direction to the Demised Premises.

30.2. Landlord, at its expense, shall place a directory board in the lobby of Building 2 and, at Tenant's option and expense, shall affix thereto Tenant's name and the name of each division, subsidiary, affiliate, partner or subtenant of Tenant that is located in the Buildings or within the Project limits.

30.3. (a) So long as Tenant shall lease sixty percent (60%) or more of the rentable area in the Buildings, it shall have the right, upon Landlord's approval, to (1) name Building 2, and (2) design and designate the location of signs naming Building 2.

(b) If Tenant shall lease less than sixty percent (60%) of the rentable area in the Buildings and if at any time after the execution of this Lease Landlord changes the names of the Buildings or installs new or substitute signs which are not the names of the Buildings, Landlord shall notify Tenant at least sixty (60) days prior to the date of the proposed change.



30.4. Neither Tenant nor Landlord shall install or permit installation of any signs, sculptures and/or graphics which adversely reflect on the dignity or character of the Project as a first-class office Project.

30.5. In the event of a dispute arising concerning the provisions of this Section 30, either party shall be permitted to submit such dispute to arbitration under the provisions of Section 32 hereof.

#### 31. PARKING.

31.1. (a) Landlord shall, at its expense, provide Tenant with 438 self-parking spaces (which number is based on a minimum of five parking spaces per 1,000 rentable square feet in the Demised Premises) within the Building Parking Area and Visitors Parking Area (collectively, the "Parking Areas") for Tenant's use. The Parking Areas are shown on Exhibit "K". The Parking Areas shall be available for use twenty-four (24) hours a day, every day of the year during the term of this Lease and shall be illuminated when necessary to maintain a safe environment. Further, Landlord shall, at its expense, keep and maintain the Parking Areas in a clean, safe and first-class condition.

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(b) If Tenant, its employees, licensees or guests are not able to use the Parking Areas and access ways thereto because of unauthorized use thereof by others, Landlord shall take whatever steps are necessary to end and prevent further unauthorized use including, if appropriate, posting signs, distributing parking stickers and towing away unauthorized vehicles.

31.2. Whenever Tenant shall lease additional space in the Buildings, the minimum number of parking spaces in the Building Parking Area allocated to Tenant may, at Tenant's option, be increased at no additional cost to Tenant by five parking spaces per 1,000 rentable square feet of additional space leased by Tenant.

31.3. During the terms of this Lease, Landlord shall reserve (as a component of the spaces allocated to Tenant pursuant to Section 31.1) at least fifty percent (50%) of the parking spaces in the Visitors Parking Area, for use by invitees of Tenant and the other tenants in the Buildings. These parking spaces shall be designated for transient use, and Landlord shall take reasonable steps to see that these parking spaces are available for such use at all times.

31.4. Arbitration. In the event of a dispute arising concerning the provisions of this Section 31, either party shall be permitted to submit such dispute to arbitration under the provisions of Section 32 hereof.

#### 32. ARBITRATION.

32.1. If arbitration is agreed upon hereunder as a dispute resolution procedure, the arbitration shall be conducted as provided in this Section. All proceedings shall be conducted according to the Commercial Arbitration Rules of the American Arbitration Association, except as hereinafter provided. No action at law or in equity in connection with any such dispute shall be brought until arbitration hereunder shall have been waived, either expressly or pursuant to this Section. The judgment upon the award rendered in any arbitration hereunder shall be final and binding on both parties hereto and may be entered in any court having jurisdiction thereof.

32.2. During an arbitration proceeding pursuant to this Section, the parties shall continue to perform and discharge all of their respective obligations under this Lease, except as otherwise provided in this Lease.

32.3. All disputes that may be arbitrated in accordance with this Lease shall be raised by notice to the other party, which notice shall state with particularity the nature of the dispute and the demand for relief, making specific reference by section number and title of the provisions of this Lease alleged to have given rise to the dispute. The notice shall also refer to this Section and shall state whether or not the party giving the notice demands arbitration under this Section. If no such demand is contained in the notice, the other party against whom

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relief is sought shall have the right to demand arbitration under this Section within five (5) business days after such notice is received. Unless one of the parties demands arbitration, the provisions of this Section shall be deemed to have been waived with respect to the dispute in question.

32.4. Tenant and Landlord shall mutually and promptly select one person who has demonstrated at least ten year's experience in commercial real estate matters and, in particular, the subject matter of the dispute, to act

as arbitrator hereunder. If a selection is not made within thirty (30) days after a demand for arbitration is made, upon the request of either party the arbitrator shall be appointed by The American Arbitration Association. The arbitration proceedings shall take place at a mutually acceptable location in New Jersey.

32.5. When resolving any dispute, the arbitrator shall apply the pertinent provisions of this Lease without departure therefrom in any respect. The arbitrator shall not have the power to change any of the provisions of this Lease, but this Section shall not prevent in any appropriate case the interpretation, construction and determination by the arbitrator of the applicable provisions of this Lease to the extent necessary in applying the same to the matters to be determined by arbitration. The arbitrator shall limit his deliberations to the following issues only and no others:

- (i) resolution of those disputes expressly agreed in this Lease to be subject to submission to arbitration, and
- (ii) whether an item included in Landlord Statement as Operating Expenses or Real Estate Taxes is properly includable pursuant to Exhibit "C".

### 33. ADDITIONAL RIGHTS OF TENANT.

33.1. Tenant shall be permitted to install and maintain a generator on the existing pad on Lot 2 of the Project, in the location depicted on Exhibit "K". Tenant shall repair any damage to the pad site occasioned thereby. Tenant shall also have exclusive use of an existing fuel tank, located in the location on Lot 2 depicted on Exhibit "K". Landlord shall on the Commencement Date deliver possession of the fuel tank to Tenant empty and in a condition in compliance with all applicable Laws. Tenant shall, from and after the Commencement Date, maintain the fuel tank and keep it in good repair and condition.

33.2. Tenant will have the exclusive right to use of all equipment located in the UPS Building, and shall maintain and repair the same. At the termination of this Lease, the equipment shall be surrendered to Landlord in as good repair and condition as at the commencement of this Lease, reasonable wear and tear and casualty excepted.

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33.3. Tenant may install a generator plug on the outside wall of the Building at a location adjacent to the loading dock area to accommodate a mobile generator.

33.4. Tenant shall be permitted to install four (4) 6" conduits from the street to the Buildings.

33.5. Tenant shall have the right to contact other tenants within the Project regarding sales of Tenant's telecommunication services.

33.6. Landlord grants to Tenant the license and right during the term of this Lease (i) to utilize space and conduits which exist on the Property and in the Buildings during the term of this Lease for the purpose of using existing risers and conduit and/or installing conduit (in the event existing conduit space is insufficient), (ii) to install cable in, across and through such risers and conduit, and (iii) to make connections to all electrical and mechanical closets as necessary for the use of such cable for the purposes of connection of Tenant's equipment and facilities within the Building to Tenant's telecommunication system network outside the Building and connection of Tenant's equipment and facilities in the Leased Premises to other tenant premises. The location of such risers and conduit shall be designated by Landlord in its reasonable discretion and shall not interfere with the use of the Buildings by other tenants. The method of installation of conduit or cable shall be subject to the prior approval of Landlord, which approval shall not be unreasonably withheld or delayed. Tenant shall be responsible for maintaining any conduit and cable which is used solely by Tenant at its cost.

33.7. Tenant shall have the right to install satellite antennae (the "Antennae") on the roof of Building 2 in a location approved by Landlord. Tenant shall not affix or install said Antennae or its wiring, supports and appurtenances so as to cause any penetration of the roof or cause any damage thereto which would invalidate the warranty on the roof. Tenant will be solely responsible for all necessary permits and licenses to install and operate the Antennae. Tenant will remove the Antennae at the termination of this Lease and repair any damage to the Building caused by its installation or removal.

33.8. Tenant shall have the right to install a communication tower (such as a microwave facility) (the "Tower"), for its own use and use by its customers only, on the Project at a location approved by Landlord not to be

unreasonably withheld or delayed. Tenant will be solely responsible for all necessary permits and licenses to construct and operate the Tower. Tenant will remove the Tower at the termination of this Lease.

33.9. Prior to exercising any rights under Sections 33.1 through 33.8, Tenant shall provide Landlord with plans and specifications detailing Tenant's plans, which plans and specifications shall be subject to Landlord's approval, which approval shall not be unreasonably withheld or delayed, provided, however, that such approval may be subject to reasonable conditions including, without limitation, that Tenant be required to pay for any out-

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of-pocket cost to Landlord occasioned thereby. Tenant shall bear all costs incurred in the exercise of its rights set forth above shall exercise these rights in full compliance with all applicable governmental laws, regulations and rules (including without limitation the obtaining of all required permits) or any other requirements reasonably imposed by Landlord. Tenant shall not, in the exercise of its rights under this Section, interfere with Landlord, other tenants at the Project and the operations of the Building or Project. Tenant shall take all precautionary steps to protect its facilities and the facilities of other affected by performance of work and shall police same properly. Tenant will replace or restore any disturbance or damage it caused to the Building or other improvements at the Project. Any alteration, additions or improvements constructed by Tenant in the course of exercising its rights under Sections 33.1 through 33.8 shall be deemed to be Tenant Improvements.

34. BUILDING 2 SECURITY. Tenant agrees that it shall, as part of the Tenant Work, install a security system in Building 2 providing for card key access. At such time as any tenant other than Tenant shall lease any portion of Building 2, Tenant shall, at its sole cost and expense, modify the security system (if necessary) so as to provide separately controlled access into the Building for such other tenant.

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35. RESTRICTIONS ON OTHER TENANTS IN THE BUILDINGS.

35.1. In order to protect Tenant's trade secrets and confidential information and enhance security in the Demised Premises, Landlord shall not (i) lease any space in the Buildings to, or (ii) consent to any lease, sublease or assignment of lease or sublease of any space in the Buildings to, or (iii) assign this Lease to, any person or entity which, as a major part of its business, (1) leases or sells or otherwise trades in telecommunications products or services of the kind sold by Tenant, or (2) provides consulting services or advice in the use or application of such products or services.

35.2. Landlord shall include the foregoing prohibition in all leases which are executed after the date hereof and cover space in the Buildings, and shall, in such leases, require the tenant thereunder to include the same in all subleases and assignments executed after the date hereof.

35.3. Landlord shall consult with Tenant before (i) leasing space in the Buildings to any tenant, (ii) approving any subtenant or assignee of any tenant in the Buildings, or (iii) making any other commitment which may violate this Section.

36. MISCELLANEOUS.

36.1. The obligations of this Lease shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; provided that Landlord and each successive owner of the Buildings and/or the Land shall be liable only for obligations accruing during the period of its ownership or interest in the Buildings, and from and after the transfer by Landlord or such successive owner of its ownership or other interest in the Buildings, Tenant shall look solely to the successors in title for the performance of Landlord's obligations hereunder arising thereafter.

36.2. No delay or forbearance by Landlord in exercising any right or remedy hereunder or in undertaking or performing any act or matter which is not expressly required to be undertaken by Landlord shall be construed, respectively, to be a waiver of Landlord's rights or to represent any agreement by Landlord to undertake or perform such act or matter thereafter.

36.3. TENANT HEREBY CONSENTS TO THE EXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE WHERE THE DEMISED PREMISES ARE LOCATED AND IN ANY AND ALL ACTIONS OR PROCEEDINGS ARISING HEREUNDER OR PURSUANT HERETO. LANDLORD AND TENANT AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY EITHER OF THE PARTIES HERETO AGAINST THE OTHER ON ANY MATTER WHATSOEVER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS LEASE, THE

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RELATIONSHIP OF LANDLORD AND TENANT AND/OR TENANT'S USE OF OR OCCUPANCY OF THE DEMISED PREMISES. IT IS FURTHER MUTUALLY AGREED THAT IN THE EVENT LANDLORD COMMENCES ANY SUMMARY PROCEEDING FOR NON-PAYMENT OF RENT, TENANT WILL NOT INTERPOSE ANY COUNTERCLAIM OF WHATEVER NATURE OR DESCRIPTION IN ANY SUCH PROCEEDING, UNLESS TENANT CANNOT BRING SEPARATE ACTION.

36.4. Tenant shall look solely to the Buildings and rents derived therefrom for enforcement of any obligation hereunder or by law assumed or enforceable against Landlord, and no other property or other assets of Landlord shall be subjected to levy, execution or other enforcement proceeding for the satisfaction of Tenant's remedies or with respect to this Lease, the relationship of landlord and tenant hereunder or Tenant's use and occupancy of the Demised Premises.

36.5. All times, wherever specified herein for the performance by Landlord or Tenant of their respective obligations hereunder, are of the essence of this Lease.

36.6. Each covenant and agreement in this Lease shall for all purposes be construed to be a separate and independent covenant or agreement. If any provision in this Lease or the application thereof shall to any extent be invalid, illegal or otherwise unenforceable, the remainder of this Lease, and the application of such provision other than as invalid, illegal or unenforceable, shall not be affected thereby; and such provisions in this Lease shall be valid and enforceable to the fullest extent permitted by law.

36.7. This Lease, including all Exhibits hereto, each of which is incorporated in this Lease, contains the entire agreement between the parties hereto, and shall not be amended, modified or supplemented unless by agreement in writing signed by both Landlord and Tenant, except as specifically provided for herein.

36.8. The title and headings and table of contents of this Lease are for convenience of reference only and shall not in any way be utilized to construe or interpret the agreement of the parties as otherwise set forth herein. The term "Landlord" and term "Tenant" as used herein shall mean, where appropriate, all persons acting by or on behalf of the respective parties, except as to any required approvals, consents or amendments, modifications or supplements hereunder when such terms shall only mean the parties originally named on the first page of this Lease as Landlord and Tenant, respectively, and their agents so authorized in writing.

36.9. If Tenant is a corporation or a limited liability company, each person signing this Lease on behalf of Tenant represents and warrants that he/she has full authority to do so and that this Lease is fully and completely binding on the corporation or limited liability company. If at any time during the Lease Term hereunder, or any extension or renewal

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thereof, Tenant shall change its corporate or company name, by operation of law or otherwise, Tenant shall deliver to Landlord a copy of a certificate of name change filed with the state of Tenant's jurisdiction evidencing such name change, or such other evidence of Tenant's name change and authority as is reasonably acceptable to Landlord. Such evidence shall be delivered to Landlord within sixty (60) days after Tenant's official name change. If Tenant is a general partnership, limited partnership or limited liability partnership, each person or entity signing this Lease for Tenant represents that he/she or it has full authority to sign for the partnership and that this Lease is completely and fully binding on the partnership and all general partners of the partnership. Tenant shall give written notice to Landlord of any general partner's withdrawal or addition and, in the event of a name change of the partnership, the same conditions regarding a name change of a corporate or limited liability company Tenant, as stated above, shall apply.

36.10. This Lease shall be governed by and construed in accordance with the laws of the State of New Jersey.

36.11. Within ten (10) days after receipt, Landlord and Tenant shall advise the other party in writing, and provide the other with copies of (as applicable), any notices alleging violation of the Americans with Disabilities Act of 1990 ("ADA") relating to any portion of the Demised Premises; any claims made or threatened in writing regarding noncompliance with the ADA and relating to any portion of the Demised Premises; or any governmental or regulatory actions or investigations instituted or threatened regarding noncompliance with the ADA and relating to any portion of the Demised Premises.

36.12. If Tenant is comprised of more than one signatory, each signatory shall be jointly and severally liable with each other signatory for payment and performance according to this Lease.

36.13. Any covenants set forth in this Lease which, by their nature, would reasonably be expected to be performed after the expiration or earlier termination of this Lease, shall survive the expiration or earlier termination of this Lease.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement of Lease to be executed on the day and year first above written.

LANDLORD:

SOUTH BRUNSWICK INVESTORS,  
L.P., a Delaware limited partnership

By: South Brunswick Investment  
Company, L.L.C.

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By: \_\_\_\_\_  
Name:

\_\_\_\_\_  
Title:

TENANT:

TELEPORT COMMUNICATIONS GROUP INC.

By: \_\_\_\_\_  
Name:

\_\_\_\_\_  
Title:

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EXHIBIT "A"

PLAN OF DEMISED PREMISES AND OPTION AREAS

EXHIBIT "B"

RENT SCHEDULE

EXHIBIT "C"

TAXES, OPERATING EXPENSE AND OTHER ADDITIONAL RENT

1. TAXES.

A. DEFINITIONS

I. "ADJUSTED TAXES" shall mean the Taxes for any Tax Year, plus the expenses of any contests (administrative or otherwise) of tax assessments or proceedings for refunds incurred during such Tax Year. If Landlord is successful in obtaining a refund for any Tax Year(s), the Adjusted Taxes for the Tax Year(s) to which such refund is applicable shall be recalculated to reflect the amount of the refund received by Landlord, and Tenant shall receive a credit, if appropriate, equal to the amount of the difference between the Tax Adjustment which was actually paid by Tenant and the Tax Adjustment which actually is due, taking into account the amount of the refund.

II. "TAX ADJUSTMENT" shall have the meaning set forth in Subsection 1B below.

- III. "TAX ALLOWANCE" shall mean the actual Taxes for Tax Year 1996.
- IV. "TAX ESTIMATE" shall have the meaning set forth in Subsection 1B below.
- V. "TAX STATEMENT" shall mean a statement in writing signed by Landlord, setting forth (a) the Adjusted Taxes for the applicable Tax Year, (b) the Tax Allowance, (c) the Tax Adjustment payable for such Tax Year, or portion thereof, and (d) such other information as Landlord deems appropriate.
- VI. "TAX YEAR" shall mean each calendar year, or such other period of twelve (12) months as hereafter may be duly adopted by the applicable governmental or quasi-governmental body or authority or special service district as its fiscal year for purposes of Taxes, occurring during the Lease Term.
- VII. "TAXES" shall mean all taxes, charges, impositions, levies, assessments and burdens of every kind and nature, whether general or special, ordinary or extraordinary, foreseen or unforeseen, assessed or imposed

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by any governmental or quasi-governmental body or authority or special service district on and/or with respect to the Land or the Buildings or their operation or the rents therefrom (including taxes based on gross receipts), whether or not directly paid by Landlord, subject to the following:

- (1) there shall be excluded from Taxes all income taxes, excess profit taxes, excise taxes, franchise taxes, estate, succession, inheritance and transfer taxes; provided, however, that if, due to a future change in the method of taxation or assessment, any such tax, however designated, shall be imposed in substitution, in whole or in part, for (or in lieu of all or any part of any contemplated increase in) any tax, charge, imposition, levy, assessment or burden which would otherwise be included within the definition of Taxes, such other tax shall be deemed to be included within the definition of Taxes as defined herein to the extent of such substitution or imposition in lieu; and
  - (2) there shall be excluded from Taxes any use and occupancy tax, which shall be paid by Tenant to the appropriate governmental authority; provided, however, that Tenant shall pay such use and occupancy tax to Landlord as Additional Rent upon demand if Landlord is required by law to collect such tax for any governmental authority, in which case Landlord shall remit any amounts paid to Landlord to the appropriate governmental authority.
- VIII. "TENANT'S PROPORTIONATE SHARE" shall mean a fraction, the numerator of which shall be the rentable square feet of the Demised Premises, and the denominator of which shall be the aggregate rentable square feet in the Buildings, and, expressed as a percentage, shall be 61.49% (87,550/142,385). If the rentable square feet of the Demised Premises increases or decreases during any Operating Year or Tax Year, the rentable square feet of the Demised Premises for purposes of determining the numerator of the fraction shall be the weighted average of the rentable square feet in the Demised Premises for such Operating Year or Tax Year.

- B. PAYMENT OF TAX ADJUSTMENT. If the Adjusted Taxes for any Tax Year shall be in excess of the Tax Allowance, Tenant shall pay to Landlord as Additional Rent an amount equal to Tenant's Proportionate Share of such excess. (The amount of Tenant's Proportionate Share of such excess is hereinafter referred to

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as the "Tax Adjustment".) If the Commencement Date is any date other than the first day of a Tax Year or if the expiration date of the Lease Term is any date other than the last day of a Tax Year, the Tax Adjustment shall be

allocated proportionately to the amount of time in such Tax Year that the Lease Term is in effect.

Tenant shall pay to Landlord, on account of the Tax Adjustment for each Tax Year, monthly installments in advance equal to one-twelfth (1/12) of the estimated Tax Adjustment for such Tax Year (the "Tax Estimate"). Such installments shall be payable at such place as Landlord may direct. From time to time during any Tax Year, Landlord may furnish to Tenant the Tax Estimate for such Tax Year and, on the first day of the first month following the receipt of such Tax Estimate, in addition to the monthly installment of such new Tax Estimate, Tenant shall pay to Landlord (or Landlord shall credit to Tenant) any deficiency (or excess) between (i) the total of the installments paid on account of the Tax Adjustment for such Tax Year, and (ii) the product of one-twelfth (1/12) of such Tax Estimate for such Tax Year and the number of months which have elapsed during such Tax Year prior to the due date of such payment. Until the Tax Estimate for any Tax Year is furnished by Landlord, Tenant shall continue to pay monthly installments on account of such Tax Year's Tax Adjustment based upon the last Tax Estimate provided by Landlord to Tenant. Following the end of each Tax Year, Landlord shall furnish to Tenant a Tax Statement. On the first day of the first month following the receipt of such Tax Statement, Tenant shall pay to Landlord (or Landlord shall credit or refund to Tenant) any deficiency (or excess) between the installments paid on account of the preceding Tax Year's Tax Adjustment and the actual Tax Adjustment for such Tax Year.

Notwithstanding the foregoing, Landlord from time to time during the Term may elect to waive the requirement for payment of monthly installments on account of the Tax Adjustment and, in such case, Tenant shall pay the full amount of any unpaid Tax Adjustment within fifteen (15) days after Tenant receives any Tax Statement. Furthermore, notwithstanding the foregoing, more than one (1) Tax Statement may be sent to Tenant during any Tax Year. Such election by Landlord shall not preclude Landlord from thereafter requiring Tenant to commence paying monthly installments on account of the Tax Adjustment as set forth above.

C. TAX CONTEST.

In consideration of Tenant's undertaking to reimburse Landlord for Tenant's Share of an increase in Real Estate Taxes, Tenant shall have the right, by

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appropriate proceedings, to protest any assessment or reassessment or any special assessment, or any change in the tax rate, or the validity of any of the above. During the pendency of any protest, Landlord shall be permitted to continue to pay any disputed taxes and Tenant shall continue to reimburse Landlord in accordance with the provisions of Section 1(B) above.

Landlord shall notify Tenant in writing of all assessments and the tax rates and any proposed changes to them. Tenant shall notify Landlord in writing within fifteen (15) business days after receipt of Landlord's notice if Tenant wants to file a protest. If Landlord receives written notice of a change in assessment and fails to give notice to Tenant of such change and, as a result, Tenant is unable to review the change, and if it so desires, to file a protest, Tenant shall not be obligated to reimburse Landlord for any increase in Real Estate Taxes resulting therefrom.

In the tax proceedings, Tenant may act in its own name and/or the name of Landlord and Landlord will, at Tenant's request and provided Landlord is not put to any expense thereby, cooperate with Tenant in any way Tenant may reasonably require in connection with such protest. Any protest conducted by Tenant hereunder shall be at Tenant's expense and if interest or late charges become payable with respect to the Real Estate Taxes as a result, Tenant shall reimburse Landlord for the same. However, Landlord shall be solely responsible for any penalties, interest or late charges imposed on Landlord

through no fault of Tenant.

Tenant shall be responsible for posting any security and/or paying any fees required in connection with any protest initiated by Tenant.

Landlord agrees to keep Tenant apprised of all tax protest filings and proceedings undertaken by Landlord or others to obtain a tax reduction or refund. Landlord may deduct from the total refund any reasonable attorneys' fees and other reasonable expenses incurred by Landlord therefor. However, if the refund or reduction resulted from Tenant's efforts, Landlord shall also reimburse Tenant for reasonable attorneys' fees and any other reasonable expenses incurred by Tenant in connection with the protest, such reimbursement not to exceed Tenant's Proportionate Share of the refund or reduction.

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## 2. OPERATING EXPENSE.

### A. DEFINITIONS.

- I. "ESSENTIAL CAPITAL IMPROVEMENT" shall mean (a) a labor saving device, energy saving device or other installation, improvement or replacement which is intended to reduce Operating Expense, whether or not voluntary or required by governmental mandate, or (b) an installation or improvement required by reason of any law, ordinance or regulation which was not applicable to the Buildings on the date of the execution of this Lease, or (c) an installation or improvement intended to improve the health or safety of tenants in the Buildings generally, whether or not voluntary or required by governmental mandate.
- II. "OPERATING EXPENSE" shall mean all costs and expenses of whatever kind or nature paid or incurred by Landlord from time to time in connection with the ownership, management, maintenance, operation, replacement, restoration and repair of the Buildings and the Land, all computed on the accrual basis, including, without limitation, the following items:
  - (a) gas, oil, electricity, steam, fuel, water, sewer and other utility charges (including surcharges) of whatever nature (excepting electricity charges for usage by tenants for which any such tenant is billed separately), including, without limitation, the proportion of costs (including but not limited to oil, gas and electricity, repairs and personnel) of the central heating and air conditioning plant located on Lot 2 allocable to the provision of services to the Buildings;
  - (b) insurance premiums and the amounts of any deductibles paid by Landlord;
  - (c) on-site building personnel costs, including, but not limited to, salaries, wages, fringe benefits, taxes, insurance and other direct and indirect costs;
  - (d) costs of service and maintenance contracts including, but not limited to, standard trash removal, cleaning and security services;

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- (e) Landlord's share, as owner of Lot 1, of costs relating to maintenance and operation of the Project which are shared and allocated among owners of lots comprising the Project;
- (f) all other maintenance, preventive maintenance, painting, repair, restoration and replacement expenses (including, but not limited to, all of Landlord's repairs in Section 8), and the cost of materials, supplies and uniforms;
- (g) the cost of an on-site office and segregated storage area for Landlord's parts, tools, supplies;



- (h) all professional fees incurred in connection with the operation of the Buildings;
- (i) management fees payable to the managing agent, provided that such management fees shall not exceed 2% of annual fixed and additional rent payable by all tenants of the Buildings;
- (j) sales and use taxes and any taxes imposed on personal property owned by Landlord and used in connection with the Buildings and taxes on any of the expenses which are included in Operating Expense;
- (k) decorations for the lobby and other public portions of the Buildings;
- (l) all costs and expenses of maintaining (including snow removal), repairing and replacing paving, curbs, walkways, driveways, roadways and landscaping; and
- (m) the annual amortization of any Essential Capital Improvement made by Landlord, computed based on the useful life of the improvement with interest at the prime rate referenced in Section 3 of the Lease determined as of the date of completion of such Essential Capital Improvement. If Landlord shall lease such Essential Capital Improvement, then the rentals or other operating costs paid pursuant to such lease shall be included in Operating Expense for each Operating Year in which they are incurred.

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Notwithstanding the foregoing, Operating Expense shall not include the following:

- (i) costs to prepare space for occupancy by a new tenant;
- (ii) costs of capital improvements (except for costs of any Essential Capital Improvement);
- (iii) advertising expenses and leasing commissions;
- (iv) any cost or expenditure for which Landlord is reimbursed, whether by insurance proceeds or otherwise, but not including costs and expenditures for which Landlord is reimbursed by tenants of the Buildings pursuant to operating expense reimbursement provisions;
- (v) legal expenses of negotiating and enforcing leases;
- (vi) special cleaning or other services not offered to all tenants of the Buildings;
- (vii) any charge for depreciation, interest or rental (except as set forth above with respect to any Essential Capital Improvement);
- (viii) the cost of removal of asbestos-containing material not related to the repair, maintenance or restoration of equipment, as referred to in Section 8;
- (ix) salaries of Landlord's officers and partners and its headquarters staff;
- (x) the cost of any repair made in accordance with Sections 11 or 12 of this Lease, except to the extent such cost is not reimbursed by insurance;
- (xi) any costs representing an amount paid to an affiliated person of Landlord which is in excess of the amount which would have been paid in the absence of such relationship; and
- (xii) any expenses of repairs or maintenance which are covered by warranties, guarantees or service contracts (excluding any mandatory deductibles).

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In determining Operating Expense for any Operating Year, if the Buildings were less than fully occupied during such entire year, or were not in operation during such entire year, then Operating Expense shall be adjusted by Landlord to reflect the amount that such expenses would normally be expected to have been, in the reasonable opinion of Landlord, had the Buildings been fully occupied and operational throughout such year, except that in no event shall such adjustment result in the recovery by Landlord of an amount in excess of the actual Operating Expense. In addition, if Landlord is not furnishing any particular work or service (the cost of which, if performed by Landlord, would constitute an Operating Expense) to a tenant who has undertaken to perform such work or service in lieu of performance by Landlord, Operating Expense shall nevertheless be deemed to include the amount Landlord would reasonably have incurred if Landlord had in fact performed the work or service at its expense.

- III. "OPERATING EXPENSE ADJUSTMENT" shall have the meaning set forth in Subsection 2B below.
  - IV. "OPERATING EXPENSE ALLOWANCE" shall mean the actual Operating Expense for Operating Year 1996, adjusted as set forth above.
  - V. "OPERATING EXPENSE ESTIMATE" shall have the meaning set forth in Subsection 2B below.
  - VI. "OPERATING EXPENSE STATEMENT" shall mean a statement in writing signed by Landlord, setting forth in reasonable detail (a) the Operating Expense for the applicable Operating Year, (b) the Operating Expense Allowance, (c) the Operating Expense Adjustment for such Operating Year, or portion thereof, and (d) such other information as Landlord deems appropriate.
  - VII. "OPERATING YEAR" shall mean each calendar year, or such other period of twelve (12) months as hereafter may be adopted by Landlord as its fiscal year for purposes of Operating Expense, occurring during the Lease Term.
- B. PAYMENT OF OPERATING EXPENSE ADJUSTMENT. If the Operating Expense for any Operating Year shall be in excess of the Operating Expense Allowance, Tenant shall pay to Landlord as Additional Rent an amount equal to Tenant's Proportionate Share (as defined in Subsection 1A of this Exhibit) of such excess.

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(The amount of Tenant's Proportionate Share of such excess is hereinafter referred to as the "Operating Expense Adjustment".) If the Commencement Date is any date other than the first day of an Operating Year or if the expiration date of the Lease Term is any date other than the last day of an Operating Year, the Operating Expense Adjustment shall be allocated proportionately to the amount of time in such Operating Year that the Lease Term is in effect.

Tenant shall pay to Landlord, on account of the Operating Expense Adjustment for each Operating Year, monthly installments in advance equal to one-twelfth (1/12) of the estimated Operating Expense Adjustment for such Operating Year (the "Operating Expense Estimate"). Such installments shall be payable at such place as Landlord may direct. From time to time during any Operating Year, Landlord may furnish to Tenant the Operating Expense Estimate for such Operating Year and, on the first day of the first month following receipt of such Operating Expense Estimate, in addition to the monthly installment of such new Operating Expense Estimate, Tenant shall pay to Landlord (or Landlord shall credit to Tenant) any deficiency (or excess) between (i) the total of the installments paid on account of the Operating Expense Adjustment for such Operating Year, and (ii) the product of one-twelfth (1/12) of such Operating Expense Estimate for such Operating Year and the number of months which have elapsed during such Operating Year prior to the

due date of such payment. Until the Operating Expense Estimate for any Operating Year is furnished by Landlord, Tenant shall continue to pay monthly installments on account of such Operating Year's Operating Expense Adjustment based upon the last Operating Expense Estimate provided by Landlord to Tenant. Following the end of each Operating Year, Landlord shall furnish to Tenant an Operating Expense Statement. On the first day of the first month following the receipt of such Operating Expense Statement, Tenant shall pay to Landlord (or Landlord shall credit or refund to Tenant) any deficiency (or excess) between the installments paid on account of the preceding Operating Year's Operating Expense Adjustment and the actual Operating Expense Adjustment for such Operating Year.

Tenant shall have the right, during regular business hours, to inspect the books and records used by Landlord in calculating the Operating Expense Adjustment for a particular Operating Year, upon not less than thirty (30) days prior notice given any time within two (2) years following Tenant's receipt of the Operating Expense Statement for such year; provided, however, that Tenant shall make all payments required hereunder without delay. Unless Tenant shall take written exception to any Operating Expense Statement within sixty (60) days after the end of such two (2) year period (such date, the "Exception Date"), such statement shall be final and binding upon Tenant. Tenant's inspection of

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Landlord's books and records shall be performed by an employee or employees of Tenant or by a reputable public accounting firm or real estate company. Tenant agrees that all information obtained by Tenant or by those performing such inspection on behalf of Tenant shall at all times remain confidential, and Tenant further agrees to take such action as is necessary to insure the continued confidentiality of all such information.

Landlord shall be permitted to adjust the Operating Expense Adjustment for a particular Operating Year any time up to the Exception Date relating to such Operating Year. Thereafter, such Operating Expense Statement shall be final and binding upon Landlord.

3. PERSONAL PROPERTY TAXES. Tenant shall be responsible for all ad valorem taxes on its personal property and on the value of the leasehold improvements in the Demised Premises to the extent that the same exceed building standard allowances (and if the taxing authorities do not separately assess Tenant's leasehold improvements, Landlord may make a reasonable allocation of imposition to such improvements).
4. SURVIVAL. If, upon expiration or termination of this Lease for any cause, the amount of any Additional Rent due under this Lease has not yet been determined, an appropriate payment from Tenant to Landlord, or refund from Landlord to Tenant, shall be made promptly after such determination, and such obligation shall survive the expiration or termination of this Lease.

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#### EXHIBIT "D"

##### SCHEDULE OF LANDLORD'S WORK

At no cost to Tenant, Landlord will provide the following items:

##### ORIGINAL LEASE:

##### GENERAL:

1. Provide access and other characteristics specified in the Americans with Disabilities Act to main lobby, restrooms, elevators and other applicable core areas.

Exterior:

1. Repair and repaint damaged paint areas on facade of Buildings.
2. Relandscape Building entry areas, computer room dock and Building Parking Area islands.
3. Design and install Project identification sign at main park entrance from Ridge Road.
4. Install concrete walkway over existing mechanical pit at east lobby entrance.

ELEVATORS:\*

1. Install new 3,500 lb. passenger elevator at 90 degrees to existing elevator, a matching new cab in existing elevator, and improved controls for the pair. Cabs to be manufacturer's standard with plastic laminate wall panels and carpeted floor.
2. Install new 4,500 lb. freight elevator adjacent to south stair tower and main truck dock.

LOBBY:

1. Install new anodized aluminum entrance doors.
2. Improve layout and finishes, including terrazzo floors, vinyl wall covered walls, and lay-in acoustical tile and drywall ceiling.
3. Improve incandescent lighting and HVAC accordingly.

Restrooms:

1. Install a pair of new restrooms in core of Floors 1 and 2 to meet standard office code requirements. Finishes to be ceramic tile floor and base, painted drywall walls, lay-in acoustical ceiling, fluorescent lighting, and plastic laminate vanity counters.

OPTION 1

None

OPTION 2 (If on 3rd Floor)

1. Install a pair of new restrooms in core of 3rd Floor to meet standard office code requirements. Finishes to be ceramic tile floor and base, painted drywall walls, lay-in acoustical ceiling, fluorescent lighting, and plastic laminate vanity counters.

\* Tenant acknowledges that the two new elevators may not be completed by the Commencement Date and agrees to accept possession of the Demised Premises with elevator service initially to be provided by the existing elevator (with improved temporary finishes). Landlord shall diligently pursue completion of the new elevators and shall complete the new elevators not later than August 31, 1996, subject to delays attributable to any action or inaction of Tenant, or due to casualty or other causes not within Landlord's reasonable control.

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EXHIBIT "E"

JANITORIAL SPECIFICATIONS

DAILY - Night time coverage Monday through Friday.

1. OFFICE AREAS

- a. Empty all trash containers and waste baskets.
- b. Replace all trash liners.
- c. Empty all ashtrays and receptacles and wipe clean with damp cloth.
- d. Dust all uncluttered desktops, file cabinets, counters, sills and ledges.
- e. Vacuum all carpeted traffic lanes.
- f. Dust mop and spot mop tile floors.
- g. Vacuum all entrance mats and runners.
- h. Remove smudges and finger prints from all doors, door frames, partitions and switch plates.
- i. Arrange all furniture neatly.
- j. Wash and squeegee all entrance door glass, both sides.
- k. Clean all entrance frames and ledges.

- l. Highlight all lobbies, elevators, conference room and executive areas to maintain superior level of appearance.
- m. Remove all trash in specifically designated area and dispose of in prescribed manner. (Only service provided to MMC, data center and computer room.)
- n. Clean and polish all drinking fountains.
- o. Remove finger prints and smudges and dust all sills and ledges.
- p. Clean all coffee stations.
- q. Clean chalkboards.
- r. Provide shared use of day porter.

2. Restrooms

- a. Clean and disinfect all restrooms.
- b. Empty all waste containers.
- c. Dry mop floor.
- d. Fill all dispensers.
- e. Spray disinfect all fixtures and urinals inside and outside.
- f. Clean all toilet fixtures and urinals inside and outside.
- g. Clean all sinks and counter tops.
- h. Clean and polish all mirrors and brightwork.
- i. Clean and polish outside of all waste containers.
- j. Wash floor with disinfectant cleaner making sure all corners are cleaned.

WEEKLY

- a. Vacuum and spot clean all carpets.
- b. Wipe desks and telephones.
- c. Sweep stairwells.

MONTHLY

- a. Clean all ceramic tile walls.
- b. Clean all diffusers, registers and Venetian blinds.
- c. Wash interior glass, both sides.
- d. Wash stairwell treads and landings.

SEMI-ANNUALLY

- a. Clean outside of windows.
- b. Damp wipe diffusers and vents.

ANNUALLY

- a. Clean inside of windows.
- b. Shampoo carpeted traffic lanes.
- c. Strip and refinish resilient floors.
- d. Clean vertical surfaces.

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EXHIBIT "F"

RULES AND REGULATIONS

1. Definitions. Wherever in these Rules and Regulations the word "Tenant" is used, it shall be taken to apply to and include Tenant and its agents, employees, invitees, licensees, subtenants and contractors, and is to be deemed of such number and gender as the circumstances require. The word "room" shall be taken to include the space covered by this Lease. The word "Landlord" shall be taken to include the employees and agents of Landlord.
2. Construction. The streets, sidewalks, entrances, halls, passages, elevators, stairways and other common areas provided by Landlord shall not be obstructed by Tenant, or used by it for any other purpose than for ingress and egress.
3. Washrooms. Toilet rooms, water-closets and other water apparatus shall not be used for any purposes other than those for which they are constructed.
4. General Prohibitions. In order to insure proper use and care of the Buildings, without Landlord's prior written consent, to be withheld or granted in Landlord's sole discretion, Tenant shall not:
  - a. Allow any sign, advertisement, notice or other marking to be affixed to the interior or exterior of the Buildings, other than any signs which are located within the Demised Premises and are not visible from outside of the Demised Premises;
  - b. Make improper noises or disturbances of any kind;

c. Mark or defile elevators, water-closets, toilet rooms, walls, windows, doors or any other part of the Buildings;

d. Place anything on the outside of the Buildings, including roof setbacks, window ledges and other projections;

e. Use or place any curtains, blinds, drapes or coverings over any windows or upon the window surfaces which are visible from the outside of the Demised Premises;

f. Other than in connection with normal office decoration, fasten any article, drill holes, drive nails or screws into the walls, floors, woodwork, window mullions, or partitions; nor shall the same be painted, papered or otherwise covered or in any way marked or broken;

g. Interfere with the heating or cooling apparatus;

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h. Allow anyone but Landlord's employees to clean rooms;

i. Leave the Demised Premises without locking doors, stopping all office machines (other than those machines required to be operated at all times), and extinguishing all lights;

j. Install any shades, blinds, or awnings;

k. Use any electrical heating device;

l. Install call boxes or any kind of wire in or on the Buildings;

m. Manufacture any commodity, or prepare to dispense any foods or beverages, whether by vending or dispensing machines or otherwise (other than as may be permitted in any kitchenette/vending area(s) located within the Demised Premises for use by Tenant's employees), or alcoholic beverages, tobacco, drugs, flowers, or other commodities or articles;

n. Secure duplicate keys for rooms, except from Landlord, or change the locks of any doors to or in the Demised Premises;

o. Give its employees or other persons permission to go upon the roofs of the Buildings; or

p. Place door mats in public corridors.

5. Publicity. Tenant shall not use the names of the Buildings or South Brunswick Corporate Center in any way in connection with its business except as the address thereof. Landlord also shall have the right to prohibit any advertising by Tenant which, in Landlord's opinion, tends to impair the reputation of the Buildings or South Brunswick Corporate Center or their desirability as buildings or locations for offices; and upon written notice from Landlord, Tenant shall refrain from or discontinue such advertising.

6. Business Machines. Business machines and mechanical equipment which cause vibration, noise, cold or heat that may be transmitted to the Buildings structures or to any leased space outside the Demised Premises shall be placed and maintained by Tenant, at its sole cost and expense, in settings of cork, rubber or spring type vibration eliminators sufficient to absorb and prevent such vibration, noise, cold or heat.

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7. Movement of Equipment. Landlord reserves the right to designate the time when and the method whereby freight, small or large office equipment, furniture, safes and other like articles may be brought into, moved, or removed from the Buildings or rooms, and to designate the location for temporary disposition of such items. In no event shall any of the foregoing items be taken from Tenant's space for the purpose of removing same from the Buildings, other than in the ordinary course of Tenant's business, without the express consent of both Landlord and Tenant.

8. Public Entrance. Landlord reserves the right to exclude the general public from the Buildings upon such days and at such hours as in Landlord's judgment will be for the best interest of the Buildings and its tenants. Persons entering the Buildings after 6:00 p.m. on business days and at all times on Saturdays, Sundays and holidays may be required to sign a register maintained for that purpose.

9. Rights Reserved to Landlord. Without abatement or diminution in rent, Landlord reserves and shall have the following additional rights:

a. To change the name and/or street address of the Buildings;

- b. To install and maintain a sign or signs on the exterior of the Buildings;
- c. To approve all sources furnishing sign painting and lettering, ice, drinking water, towels and toilet supplies, and other like services used on the Demised Premises;
- d. To make, either voluntarily or pursuant to governmental requirement, repairs, alterations or improvements in or to the Buildings or any part thereof and during alterations, to close entrances, doors, windows, corridors, elevators or other facilities, provided that such acts (except in emergencies) shall not unreasonably interfere with Tenant's use and occupancy of the Demised Premises as a whole;
- e. If Tenant vacates all or any portion of the Demised Premises prior to the expiration of the Lease Term, to decorate, remodel, repair, alter or otherwise prepare all or such portion of the Demised Premises, as applicable, for re-occupancy;
- f. To constantly have pass keys to the Demised Premises, which keys Landlord must secure at all times;
- g. To grant to anyone the exclusive right to conduct any particular business or undertaking in the Buildings; and
- h. To take any and all measures, including inspections, repairs, alterations, additions and improvements to the Demised Premises or to the Buildings, as may be necessary or

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desirable in the operation of the Buildings, provided that such acts (except in emergencies) shall not unreasonably interfere with Tenant's use and occupancy of the Demised Premises as a whole.

Subject to the provisions hereof, Landlord may enter upon the Demised Premises and may exercise any or all of the foregoing rights hereby reserved without being deemed guilty of an eviction or disturbance of Tenant's use or possession and without being liable in any manner to Tenant.

10. Regulation Change. Landlord shall have the right to make such other and further reasonable Rules and Regulations, as in the judgment of Landlord, may from time to time be needful for the appearance, care and cleanliness of the Buildings, for the preservation of good order therein, and for the health and safety of the tenants and their visitors, provided that all such Rules and Regulations shall be enforced by Landlord in a nondiscriminatory fashion. Landlord shall not be responsible to Tenant for any violation of Rules and Regulations by any other tenant, but shall use reasonable efforts to enforce such compliance with the Rules and Regulations.

10. Conflict with Lease. If the terms of this Exhibit shall be in conflict with the terms set forth in the body of the Lease, the terms set forth in the body of the Lease shall prevail.

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EXHIBIT "G"

FORM OF  
TENANT ESTOPPEL CERTIFICATE AND STATEMENT

-----  
(Tenant)

The undersigned (jointly and severally if more than one) hereby represents, warrants and certifies to \_\_\_\_\_ (the "Landlord") that it is the tenant and present occupant (the "Tenant") of certain premises (the "Demised Premises") comprising a portion of the real property and improvements in the buildings (the "Buildings") located at \_\_\_\_\_ and that:

1. Basic Lease Terms - The Demised Premises are more specifically described in, and are leased under the provisions of, a lease agreement (the "Lease"), the basic terms of which are described below:

- 1.1. Demised Premises/Suite: \_\_\_\_\_; Floor \_\_\_\_\_
- 1.2. Rentable Square Feet of Demised Premises: \_\_\_\_\_

- 1.3. Date of Lease: \_\_\_\_\_
- 1.4. Commencement Date: \_\_\_\_\_
- 1.5. Expiration Date: \_\_\_\_\_
- 1.6. Current Annual/Monthly Fixed Rent: \$ \_\_\_\_\_ / \$ \_\_\_\_\_
- 1.7. Current Monthly Additional Rent: \$ \_\_\_\_\_
- 1.8. Total Monthly Rent As of \_\_\_\_\_ : \$ \_\_\_\_\_
- 1.9. Tenant's Proportionate Share: \_\_\_\_\_ %
- 1.10. Security Deposit: \$ \_\_\_\_\_
- 1.11. Total Rent Is Paid Through: \_\_\_\_\_

2. Modifications. The Lease contains all of the understandings and agreements between Tenant and Landlord, and is in full force and effect, without modification, addition, extension, or renewal on the date hereof, except as indicated below:

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

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3. Acceptance of Demised Premises. Tenant has accepted possession of the Demised Premises and is now in possession of same, and the improvements and space required to be furnished according to the Lease have been fully delivered by Landlord and accepted by Tenant.

4. Options. There are no purchase options, rights of first refusal, rights of first offer, options to terminate, exclusive business rights, or other rights in Tenant to extend or renew the Lease Term or to expand or otherwise modify the Demised Premises, except as indicated below:

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

5. Commencement of Rental Obligation. Tenant's obligation to pay rent has commenced, unless indicated below: \_\_\_\_\_

\_\_\_\_\_

6. Rent Payment. No rent has been paid by Tenant in advance under the Lease, except for the Total Monthly Rent, as described above, that became due for the current month.

7. No Tenant Default. Tenant is not in default under the Lease and is current in the payment of any and all charges required to be paid by Tenant, except as indicated below:

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

8. Subordination and Attornment. In the event that Landlord's interest is conveyed or Landlord otherwise relinquishes possession of the Demised Premises to a third party, including but not limited to any mortgagee or successor in interest to any such mortgagee, the undersigned agrees to attorn to such third party and to recognize such third party as landlord. Tenant agrees to subordinate to any mortgagee or successor in interest to any such mortgagee as more fully set forth in the Lease. Any such attornment or subordination shall be effective and self-operative without the execution of any other instrument by either party hereto but, upon the request of such landlord, the undersigned shall execute and deliver an instrument confirming such attornment or subordination.

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9. No Defense. Tenant has no defenses, set-offs, basis for withholding of rent, claims or counterclaims against Landlord for any failure of performance of any of the terms of the Lease, nor to the best of Tenant's knowledge are there defaults or breaches by Landlord under the Lease, including, without limitation, defaults relating to the design, condition and tenant uses of the Buildings.

10. No Prior Assignment or Subletting. Tenant has not assigned, pledged, mortgaged or otherwise transferred or encumbered the Lease or the rental payments thereunder, nor sublet all or any part of the Demised Premises and is not presently permitting the same to be occupied or used by anyone other than Tenant except as indicated below:

\_\_\_\_\_



11. Use of Premises. Tenant has not accumulated, recycled, stored, treated, spilled, emitted, leaked or disposed of any hazardous, toxic or polluting substances or wastes at the property. Tenant has not received notice from any governmental agency that it may be responsible for clean-up of the property or surrounding areas pursuant to the Federal Comprehensive Environmental, Response, Compensation and Liability Act, 42 U.S.C. Section 9601 et seq., the Federal Water Pollution Control Act (33 U.S.C.A. Section 1151 et seq.), the Clean Water Act of 1977 (33 U.S.C.A. Section 1251 et seq.), or the regulations promulgated thereunder (if applicable), or any other federal, state or local environmental law, regulation or ordinance.

The undersigned makes this Certificate and Statement with the understanding that Landlord and any others with which Landlord may be dealing intend to rely upon this Certificate and Statement and the undersigned agrees that they may so rely.

Dated: \_\_\_\_\_, 199\_.

\_\_\_\_\_  
(Name of Tenant)

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By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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EXHIBIT "H"

PROPERTY ENVIRONMENTAL STATUS

IBM, the former owner of the property, manufactured computer punch cards and printer ribbons at the South Brunswick facility during which time IBM utilized a common degreasing agent known as TCA. In December 1977, TCA was discovered in the groundwater beneath the Land. As a result, IBM entered into an Administrative Consent Order ("ACO") with the New Jersey Department of Environmental Protection ("NJDEP") to perform a groundwater remediation program which is still ongoing. IBM is solely responsible for the complete remediation of the Land with respect to pre-purchase conditions to current NJDEP standards. The ACO, as amended, is filed of public record.

EXHIBIT "I"

HEATING, VENTILATION AND AIR CONDITIONING SPECIFICATIONS

Landlord shall provide air conditioning and winter humidification on a year-round basis throughout the Demised Premises and Common Building Facilities. The equipment shall maintain a uniform (1) indoor temperature of 76 degrees F.D.B. at 50% R.H, 5% automatic control in summer based on the local 2-1/2% outdoor design condition as specified in the latest edition of the "ASHRAE HANDBOOK OF FUNDAMENTALS" and (2) indoor temperature of 72 degrees F.D.B. at 30% R.H. minimum in winter based on the local 97.5% outdoor design condition as specified in the latest edition of the "ASHRAE HANDBOOK OF FUNDAMENTALS". Automatic reset on the humidifiers to prevent condensation on walls and glass during extreme cold weather shall be installed. Temperature control shall be automatic and shall maintain temperature set at plus or minus 2 degrees F. All systems shall conform to local and national codes. In the event that Tenant exercises any right under the Lease, or otherwise, to modify the Building Service System or Leased Premises Service System, such that the air conditioning and winter humidification systems do not meet the above standards, Tenant shall be responsible for performing such additional work so that the air conditioning and winter humidification systems do meet the above standards.

EXHIBIT "J"

HOLIDAYS

New Year's Day  
Presidents' Day  
Memorial Day  
Independence Day\*  
Labor Day  
Thanksgiving  
Day following Thanksgiving  
Christmas\*

- \* When July 4 or Christmas falls on a Tuesday, Monday is also deemed a Holiday; and when July 4 or Christmas falls on a Thursday, Friday is also deemed a Holiday.

EXHIBIT "K"

PLAN OF PROPERTY AND PARKING AREAS

(to be provided)

EXHIBIT "L"

TENANT WORK

1. Completion Schedule. Within sixty (60) days after the execution of this Lease, Tenant shall deliver to Landlord, for Landlord's review and approval, a schedule ("Work Schedule") setting forth a timetable for the planning and completion of the installation of improvements to be constructed by Tenant in the Demised Premises (the "Tenant Work"). The Work Schedule shall set forth each of the various items of work to be done by or approval to be given by Landlord and Tenant in connection with the completion of the Tenant Work. Such Work Schedule shall be submitted to Landlord for its approval and, upon approval by both Landlord and Tenant, such Work Schedule shall become the basis for completing the Tenant Work.

2. Tenant Work. Reference herein to "Tenant Work" shall include all work to be done in the Demised Premises pursuant to the Tenant Work Plans described in Section 3 below, including, but not limited to, partitioning, doors, ceilings, floor coverings, wall finishes (including paint and wall covering), electrical (including lighting, switching, telephones, outlets, etc.), plumbing, heating, ventilating and air conditioning, fire protection, cabinets and other millwork.

3. Tenant Work Plans. Immediately after the execution of the Lease, Tenant's architect shall prepare final working drawings and specifications for the Tenant Work. Such final working drawings and specifications are referred to herein as the "Tenant Work Plans." The Tenant Work Plans must be consistent with Landlord standards, conform to all applicable laws, ordinances, regulations, codes and other requirements of governmental authorities and with the regulations of Landlord's insurance underwriter and meet the further requirements set forth in the Schedule attached hereto. Any such working drawings shall be reviewed and approved or disapproved by Landlord (any disapproval being accompanied by a detailed explanation of the reason for such disapproval) within thirty (30) days after submission to Landlord. Following approval of such working drawings, or revised working drawings, as the case may be, the working drawings shall be submitted to the appropriate governmental bodies by Tenant's architect for plan checking, the issuance of a building permit, and securing of all other necessary governmental approvals. Tenant, with Landlord's cooperation and subject to Landlord's approval, not to be unreasonably withheld, shall cause to be made any changes in the plans and specifications necessary to obtain the building permit.

4. Construction of Tenant Work. After the Tenant Work Plans have been prepared and approved, and a building permit for the Tenant Work has been issued, Tenant, upon Landlord's approval, shall enter into a construction contract with its contractor for the installation of the Tenant Work in accordance with the Tenant Work Plans. All contractors or subcontractors of Tenant, and any contract entered into between Tenant and any contractor,

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shall be approved by Landlord prior to work commencement. Tenant shall supervise the completion of such work and shall use due diligence to secure substantial completion of the work in accordance with the Work Schedule. The Tenant Work shall be constructed in accordance with the Tenant Work Plans approved by Landlord, the requirements of all applicable laws, ordinances, regulations, codes and other requirements of governmental authorities and with the regulations of Landlord's underwriter. In addition, the Tenant Work shall

be constructed in a thorough, first-class and workmanlike manner, shall incorporate only new materials and shall be in good and usable condition at the date of completion. At any time and from time to time during the construction of the Tenant Work, Landlord, Landlord's architect and Landlord's general contractor may enter upon the Demised Premises and inspect the Tenant Work and take such steps as they may deem necessary for the protection of the Buildings and/or any premises adjacent to the Demised Premises. Such inspection shall, however, be for Landlord's benefit only and may not be relied upon by Tenant or any other party. A portion of the cost of constructing the Tenant Work shall be paid as provided in Section 5 hereof.

5. Payment of Cost of the Tenant Work.

(a) Landlord hereby grants to Tenant a "Tenant Allowance" of up to Forty Dollars (\$40.00) per square foot of Rentable Area of the Demised Premises for a total of up to Three Million Five Hundred Two Thousand Dollars (\$3,502,000.00). Such Tenant Allowance shall be used only for:

(1) Preparing the drawings and specifications, including architectural, mechanical, electrical, plumbing and structural drawings and all other aspects of the Tenant Work Plans.

(2) Plan check, permit and license fees relating to construction of the Tenant Work.

(3) Construction of the Tenant Work, including, without limitation, the following:

- (a) Installation within the Demised Premises of all partitioning, doors, floor coverings, ceilings, wall coverings and painting, millwork and similar items.
- (b) All electrical wiring, lighting fixtures, outlets, emergency generators and switches, and other electrical work to be installed within or outside of the Demised Premises.

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- (c) The furnishing and installation of all duct work, terminal boxes, diffusers and accessories required for the completion of the heating, ventilation and air conditioning systems within the Demised Premises.
- (d) Any additional Tenant requirements including, but not limited to, odor control, special heating, ventilation and air conditioning, noise or vibration control or other special systems.
- (e) All fire and life protection systems such as fire walls, alarms, including accessories, safety control systems, sprinklers, fire piping, and wiring installed within the Demised Premises.
- (f) Installation of the security systems in the Buildings.
- (g) All plumbing, fixtures, pipes and accessories to be installed within the Demised Premises.
- (h) Testing and inspection costs.
- (i) Reasonable contractors' fees, including, but not limited to, any fees based on general conditions.

(4) All other out-of-pocket costs to be expended by Landlord in the approval or construction of the Tenant Work, excluding those costs incurred by Landlord for construction of Landlord's Work, as noted in Exhibit "D".

(b) The cost of each item shall be charged against the Tenant Allowance. In the event that the cost of installing the Tenant Work, as established by Tenant's final pricing schedule, shall exceed the Tenant Allowance, or if any of the Tenant Work is not to be paid out of the Tenant Allowance as provided above, the excess shall be paid by Tenant.

6. Completion and Rental Commencement Date. The commencement of the Term of the Lease and Tenant's obligation for the payment of Fixed Rent under the Lease shall commence on the dates specified in the Lease. At any time after the Commencement Date, the Tenant Allowance shall be paid by Landlord (x) to Tenant to reimburse Tenant for amounts theretofore paid to Tenant's vendors, suppliers or contractors upon receipt of paid invoices, or (y) directly to Tenant's vendors, suppliers or contractors, promptly upon Landlord's receipt of invoices for the cost of the work delivered by Tenant to Landlord for payment to such vendors, suppliers or contractors together with a letter (a "Direction of Payment Letter") authorizing and directing Landlord to pay such

invoices, and, provided that whether Landlord shall reimburse Tenant pursuant to clause (x) or shall pay Tenant's vendors, suppliers or

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contractors pursuant to clause (y), Landlord shall have received (a) a certificate signed by Tenant and Tenant's Architect setting forth (i) that the sum then requested was paid or is owed by Tenant and was or is due to contractors, subcontractors, materialmen, engineers and other persons who have rendered services or furnished materials in connection with work on the Tenant Work, (ii) a complete description of such services and materials and the amounts paid or to be paid to each of such persons in respect thereof, (iii) that the work described in the certificate has been completed substantially in accordance with the Tenant Work Plans and (iv) the amount of all previous payments made by Landlord hereunder with respect to Tenant Work and that no part of the sums being requested were part of a prior request for which payment was made, (b) paid receipts or such other proof of payment as Landlord shall reasonably require for all such work completed (other than that which is the subject of the then pending disbursement in the event Landlord is paying Tenant's vendors, suppliers or contractors directly) and (c) lien waivers satisfactory to Landlord executed by any contractors or subcontractors furnishing labor or supplying materials in connection with such work with respect to all portions thereof previously completed (other than that which is the subject of the then pending disbursement in the event Landlord is paying Tenant's vendors, suppliers or contractors directly). Landlord shall reimburse Tenant or pay such invoices on behalf of Tenant within thirty (30) days after Landlord's receipt of a written request for reimbursement from Tenant or Direction of Payment Letter and shall debit the Tenant Allowance therefor, provided further, however, that (x) Tenant shall not submit a request for reimbursement or a Direction of Payment Letter more than once per calendar month, (y) an amount equal to 10% of the Tenant Allowance shall be held back by Landlord until Tenant has complied with all of its obligations.

#### 7. Insurance.

(a) All of Tenant's contractors shall maintain the following insurance coverages in the minimum amounts specified below or such greater amounts as may be required by Landlord based upon the risks of the project or good insurance practices:

- (1) Commercial General Liability Insurance including Products/Completed Operations, Owners and Contractors Protective Liability and Broad Form Contractual Liability with the exclusion pertaining to explosion collapse and underground property damage hazards eliminated.
- (2) Business Automobile Liability Insurance including owned, hired, and non-owned automobiles.
- (3) Statutory Workers' Compensation Insurance, including occupational disease with employers' liability limits not less than mandated by statute.

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(b) In addition to the foregoing insurance coverages, during the course of construction, Tenant or Tenant's general contractor or construction manager shall maintain "All-risk" builder's risk insurance for the full replacement cost of the Tenant Work.

(c) The insurance identified under a(i) and (ii) above shall (a) be in such amounts as may be reasonably determined by Landlord (but not less than \$1,000,000 or more than \$5,000,000), depending on the scope and nature of the Tenant Work, (b) name Landlord and any other parties designated by Landlord as additional insureds, (c) be in companies licensed to do business in New Jersey and reasonably satisfactory to Landlord, and (d) provide that the policies will not be changed, canceled or expire until at least thirty (30) days prior written notice has been given to Landlord. Evidence of all coverage shall be delivered to Landlord prior to any such contractor or subcontractor commencing work in the Buildings. The liability of Tenant, its contractors and subcontractors shall not be limited because of the insurance required hereunder nor to the amounts thereof nor because of any exclusions from coverage in any insurance policy.

8. Performance Bonds. Unless Tenant or its general contractor provides payment and performance bonds for the full cost of the Tenant Work, each contract and subcontract providing for materials and/or services with a value in excess of \$25,000 shall require the Tenant's general contractor thereunder to obtain payment and performance bonds in the full amount of its contract or subcontract. All bonds required pursuant to this provision shall be in form reasonably acceptable to Landlord, shall be issued by reputable surety companies licensed to do business in New Jersey and shall name Landlord and Tenant as obligees.

9. Landlord Procedures. Tenant shall comply with all procedures and policies established by Landlord from time to time relating to construction by tenants in the Building.

10. Coordination of Work. Construction of the Tenant Work shall be coordinated with all work being performed by Landlord and other occupants of the Building to the end that the Tenant Work will not interfere with the operation of the Building or interfere with or delay the completion of any other construction within the Building. Such work shall be performed in a manner so as not to disturb or annoy other tenants or occupants of the Building and shall be performed only during such hours and under such conditions as shall be established by Landlord.

11. Safety. Tenant shall cause Tenant's contractors to (i) take all precautions necessary for the prevention of accidents and for the safety of persons and property, (ii) comply with all applicable laws, ordinances, rules, regulations and orders of any public authority relating thereto, and (iii) promptly report to Landlord any injury and furnish Landlord a written accident report within 24 hours of the accident and a copy of the accident report filed with its insurance carrier at the time of filing of such report.

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12. Miscellaneous.

(a) Tenant and Tenant's contractors shall be solely responsible for the transportation, safekeeping and storage of materials and equipment used in the performance of the Tenant Work, for the removal of waste and debris resulting therefrom, and for any damage caused by them to any part of the Project. It shall be Tenant's responsibility to cause each of Tenant's contractors to maintain continuous protection of adjacent property and improvements against damage by reason of the performance of the Tenant Work. It shall also be Tenant's responsibility to cause each Tenant's contractor to properly protect the Tenant Work. Any damage caused by Tenant's contractors to any portion of the Building or to any property of Landlord or of any occupant or tenant of the Building shall be repaired to its condition prior to such damage at no expense to Landlord.

(b) Tenant shall cause Tenant's contractors to (i) keep the Demised Premises and adjacent areas, as well as the loading docks, elevators, logistic areas and surrounding areas, free from accumulations of waste material or rubbish, (ii) keep dirt and dust from infiltrating into adjacent tenant, common and mechanical areas, (iii) protect the front and top of all perimeter HVAC units and thoroughly clean them upon completion of work, (iv) block off supply and return grills, diffusers and ducts to keep dust from entering into the building HVAC system, (iii) forthwith remove all rubbish, tools, equipment and materials from in and about the Demised Premises and the Buildings upon completion of the work.

(c) Tenant's contractors may not use any space within the Building for storage handling or moving of materials or equipment and/or for the location of a field office or facilities for the employees of such contractor or subcontractor without obtaining Landlord's prior written approval for each such use. If any Tenant's contractor shall use any space in the Building for any or all of the aforesaid enumerated purposes or any other similar purpose without obtaining Landlord's written approval therefor, Landlord shall have the right to terminate such use and remove all of such Tenant's Contractor's materials, equipment and other property from such space, without Landlord being liable to Tenant and/or to such Tenant's contractor, and the cost of such termination and/or removal shall be paid by Tenant to Landlord.

(d) Tenant shall promptly pay all Tenant's contractors or apply for such payment under the Tenant Allowance. Should any lien be made or filed in connection with the Tenant Work the cost of which is Tenant's responsibility, Tenant shall bond against or discharge the same within (10) days after receiving notice thereof. If Tenant shall fail to cause such lien to be bonded against or to be discharged within such period, then, in addition to any other right or remedy which Landlord may have under this Lease, at law or in equity, Landlord may, but shall not be obligated to, discharge the same either by paying the amount claimed to be due or by procuring the discharge of such lien by deposit or by bonding. Any amount so paid by Landlord and all costs and expenses incurred by Landlord in connection therewith, together

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with interest at the Default Rate from the respective dates of Landlord's making of the payment and incurring of the cost and expense, shall constitute Additional Rent payable by Tenant under this Lease and shall be paid by Tenant to Landlord on demand.

(e) Upon completion of the Tenant Work, Tenant shall furnish Landlord with contractors' affidavits and full and final waivers of liens and receipted bills

covering all labor and materials.

(f) Within sixty (60) days after the Tenant Work have been completed, Tenant shall provide Landlord with a complete set of reproducible, record drawings for the Buildings showing as-built conditions, including any manuals, warranties or other such documents relating to the Tenant Work.

(g) Tenant shall indemnify, defend and hold harmless Landlord, its agents, contractors and employees from and against all claims, damages, liabilities, losses and expenses of whatever nature, including but not limited to, reasonable attorneys' fees, arising out of or resulting from the negligence or willful misconduct of Tenant, Tenant's contractors, or their respective agents and employees in the course of exercising its rights under this Exhibit "L". Tenant shall provide or cause to be provided in all contracts with each Tenant's contractor that such Tenant's contractor shall indemnify, defend and hold harmless Landlord, its agents and employees, from and against all claims, damages, liabilities, losses and expenses of whatever nature, including but not limited to, reasonable attorneys' fees, arising out of or resulting from the negligence or willful misconduct of such Tenant's contractor or its agents or employees in connection with the performance of the Tenant Work. The foregoing indemnities shall be in addition to the insurance requirements set forth in this Exhibit and shall not be in discharge or substitution of same, and shall not be limited in any way by any limitations on the amount or type of damages.

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#### Schedule

In addition to complying with the requirements for Plans and Specifications generally (as set forth in this Exhibit "L"), the Tenant Work Plans shall comply with the following requirements:

1. Architectural drawings must include the following:
  - (a) Partition locations and types (including any slab-to-slab partitions or special acoustical treatment required);
  - (b) Door locations, door schedule, door frames and the swing of each door;
  - (c) Reflected ceiling plan;
  - (d) Millwork items;
  - (e) Hardware schedule;
  - (f) Finish schedule showing all finish types and locations; and
  - (g) Telephone rooms in addition to Base Building telephone closets.
2. Structural drawings must include the following:
  - (a) Location of any floor openings and stair drawings;
  - (b) Location and extent of any floor loading beyond building standard; and
  - (c) Any structural changes caused by Tenant's design (including raised flooring).
3. Electrical drawings must include the following:
  - (a) Location and extent of any special electric requirements caused by equipment such as computer hardware, copiers or supplemental A/C units (i.e., separate circuiting, coaxial cabling, etc.);
  - (b) Estimate of total electrical load on each floor;
  - (c) Location of all electrical outlets, switches, telephone outlets, exit signs, and lighting fixtures;
  - (d) Location of all computer equipment systems and special audio-visual equipment; and
  - (e) Location and type of all fire alarm system devices and wiring.
4. Heating, ventilating and air conditioning (HVAC) drawings must include the following:
  - (a) Location of any duct work, ceiling diffusers, and thermostats;
  - (b) Variable air volume (VAV) unit quantities and sizing information;
  - (c) Location and sizing of any supplemental HVAC equipment; and
  - (d) Estimate of total HVAC load on each floor.

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5. Plumbing drawings must include the following (if applicable):
  - (a) Location of kitchen, kitchenettes, etc.;
  - (b) Location of drinking fountains; and
  - (c) Location of sinks and toilets (other than base building).
6. Sprinkler and other fire suppression system drawings and specifications and design calculations.
7. Tenant security system must include:

- (a) A preliminary outline equipment brochure and riser diagram indicating all components (electrical power characteristics, voltages, and specific locations on plan);
- (b) All requirements for dedicated circuits;
- (c) All requirements for bonding and grounding;
- (d) All requirements for outside connections to the telephone company or a central protective alarm agency;
- (e) All emergency circuiting requirements; and
- (f) The type, sizes, quantities and location of all required cable and circuit.

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EXHIBIT "M"

SUBORDINATION, ATTORNMEN AND NON-DISTURBANCE AGREEMENT

THIS SUBORDINATION, NON-DISTURBANCE AND ATTORNMEN AGREEMENT (this "Agreement") is made and entered into this \_\_\_\_ day of \_\_\_\_\_, 19\_\_, by and among Teleport Communications Group Inc., a Delaware corporation ("Tenant"), with a mailing address of \_\_\_\_\_, and \_\_\_\_\_, a \_\_\_\_\_ corporation ("Mortgagee"), with a mailing address of \_\_\_\_\_ and South Brunswick Investors, L.P., a Delaware limited partnership ("Landlord") with a mailing address of \_\_\_\_\_.

W I T N E S S E T H:

WHEREAS, Landlord and Tenant have entered into a lease (the "Lease") dated \_\_\_\_\_ of certain premises (the "Premises") situate \_\_\_\_\_, erected on the tract of land described in Exhibit "A" attached hereto and made a part hereof; and

WHEREAS, Landlord is about to make, execute and deliver to Mortgagee a certain promissory note secured by a first lien Mortgage on the Premises (the "Mortgage"); and

WHEREAS, the Lease will be assigned by Landlord to Mortgagee as further security for the promissory note.

NOW, THEREFORE, in consideration of the mutual promises hereinafter contained and other good and valuable consideration, the receipt and sufficiency whereof are hereby acknowledged, Tenant and Mortgagee, intending to be legally bound hereby, covenant and agree as follows:

1. The Lease shall be subject and subordinate to the lien of the Mortgage and to all the terms, conditions and provisions thereof, and to any renewals, extensions, modifications or replacements thereof, to the full extent of the principal sum secured by the Mortgage, all interest accrued and from time to time unpaid thereon and any other amounts required to be paid by the terms of the Mortgage and the instruments secured thereby, unless Mortgagee elects to subordinate the mortgage to the Lease.

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2. Provided Tenant is not in default beyond the applicable grace period provided for in the Lease:

(a) Tenant shall not be joined as an adverse or party defendant in any action or proceeding which may be instituted or commenced by Mortgagee to foreclose or enforce the Mortgage, unless Tenant is deemed to be a necessary party.

(b) Tenant shall not be evicted from the Premises nor shall any of Tenant's rights under the Lease be affected or disturbed in any way by reason of this subordination or any modifications of or default under the Mortgage.

(c) Tenant's leasehold estate under the Lease shall not be terminated or disturbed during the term of the Lease as it may be extended, by reason of any default under the Mortgage.

(d) Provided Landlord is not in default under the terms of the Mortgage, Mortgagee hereby subordinates and subjects its right to any portion of the insurance proceeds otherwise payable to Landlord and/or Mortgagee, when and to the extent necessary for Landlord to comply with its obligations of repair and restoration as required by the provisions of the Lease.

(e) If Mortgagee or any successor in interest to it shall succeed to the rights of Landlord under the Lease, whether through possession, termination or cancellation of the Lease, surrender, assignment, judicial action, sublettings, foreclosure action or delivery of a deed or otherwise, Tenant will attorn to and recognize such successor-landlord as Tenant's landlord and the successor-landlord will accept such attornment and recognize Tenant's rights of possession and use of the Premises in accordance with the provisions of the Lease and, without further evidence of such attornment and acceptance, the parties shall be bound by and comply with all the terms, provisions, covenants and obligations contained in the Lease, on their respective parts to be performed. Such successor-landlord shall not, however, be:

(i) liable for any act or omission of Landlord or any prior landlord;

(ii) obligated to Tenant for any security deposit or other sums deposited with any prior landlord (including Landlord) under the Lease and not physically delivered to Mortgagee;

(iii) bound by any rent or additional rent which the Tenant might have paid for more than the current month to any prior landlord (including Landlord);

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(iv) bound by any amendment or modification of the Lease or any cancellation or surrender of the Lease made without the consent of Mortgagee subsequent to the date hereof;

(v) subject to any offsets, claims or defenses which Tenant might have against any prior landlord (including Landlord);

(vi) bound or liable under any written or oral notice given by Tenant to Landlord or any prior landlord; or

(vii) obligated or liable (financially or otherwise) on account of any representation, warranty, or indemnification obligation of Landlord with respect to hazardous materials, asbestos, or other environmental laws, claims or liabilities, whether expressly stated as such or subsumed within general obligations to comply with laws or preserve the benefits of Tenant's use and enjoyment of the Premises.

3. Tenant will not exercise any remedy set forth in the Lease by reason of a default by landlord thereunder unless and until Tenant has given Mortgagee written notice of the default at the same time Landlord is notified thereof, at Mortgagee's address stated on page one hereof or such other address designated in writing to Tenant, and has afforded Mortgagee such time as under the Lease is granted to Landlord to remedy the particular default.

4. Landlord and Tenant each agree not to amend, modify or accept a termination of the Lease without the prior written consent of the Mortgagee and that no such amendment, modification or termination will be effective as against Mortgagee or its successors or assigns without such consent.

5. (a) Tenant will not pay an installment of rent or any part thereof more than thirty (30) days prior to the due date of such installment.

(b) After notice from Mortgagee to Tenant, Tenant will pay to Mortgagee, or to such person or firm designated by Mortgagee, all rentals and other monies due and to become due to Landlord under the Lease.

6. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, distributees, administrators, legal representatives, successors and assigns and may not be modified orally or by any course of conduct other than except by a written instrument signed by both parties hereto.

7. All notices required or permitted by this Agreement shall be given by (i) hand delivery, (ii) U.S. Registered or Certified Mail, return receipt requested, or (iii) nationally reputable overnight courier service, and shall be addressed to the recipient at the

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respective address specified in the opening paragraph of this Agreement. No notice shall be effective unless and until actually received.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed under seal as of the day and year first above written.

TENANT:

TELEPORT COMMUNICATIONS GROUP INC.



\_\_\_\_\_  
By:  
Name:  
Title:

LANDLORD:  
  
SOUTH BRUNSWICK INVESTORS, L.P.

\_\_\_\_\_  
By:  
Name:  
Title:

MORTGAGEE:

\_\_\_\_\_  
By:  
Name:  
Title:

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-----  
Notary Form of Landlord  
-----  
Notary Form of Tenant  
-----  
Notary Form of Mortgagee

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AMENDMENT TO LEASE AGREEMENT

THIS AMENDMENT TO LEASE AGREEMENT dated as of the 1st day of September, 1996, by and between SOUTH BRUNSWICK INVESTORS, L.P., a Delaware limited partnership ("Landlord") and TELEPORT COMMUNICATIONS GROUP INC., a Delaware corporation ("Tenant").

Background

Pursuant to a lease dated February 20, 1996 by and between Tenant and Landlord (the "Lease"), Tenant leased from Landlord certain space in the buildings known as Building 2 and the UPS Building, located in the Princeton Technology Center, South Brunswick Township, Middlesex County, New Jersey (the "Premises").

Under the terms of the Lease, Landlord and Tenant each assumed responsibility for the construction of certain improvements to the Premises required before Tenant could take occupancy. The improvements were expected to be completed by June 30, 1996. Accordingly, the Lease was scheduled to commence on July 1, 1996. For reasons not the fault of either party, the improvements were not substantially completed until August 31, 1996. The Tenant was, therefore, unable to occupy the Premises until September 1, 1996.

Landlord and Tenant now desire to modify the Lease to reflect these facts.

NOW, THEREFORE, in consideration of the mutual covenants contained in this Amendment and intending to be legally bound hereby, Landlord and Tenant agree as follows:

1. In Section 2 of the Lease, the term "July 1, 1996" is hereby deleted and the following is substituted in lieu thereof: "September 1, 1996".

2. Except as expressly set forth herein, all terms and conditions of the Lease shall remain in full force and effect and are incorporated herein by reference. The parties ratify and confirm the Lease as amended by this Amendment. This Amendment shall be binding upon and inure to the benefit of the parties hereto and their successors and assigns.

3. This Amendment may be executed in counterpart with the same effect as if the signatures thereto and hereto were taken upon the same instrument, but all of such counterparts taken together shall be deemed to constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to Lease Agreement to be executed as of the day and year first above written.

LANDLORD:

SOUTH BRUNSWICK INVESTORS, L.P.,  
a Delaware limited partnership

By: South Brunswick Investment  
Company, L.L.C.

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

TENANT:

TELEPORT COMMUNICATIONS GROUP INC.

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

AGREEMENT OF LEASE

BETWEEN

SOUTH BRUNSWICK INVESTORS, L.P. (LANDLORD)

AND

TELEPORT COMMUNICATIONS GROUP INC. (TENANT)

DATED AUGUST 19, 1996

AGREEMENT OF LEASE

BETWEEN

SOUTH BRUNSWICK INVESTORS, L.P. (LANDLORD)

AND

TELEPORT COMMUNICATIONS GROUP INC. (TENANT)

DATED AUGUST 19, 1996

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AGREEMENT OF LEASE

THIS AGREEMENT OF LEASE ("Lease") is made this 19th day of August, 1996, by and between SOUTH BRUNSWICK INVESTORS, L.P., a Delaware limited partnership ("Landlord") and TELEPORT COMMUNICATIONS GROUP INC., a Delaware corporation ("Tenant").

Background

Pursuant to a lease dated February 20, 1996 by and between Tenant and Landlord (the "First Lease"), Tenant currently leases from Landlord certain space (the "First Space") containing 87,550 rentable square feet in buildings erected on certain property ("Lot #1") designated as Lot #1 on that certain subdivision plan entitled "Plan of Minor Subdivision" prepared by Ezra Golub Associates and recorded in the Clerk's Office of Middlesex County in Book 4300, page 868 (the "Plan"). Lot #1 comprises a portion of the Princeton Technology Center, formerly known as South Brunswick Corporate Center, located on Ridge Road, Dayton, New Jersey (the "Project").

Pursuant to a lease by and between Landlord and International Business Machines ("IBM") dated August 11, 1995 (the "IBM Lease"), IBM currently leases certain other space in the Project (the "IBM Space") containing 200,000 rentable square feet and located in buildings (the "Buildings") erected on certain property (the "Land") designated as Lot #2 on the Plan. The Buildings consist of one building containing 170,000 rentable square feet ("Building 1") and one building containing 30,000 rentable square feet

("Building 3"). The Land and Buildings are depicted on Exhibit "K" attached hereto and incorporated herein by reference. The IBM Lease expires on March 31, 2002 (the "Initial IBM Lease Term"). IBM has the option to extend the IBM Lease for either or both of the Buildings by five years.

Tenant desires to lease Building 3 for a period commencing on \_\_\_\_\_, 1996 and terminating on December 31, 2006, with options to extend. In connection therewith, IBM, Tenant and Landlord have agreed to enter into the following three agreements: (i) a sublease between IBM, as landlord, and Tenant, as tenant, for Building 3 for the remainder of the Initial IBM Lease Term (the "IBM Sublease"), (ii) an amendment to the IBM Lease, eliminating IBM's option to extend the IBM Lease for Building 3 at the expiration of the Initial IBM Lease Term, and (iii) this lease agreement between Tenant and Landlord, providing for Tenant's continued tenancy of Building 3 after expiration of the Initial IBM Lease Term, subject to the terms hereof.

Under the terms of the IBM Sublease, Tenant will be responsible for constructing certain improvements in Building 3. Landlord is willing to advance certain sums to Tenant for a portion of the cost of these improvements, and Tenant shall thereafter reimburse Landlord for such advances through a series of monthly payments commencing during the term of the IBM Sublease and continuing on during the terms of both the IBM Sublease and this Lease.

Intending to be legally bound, Landlord and Tenant agree as set forth below.

1. DEMISED PREMISES. Landlord, for the term and subject to the provisions and conditions hereof, leases to Tenant, and Tenant rents from Landlord, approximately 30,000 rentable square feet of space consisting of Building 3 (depicted in Exhibit "A" attached hereto and made a part hereof), together with rights of ingress and egress thereto, and with the right in common with others to use, to the extent applicable, the elevators and common lobbies, loading docks, passageways, stairways and vestibules, and to pass over and park on those areas designated by Landlord for tenant parking.

2. LEASE TERM. The Lease Term (the "Lease Term") shall commence on April 1, 2002 (the "Commencement Date") and shall continue until December 31, 2006, unless extended or sooner terminated as provided herein. Unless otherwise expressly set forth herein, all obligations of Landlord and Tenant hereunder shall commence on the Commencement Date.

3. FIXED RENT. Fixed rent (the "Fixed Rent") is payable by Tenant beginning on the Commencement Date in monthly installments equal to one-twelfth (1/12th) of the total annual Fixed Rent (the "Annual Fixed Rent") payable for the applicable period as set forth in Exhibit "B" attached hereto, without prior notice or demand, and without any setoff or deduction whatsoever, in advance, on the first day of each month at such place as Landlord may direct. The Annual Fixed Rent set forth herein is an annualized amount. In addition, if the Lease Term commences on a day other than the first day of a calendar month, Tenant shall pay to Landlord, on or before the Commencement Date of the Lease Term, a pro rata portion of the monthly installment of rent (including Fixed Rent and any Additional Rent, as hereinafter defined), such pro rata portion to be based on the actual number of calendar days remaining in such partial month after the Commencement Date of the Lease Term. If the Lease Term shall expire on other than the last day of a calendar month, such monthly installment of Fixed Rent and Additional Rent shall be prorated for each calendar day of such partial month. Upon the second occurrence and those thereafter within any six-month period during the Lease Term, if any portion of Fixed Rent, Additional Rent or any other sum payable to Landlord hereunder shall be due and unpaid for more than ten (10) days, Tenant shall pay to Landlord, without notice or demand, a late charge equal to 5% of such overdue amount to partially compensate Landlord for its administrative costs. Tenant acknowledges that such late fee is a reasonable approximation of such costs and does not constitute a penalty. In addition, all amounts overdue and unpaid in excess of ten (10) days after notice by Landlord that such amounts are overdue and unpaid shall bear interest at a rate equal to two percent (2%) per annum greater than the prime rate of interest as published in the Wall Street Journal, eastern edition, from time to time (the "Default Rate"), as the same may change from time to time, from the due date until the date of payment thereof by Tenant, provided, however, that nothing contained herein or elsewhere in this Lease shall be construed or implemented in such a manner as to allow Landlord to charge or receive interest in excess of the maximum legal rate then allowed by law. Landlord and Tenant understand and agree that memos written on rental checks or any other payment forms delivered to Landlord do not and shall not, throughout the Lease Term hereunder, constitute satisfaction of any current or outstanding debt of Tenant pursuant to this Lease, and, provided further that any such memo shall not preclude Landlord from recovering any balance of any sum or sums due under this Lease. In addition, a letter or similar type statement accompanying any rental check or payment form delivered to Landlord pursuant to this Lease also shall have no force or effect under this Lease as such may relate to the satisfaction of any debt of Tenant hereunder.

4. ADDITIONAL RENT. Tenant shall pay, without any setoff or deduction whatsoever, (i) the Tax Adjustment and the Operating Expense Adjustment, as such terms are defined in Exhibit "C" hereto, in the amounts and in the manner set forth in Exhibit "C", and (ii) the Tenant Improvement Payments, as such term is defined in Exhibit "L" hereto, in the amounts and in the manner set forth in Exhibit "L". The Tax Adjustment, the Operating Expense Adjustment, the Tenant Improvement Payments and all other sums due hereunder (other than Fixed Rent) are sometimes hereinafter referred to together as the Additional Rent.

5. USE OF BUILDING 3.

5.1. Subject to all other restrictions set forth in this Lease, the Tenant may use Building 3 only for the installation, operation and maintenance (including repair and replacement) of equipment and facilities in connection with Tenant's telecommunications business, executive and general office uses and any other legally permitted uses related thereto, and for no other purpose. For purposes of this Lease, the term "general office use" shall not include use as a school, college, university or educational institution of any type other than the training of Tenant's customers, agents and employees, use as a governmental agency, use for any purpose which is not consistent

with the operation of the Buildings as first-class office buildings, use as an employment, recruitment or temporary help service or agency, or any use involving regular traffic by the general public.

5.2. Tenant shall not use or permit any use of Building 3 which creates any safety or environmental hazard, or which would: (i) be dangerous to the Buildings or other tenants in the Buildings, (ii) be disturbing to other tenants of the Buildings, or (iii) cause any increase in the premium cost for any insurance which Landlord may then have in effect with respect to the Buildings generally, unless Tenant refuses to pay such additional costs.

5.3. This Lease includes the right of Tenant to use the Common Building Facilities. The words "Common Building Facilities" shall mean all of the facilities in or around Building 3 designed and intended for use by tenants of Building 3 in common with Landlord and other tenants of Building 3, if any, including corridors; elevators; fire stairs; telephone and electric closets; telephone trunk lines and electric risers; aisles; walkways; truck docks; plazas; the roof and parking areas dedicated for use by occupants of and visitors to the Buildings (the "Building Parking Area") to the extent not reserved for exclusive use by Landlord or others; courts; restrooms; service areas; lobbies; landscaped areas, and all other common and service areas of Building 3 intended for such use on the date hereof; excluding, however, restrooms, lobbies, corridors and telephone and electric closets on floors leased entirely by Tenant which shall be for the exclusive use of Tenant and shall not be used in common with other tenants or occupants of the Buildings.

5.4. (a) Tenant shall comply with all statutes, rules, ordinances, orders, codes and regulations, other governmental requirements and legal requirements and standards issued thereunder (collectively referred to in this Lease as the "Laws") which are applicable to Tenant's use and occupancy of Building 3. Nothing herein shall be deemed to impose any obligation upon Tenant for any portion of Building 3 for which Tenant is not otherwise responsible pursuant to the provisions of this Lease or for any restorations, alterations, replacements or repairs to the Buildings required to be made by Landlord pursuant to the provisions of this Lease.

(b) (i) Except as otherwise set forth herein, Landlord shall comply with all Laws which (1) affect the Buildings and Land or (2) relate to the performance by Landlord of any duties or obligations to be performed by Landlord under this Lease. Landlord represents that, except as otherwise set forth in Exhibit "H" and with regard to matters covered by the Americans with Disabilities Act, the Buildings and Land are in compliance with all applicable Laws as of the date of this Lease. Except as otherwise set forth in Exhibit "H", Landlord shall be responsible for ensuring that the Buildings and Land comply with all design, construction, energy conservation, environmental, fire, health, and safety Laws, provided, however, that Tenant shall be responsible for ensuring, at its sole cost, that the Tenant Work (as defined in Exhibit "L") and any other alterations, additions or improvements to the Buildings or on the Land constructed by Tenant (collectively with the Tenant Work, "Tenant Improvements") comply, at all times from the date hereof to the date of expiration of this Lease, with all design, construction, energy conservation, environmental, fire, health, and safety Laws and the requirements of Landlord's insurance underwriters.

(ii) All boilers and other pressure vessel equipment shall be constructed and maintained by Landlord in accordance with ASME Standards and Codes.

(iii) Landlord shall regularly inspect and maintain the HVAC system and treat the cooling tower with U.S. Environmental Protection Agency registered chemicals to prevent the buildup of slime, algae, and bacteria,

and shall follow the current practices of the American Society of Heating, Refrigeration and Air Conditioning Engineers.

6. COMPLETION OF BUILDING 3. Tenant agrees to accept possession of the Building 3 in an "AS IS" condition. Notwithstanding the foregoing, Landlord agrees that it shall promptly correct any latent defects in Building 3, other than those relating to Tenant Improvements, provided that such defects are reported to Landlord within nine months after the date hereof.

7. ALTERATIONS OR IMPROVEMENTS BY TENANT.

7.1. (a) Tenant shall not make any alterations, additions or improvements to Building 3 in excess of \$25,000 without the prior written approval of Landlord, and then only in accordance with plans and specifications previously approved in writing by Landlord, which approval shall not be unreasonably withheld or delayed, provided, however, that such approval may be subject to reasonable conditions including, without limitation, that Tenant be required to pay for any out-of-pocket cost to Landlord occasioned thereby. Notwithstanding the foregoing, Landlord agrees that Tenant shall be permitted, if necessary, to reinforce a portion of the floor(s) within Building 3 to support battery stacks and other equipment.

7.2. (a) Notwithstanding the foregoing, Tenant shall not alter, improve, replace or change the Structure except in accordance with this Section 7.2. Tenant may make alterations, improvements, replacements and other changes to the Structure, provided that Landlord consents thereto, which consent may be withheld at Landlord's reasonable discretion.

(b) If Tenant desires to make alterations, improvements, replacements or other changes to the Structure, Tenant shall make a request for Landlord's approval by submitting to Landlord a list of proposed contractors and detailed plans and specifications for the work to be performed. Landlord shall respond within ten (10) business days from receipt of the same, approving those contractors and those portions of the work that are acceptable and disapproving those contractors and portions of the work that are, in Landlord's reasonable judgment, unacceptable, and specifying in detail the nature of Landlord's objection.

(c) The word "Structure" shall mean bearing walls, roof, exterior walls, support beams, foundation, window frames, floor slabs and support columns of the Buildings.

7.3. Regardless of whether or not Tenant is required under this Lease to obtain Landlord's consent to the construction of a particular Tenant Improvement, Tenant shall, in all cases, prior to construction of the Tenant Improvement, provide Landlord, with (i) notice of its intent to construct such Tenant Improvement, and (ii) copies of all permits required to construct the Tenant Improvement. All Tenant Improvements shall be constructed in accordance with the requirements of all applicable laws, ordinances, regulations, codes and other requirements of governmental authorities and with the regulations of Landlord's insurance underwriter. In addition, all Tenant Improvements shall be constructed in a thorough, first-class and workmanlike manner and shall be in good and usable condition at the date of completion. At any time and from time to time during the construction of Tenant Improvements, Landlord, Landlord's architect and Landlord's general contractor may enter Building 3 and inspect the Tenant Improvements for the protection of Building 3. Such inspection shall, however, be for Landlord's benefit only and may not be relied upon by Tenant or any other party. When constructing any Tenant Improvements, Tenant shall comply with the requirements of Sections 7, 8, 9, 10, 11 and 12 of Exhibit "L" attached hereto.

7.4. Tenant Improvements shall be deemed part of Building 3 and shall not be removed by Tenant. Notwithstanding the foregoing, by notice to Tenant given at the time of approval, Landlord may require that Tenant either: (i) remove any such alterations, additions or improvements, repair any damage to Building 3 occasioned by their installation or removal, and restore Building 3 to substantially the same condition as existed prior to the time when any such alterations, additions or improvements were made, or (ii) reimburse Landlord for the cost of such removal, repair and restoration. With regard to any alterations, additions or improvements which Tenant is entitled to construct without Landlord consent, Tenant may, prior to constructing such alterations, additions or

improvements, request that Landlord inform Tenant whether it will require that such alterations, additions or improvements be removed and Landlord shall, with reasonable promptness, so inform Tenant.

7.5. As used in this Lease, the term "Tenant Improvements" shall not include Tenant's moveable personal property, trade fixtures and equipment (collectively, "Tenant's Owned Property"). Tenant's Owned Property shall be owned by and remain the property of Tenant and, subject to the provisions of

Section 15, Tenant may remove all or any of Tenant's Owned Property at any time during the Term. If Tenant removes such things or any of them, Tenant shall not be required to remove pipes, wires and the like from the walls, ceilings or floors, provided Tenant properly cuts, disconnects and caps such pipes and wires and seals them off as required by Laws and Landlord's insurance underwriters.

7.6. In the event of a dispute arising concerning the provisions of this Section 7, either party shall be permitted to submit such dispute to arbitration under the provisions of Section 31 hereof.

#### 8. COVENANTS OF LANDLORD.

8.1. Tenant shall be granted access to Building 3, including facilities for loading, unloading, delivery and pickup in the ordinary course of business, twenty-four (24) hours per day, seven (7) days a week. Landlord shall provide passenger elevator service twenty-four (24) hours a day, seven (7) days a week, subject to reasonable outages for repairs or maintenance.

8.2. Landlord will supply, for normal office use, heat or air conditioning Monday through Friday from 7:00 a.m. to 6:00 p.m., and Saturday from 8:00 a.m. to 1:00 p.m. local time excluding Holidays (as defined in Exhibit "J"), elevator service (where applicable), janitorial and cleaning services as set forth in Exhibit "E" hereto, electricity, and hot and cold potable water, all in amounts consistent with services provided in similar first-class buildings in the community, provided that: (i) Landlord shall not be liable for failure to supply or interruption of any such service by reason of any cause beyond Landlord's reasonable control and Landlord shall not be liable for consequential damages in any event; (ii) Landlord shall install meters to measure the electricity consumed in Building 3 and Tenant shall pay directly for the cost of all electrical consumption therein; (iii) if Tenant requires janitorial and cleaning services beyond those provided by Landlord, Tenant shall arrange for such additional services through Landlord, and Tenant shall pay Landlord for such additional services upon receipt of billing therefor; and (iv) if Tenant requires installation of a separate or supplementary heating, cooling, ventilating and/or air conditioning system Tenant shall pay all costs in connection with the furnishing, installation and operation thereof.

8.3. In the event that Tenant requires heat or air conditioning beyond the hours set forth in Section 8.2 above, Tenant shall so notify Landlord (i) before noon on the business day when such service is required for the evening or (ii) by noon of the preceding business day when such service is required on a Saturday, Sunday or Holiday, and Tenant shall pay Landlord for Landlord's actual costs incurred thereby, within thirty (30) days of being billed therefor. Any such bill shall include a tabulation of the days and hours upon which such services were provided.

8.4. Landlord shall make all necessary repairs to the exterior windows, walls and other structural parts of Building 3, the plumbing, heating, ventilating, air conditioning and electrical systems of Building 3, the roof of Building 3, the common areas of Building 3, and the parking areas, sidewalks and other common areas of the Land, and shall keep all such common areas reasonably free of debris, ice and snow. Notwithstanding the foregoing, Landlord shall not be obligated to make any such repair until the expiration of a reasonable period of time after Landlord becomes aware that such repair is needed. Furthermore, in no event shall Landlord be obligated to repair any damage caused by any act, omission or negligence of Tenant or any of its employees, agents, invitees, licensees, subtenants or contractors, or any defect or damage attributable to failure by Tenant or any of its employees, agents, invitees, licensees, subtenants or contractors to construct any Tenant Improvements in compliance with the terms of this Lease. Tenant shall reimburse Landlord for all costs and expenses of repairing and replacing all damage or injury to Building 3 caused by Tenant or any of its employees, agents, invitees, licensees, subtenants or contractors, or by all or any of them moving in or out of Building 3, or by installation or removal of furniture, fixtures or other property by all or any of them, or by the failure of all or any of them to construct any Tenant Improvements in compliance with the terms of this Lease. Such costs and expenses shall be payable as Additional Rent hereunder and shall be paid by Tenant within thirty (30) days after Tenant is billed therefor.

8.5. Tenant, upon paying the Annual Fixed Rent and all Additional Rent when due, and upon observing, keeping and performing when required all of the covenants, agreements and conditions of this Lease on Tenant's part to be observed, kept and performed, shall quietly have and enjoy Building 3 throughout the Lease Term without hindrance or molestation by Landlord or by anyone claiming in, through or under Landlord, subject, however, to the terms of this Lease.

8.6. (a) If, after notice by Tenant, Landlord fails or refuses to make any repairs, restoration, or replacements which it is required to make under Section 8 or elsewhere in this Lease (other than repairs following a casualty, which are covered in Section 12) within thirty (30) days, or if such repairs, restorations or replacements cannot reasonably be made within



thirty (30) days, if Landlord shall not commence such repairs within thirty (30) days and thereafter diligently pursue the same to completion, Tenant may declare an event of default and cure such default. Landlord shall reimburse Tenant for the cost of such cure within thirty (30) days after Landlord receives Tenant's invoice.

(b) In the event of a dispute arising concerning the provisions of this Section 8.6, either party shall be permitted to submit such dispute to arbitration under the provisions of Section 31 hereof.

8.7. If, by reason of an emergency, repairs, restoration, or replacements become necessary and by the provisions hereof are the responsibility of Landlord, Tenant may make such repairs, restoration or replacements which, in the opinion of Tenant, are necessary for the preservation of Building 3, or of the safety or health of the occupants in the Project, or of Tenant's Owned Property, or are required by the Laws; provided, however, that Tenant shall first make a reasonable effort to inform Landlord before making them.

#### 9. COVENANTS OF TENANT.

9.1. Except as otherwise set forth in Section 8.4 hereof, Tenant will, at Tenant's sole cost and expense, keep Building 3 and the fixtures and appurtenances therein in good order and repair at all times, reasonable wear and tear excepted. Notwithstanding the foregoing, Landlord may, upon thirty (30) days' written notice (except in case of emergency), but shall not be required to, perform all or any portion of Tenant's repair obligations as set forth above on Tenant's behalf. In such event, following the performance of such repairs by Landlord, Landlord shall charge Tenant the amount of the expense therefor. If Tenant fails to pay such amount within thirty (30) days following delivery of Landlord's invoice therefor, such amount shall thereafter bear interest at the Default Rate until the date of payment by Tenant. In the event Landlord does not elect to perform all or any portion of Tenant's repair obligations as set forth above and Tenant fails to make such repairs within thirty (30) days of the date such work becomes necessary, Landlord may, but shall not be required to, perform such work and charge the amount of the expense therefor, with interest accruing and payable thereon, all in accordance with Section 19 below;

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9.2. Tenant will comply with any covenants, easements and restrictions governing the Land or Buildings (including, but not limited to (i) that certain Declaration of Cross-Easements, Covenants and Restrictions of South Brunswick Corporate Center made by Landlord, dated October 9, 1995 and recorded in the Clerk's Office of Middlesex County in Deed Book 4304, page 745 and (ii) that certain Declaration of Certain Easements and Covenants of South Brunswick Corporate Center made by Landlord, dated October 9, 1995 and recorded in the Clerk's Office of Middlesex County in Deed Book 4304, page 773) and shall indemnify, defend and hold Landlord harmless from all consequences from Tenant's failure to do so;

9.3. Tenant will promptly notify Landlord of any damage to or defects in Building 3 of which it becomes aware, any notices of violation received by Tenant and any injuries to person or property which occur therein or claims relating thereto;

9.4. Tenant will not place within or bring into Building 3 any machinery or other personalty having a weight in excess of the design capacity of Building 3, such capacity on above-grade floors being 100 pounds per square foot, without the prior written consent of Landlord and without full compliance with all applicable building security measures;

9.5. Tenant will comply with the rules and regulations set forth in Exhibit "F" hereto and with all reasonable changes and additions thereto upon notice by Landlord to Tenant (such rules and regulations, together with all changes and additions thereto, being part of this Lease);

9.6. Tenant will comply with all reasonable recommendations of Landlord's or Tenant's insurance carriers relating to layout, use, storage of materials and maintenance of Building 3; and

9.7. Tenant further agrees to the following:

(a) As used in this Lease, the following terms shall have the following meanings:

(i) "Environmental Laws" shall mean all federal, state or local laws, regulations, rules, ordinances or administrative or judicial rulings relating to (A) releases or threatened releases of Hazardous Materials or materials containing Hazardous Materials, including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act or the New Jersey Spill Compensation and Control Act; (B) the manufacture, handling, transport, use, treatment, storage or disposal of

Hazardous Materials or materials containing Hazardous Materials (C) the transfer of industrial facilities, including, without limitation, ISRA; (D) storage tanks; or (E) otherwise relating to the environment or to the protection of human health.

(ii) "Hazardous Materials" shall mean all chemical, biological, organic, inorganic, infectious, toxic or hazardous pollutants, contaminants, chemicals, substances, materials or wastes of whatever kind or nature, whether liquid, solid or gaseous, including, without limitation, pollutants, contaminants, chemicals, substances, materials and wastes regulated under, defined, listed or included in any Environmental Laws. Hazardous Materials shall include, without limitation, asbestos, polychlorinated biphenyls, and petroleum products.

(iii) "Hazardous Materials Inventory" shall mean a comprehensive inventory of all Hazardous Materials used, generated, stored, treated or disposed of by Tenant at or about Building 3.

(iv) "ISRA" shall mean the New Jersey Industrial Site Recovery Act, N.J.S.A. 13:1K-6 et seq. and the regulations promulgated thereunder, as amended from time to time.

(v) "Losses" shall mean all liabilities, obligations, losses, damages, penalties, actions, judgment, lawsuits, costs, expenses, disbursements, orders or decrees, including, without limitation, attorneys' and consultants' fees and expenses.

(vi) "NJDEP" shall mean the New Jersey Department of Environmental Protection.

(b) Tenant shall not use Building 3 or the Land for the generation, use, manufacture, recycling, transportation, treatment, storage, handling, discharge or disposal of any Hazardous Materials; provided, however, that the foregoing shall not be deemed or construed to prohibit Tenant's possession or use of products containing Hazardous Materials so long as such products are commonly found in an office environment or non-manufacturing telecommunications business and are handled, stored, used and disposed of in compliance with all Environmental Laws. Furthermore, Tenant will not engage in any activity at Building 3 or the Land which poses a risk of damage to the environment or which would subject Tenant, Landlord, Building 3 or the Land to responsibility or liability under any Environmental Law.

(c) Tenant shall (i) comply with all Environmental Laws in connection with Tenant's use or occupancy of Building 3 and the Land; (ii) obtain, maintain in full force and effect, and comply with, all permits required under Environmental Laws; (iii) comply with all record keeping and reporting requirements imposed by Environmental Laws concerning the use, handling, treatment, storage, disposal or release of Hazardous Materials at Building 3 and the Land; (iv) report to Landlord any release or discharge of Hazardous Materials within two business days of such discharge or release; (v) provide to Landlord copies of all written reports concerning such discharge of Hazardous Materials that are required to be filed with Governmental Entities under Environmental Laws; (vi) maintain and annually update a Hazardous Materials Inventory with respect to Hazardous Materials used, generated, treated, stored or disposed of at Building 3 and the Land; and (vii) make available to Landlord for inspection and copying (at Landlord's expense), upon reasonable notice and at reasonable times, such Hazardous Materials Inventory and any other reports, inventories or other records required to be kept under Environmental Laws concerning the use, generation, treatment, storage, disposal or release of Hazardous Materials.

(d) In the event that Tenant's operations at Building 3 or the Land cause any part of Building 3 or the Land to be deemed an industrial establishment (as such term is defined by ISRA) and such Tenant takes any action that triggers the applicability of ISRA, Tenant shall: (i) take all steps necessary to achieve compliance with ISRA with respect to such transaction or event; (ii) pay all costs and fees associated with achieving compliance with ISRA in connection with such matter; and (iii) provide Landlord with copies of: (a) all correspondence with the NJDEP; (b) all field and laboratory data generated by or on behalf of Tenant; and (c) all reports, summaries proposals and recommendations submitted to the NJDEP in connection with such matter.

(e) Tenant does hereby agree to indemnify, defend and save harmless Landlord from any and all Losses resulting from any claim, demand, liability, obligation, right or cause of action, including but not limited to governmental action or other third party action, (collectively, "Claims"), that is asserted against or incurred by Landlord, Building 3 or the Land as a result of Tenant's breach of any representation, warranty, or covenant hereof; or arising out of the operations or activities or presence of Tenant or any assignee, sublessee, agent, or representative of Tenant at Building 3 or the Land; or arising from environmental conditions or violations at Building 3. including without limitation the presence of Hazardous Materials at, on, or under Building 3 or the discharge or release of Hazardous

Materials from Building 3, provided, however, that Tenant shall not be obligated to indemnify Landlord under this paragraph if (i) the Claim arises due to events or conditions which occurred prior to the date of this Lease or (ii) Tenant is not responsible for such Claim under Environmental Laws, except as consequence of any negligence or willful misconduct of Landlord.

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(f) Landlord does hereby agree to indemnify and save harmless Tenant from all Losses resulting from any Claims that are asserted against Tenant or Building 3 as a result of the presence of Hazardous Materials at Building 3 (i) deposited at Building 3 prior to the date of this Lease or (ii) for which Tenant is not responsible under Environmental Laws. To the best of Landlord's knowledge, Building 3 is in compliance with Environmental Laws as of the date hereof.

(g) The indemnities contained herein and the environmental representations, warranties and covenants of Landlord and Tenant shall survive termination of this Lease.

(h) Exhibit "H" contains a summary of certain environmental conditions on the Project concerning which IBM has certain remediation obligations pursuant to an agreement with Landlord and various agreements with NJDEP.

#### 10. ASSIGNMENT AND SUBLETTING.

10.1. Tenant shall not assign, pledge, mortgage or otherwise transfer or encumber this Lease, nor sublet all or any part of Building 3 or permit the same to be occupied or used by anyone other than Tenant or its employees, without Landlord's prior written consent, which consent shall not be unreasonably withheld or delayed. It will not be unreasonable for Landlord to withhold its consent if the financial responsibility or business of a proposed assignee or subtenant is unsatisfactory to Landlord, or if Landlord deems such business not to be consonant with that of other tenants in the Buildings.

10.2. Tenant's request for consent to any sublet or assignment shall be in writing and shall contain the name, address, and description of the business of the proposed assignee or subtenant, its most recent financial statement and other evidence of financial responsibility, its intended use of Building 3, and the terms and conditions of the proposed assignment or subletting. Within twenty (20) days from receipt of such request, Landlord shall either: (1) grant or refuse consent; or (2) if the request is for consent to a proposed assignment of this Lease, to terminate this Lease and the Lease Term effective as of the last day of the third month following the month in which the request was received.

10.3. Each assignee hereunder shall assume and be deemed to have assumed this Lease and shall be and remain liable jointly and severally with Tenant for all payments and for the due performance of all terms, covenants, conditions and provisions herein contained on Tenant's part to be observed and performed. No assignment shall be binding upon Landlord unless the assignee shall deliver to Landlord an instrument in form and substance satisfactory to Landlord containing a covenant of assumption by the assignee, but the failure or refusal of assignee to execute and deliver the same shall not release assignee from its liability as set forth herein. Any sublease or assignment document shall comply with the requirements of Section 5 of this Lease. Fifty percent (50%) of any profit or additional consideration or rent in excess of the Fixed Rent or Additional Rent payable by Tenant hereunder which is payable to Tenant as a result of any assignment or subletting (excluding any assignment or subletting to Related Parties (as defined hereafter)) after subtraction of Tenant's subleasing expenses, shall be paid to Landlord as Additional Rent when received by Tenant; provided that, in no event shall any rental paid for use of Tenant's Owned Property be payable to Landlord. Any such purported lease, sublease, license, concession or other agreement shall be absolutely void and ineffective as a conveyance of any right or interest in the possession, use or occupancy of any part of Building 3. Notwithstanding the foregoing, Tenant shall have the right to place the telecommunication equipment of other tenants and/or other of its customers in Building 3 and such placement shall not be deemed an assignment or sublease, provided, however, that except for a right of use, neither such placement nor any agreement between Tenant and any other tenant or customer with regard to such placement shall grant to any such tenant or customer any rights whatsoever in or to Building 3.

10.4. Any consent by Landlord hereunder shall not constitute a waiver of strict future compliance by Tenant with the provisions of this Section or a release of Tenant from the full performance by Tenant of any of the terms, covenants, provisions, or conditions in this Lease contained.

10.5. Notwithstanding any of the foregoing, Tenant may assign or sublet this Agreement, or any portion thereof, without Landlord's consent, to any entity (i) which controls, is controlled by or is under common control

with Tenant, (ii) resulting from the merger or consolidation with Tenant, or to any entity which acquires all of the assets of Tenant as a going concern or the assets of the business that is being conducted in Building 3, (iii) in which Tenant, or any entity affiliated with Tenant has at least a ten percent (10%) ownership interest, or (iv) which has entered into a management contract with Tenant or any entity in which Tenant, or any entity having at least a ten percent (10%) ownership interest in Tenant, has at least a ten percent (10%) ownership interest (collectively, "Related Parties"). Any such assignment or sublease shall not, in any way, affect or limit the liability of Tenant under the terms of this Agreement.

#### 11. EMINENT DOMAIN.

11.1. If the whole or more than fifty percent (50%) of Building 3 or the Land (or use or occupancy of Building 3) shall be taken or condemned by any governmental or quasi-governmental authority for any public or quasi-public use or purpose (including sale under threat of such a taking), or if the owner elects to convey title to the condemnor by a deed in lieu of condemnation, then this Lease shall cease and terminate on the earlier of (i) the date when title vests in such governmental or quasi-governmental authority or (ii) the date upon which such governmental or quasi-governmental authority takes possession. The Fixed Rent and Additional Rent shall be abated from and after such date.

11.2. If fifty percent (50%) or less of Building 3 or the Land shall be taken or condemned by any governmental or quasi-governmental authority for any public or quasi-public use or purpose (including sale under threat of such a taking), or if the owner elects to convey title to the condemnor by a deed in lieu of condemnation, and as a result thereof, in Tenant's reasonable judgment, Building 3 cannot be used for Tenant's permitted use as set forth herein, then this Lease shall cease and terminate on the earlier of (i) the date when title vests in such governmental or quasi-governmental authority or (ii) the date upon which such governmental or quasi-governmental authority takes possession. The Fixed Rent and Additional Rent shall be abated from and after such date.

11.3. If fifty percent (50%) or less of Building 3, or the Land shall be taken or condemned by any governmental or quasi-governmental authority for any public or quasi-public use or purpose (including sale under threat of such a taking), or if the owner elects to convey title to the condemnor by a deed in lieu of condemnation, and this Lease is not terminated as set forth in Section 11.2 above, the Fixed Rent and Tenant's Proportionate Share (as defined in Exhibit "C") shall be equitably adjusted from and after the earlier of (i) the date when title vests in such governmental or quasi-governmental authority or (ii) the date upon which such governmental or quasi-governmental authority takes possession. The Lease shall otherwise continue in full force and effect.

11.4. Tenant shall have no claim against Landlord for any portion of the amount that may be awarded as damages as a result of any governmental or quasi-governmental taking or condemnation (or sale under threat of such taking or condemnation) and all rights of Tenant or damages therefore are hereby assigned by Tenant to Landlord. The foregoing shall not, however, deprive Tenant of any separate award for moving expenses, dislocation damages or for any other award which would not reduce the award payable to Landlord.

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#### 12. CASUALTY DAMAGE.

12.1. In the event of damage to or destruction of Building 3 caused by fire or other casualty, or any such damage or destruction to the facilities necessary to provide services and normal access to Building 3 in accordance herewith, Landlord shall undertake to make repairs and restorations with reasonable diligence within two hundred forty (240) days of the casualty as hereinafter provided, unless this Lease has been terminated by Landlord or Tenant as hereinafter provided or unless any mortgagee which is entitled to receive casualty insurance proceeds fails to make available to Landlord a sufficient amount of such proceeds to cover the cost of such repairs and restoration. If (i) the damage is of such nature or extent that, in Landlord's reasonable judgment, more than two hundred forty (240) days would be required (with normal work crews and hours) to repair and restore the part of Building 3 which has been damaged, or (ii) Building 3 is so damaged that, in Landlord's reasonable judgment, it is uneconomical to restore or repair Building 3, as the case may be, or (iii) less than two (2) years then remain on the current Lease Term, Landlord shall so advise Tenant promptly, and either party, in the case described in clause (i) above, or Landlord, in the cases described in clauses (ii) or (iii) above, within thirty (30) days after any such damage or destruction, shall have the right to terminate this Lease by written notice to the other, as of the date specified in such notice, which termination date shall be no later than ten (10) days after the date of such notice. In the event that less than two (2) years remain on the current Lease Term and the damage is of such a nature or extent that, in Landlord's reasonable judgment, more than ninety (90) days would be required (with normal work crews) to repair and restore the part of

Building 3 which has been damaged, Tenant shall have the right to terminate this Lease by written notice to Landlord, as of the date specified in such notice, which termination date shall be no later than ten (10) days after the date of such notice.

12.2. In the event of fire or other casualty damage, provided this Lease is not terminated pursuant to the terms of this Section and is otherwise in full force and effect, and sufficient casualty insurance proceeds are available for application to such restoration or repair, Landlord shall proceed diligently to restore Building 3 to substantially its condition prior to the occurrence of the damage. Tenant shall be responsible for the repair or restoration of all of Tenant's Owned Property located in, at or about Building 3, subject to Section 7 and such other conditions as Landlord may require.

12.3. The validity and effect of this Lease shall not be impaired in any way by the failure of Landlord to complete repairs and restoration of Building 3 or of the Buildings within two hundred forty (240) days after commencement of the work, even if Landlord had in good faith notified Tenant that the repair and restoration could be completed within such period, provided that Landlord proceeds diligently with such repair and restoration and completes such repair and restoration within two hundred seventy (270) days after commencement of the work. In the event the work is not completed within such two hundred seventy (270) day period, Tenant shall have the right, by notice given within fifteen (15) days after the expiration of such two hundred seventy (270) day period, to terminate the Lease. In the case of damage to Building 3 which is of a nature or extent that Tenant's continued occupancy is in the judgment of Landlord substantially impaired, then the Annual Fixed Rent payable by Tenant hereunder and Tenant's Proportionate Share shall be equitably abated or adjusted for the duration of such impairment.

### 13. INSURANCE; INDEMNIFICATION OF LANDLORD; WAIVER OF SUBROGATION.

13.1. Tenant covenants and agrees to exonerate, indemnify, defend, protect and save Landlord, its representatives and Landlord's managing agent, if any, harmless from and against any and all claims, demands, expenses, losses, suits and damages as may be occasioned by reason of (i) any accident or matter occurring at or about Building 3, causing injury to persons or damage to property (including, without limitation, Building 3), unless such accident or other matter resulted from the negligence or otherwise tortious act of Landlord or Landlord's agents or employees, (ii) the failure of Tenant fully and faithfully to perform the obligations and observe the conditions of this Lease, and (iii) the negligence or otherwise tortious act of Tenant or anyone in or about the Project on behalf of or at the invitation or right of Tenant. Tenant shall maintain in full force and effect, at its own expense, comprehensive general liability insurance (including a contractual liability and fire legal liability insurance endorsement) naming as an additional insured Landlord and Landlord's managing agent, if any, against claims for bodily injury, death or property damage in amounts not less than \$2,000,000.00 (or such higher limits as may be determined by Landlord from time to time) and business interruption insurance in an amount sufficient to reimburse Tenant for loss of earnings attributable to prevention of access to Building 3 for a period of at least twelve (12) months. All policies shall be issued by companies having a Best's financial rating of A or better and a size class rating of XII (12) or larger or otherwise acceptable to Landlord. At or prior to the Commencement Date, Tenant shall deposit certificates of such insurance with Landlord and shall deposit with Landlord renewals thereof at least fifteen (15) days prior to the expiration thereof. Such policy or policies of insurance or certificates thereof shall have attached thereto an endorsement that such policy shall not be canceled without at least thirty (30) days prior written notice to Landlord and Landlord's managing agent, if any, that no act or omission of Tenant shall invalidate the interest of Landlord under such insurance and expressly waiving all rights of subrogation as set forth below. At Landlord's request, Tenant shall provide Landlord with a letter from an authorized representative of its insurance carrier stating that Tenant's current and effective insurance coverage complies with the requirements contained herein. Any insurance required of Tenant hereunder may be furnished by Tenant under a blanket policy carried by it, provided that such blanket policy shall contain an endorsement that names Landlord as an additional insured, specifically references Building 3, and guarantees a minimum limit available for Building 3 equal to or greater than the insurance amounts required under this Section. Each policy evidencing the insurance to be carried by Tenant hereunder shall contain a clause that such policy and the coverage evidenced thereby shall be primary with respect to any policies carried by Landlord, and that any coverage carried by Landlord shall be excess insurance.

13.2. Landlord and Tenant hereby release the other from any and all liability or responsibility to the other or anyone claiming through or under them by way of subrogation or otherwise for any loss or damage to property covered by insurance then in force, even if any such fire or other casualty occurrence shall have been caused by the fault or negligence of the other party, or anyone for whom such party may be responsible. This release shall be applicable and in full force and effect, however, only to the extent of

and with respect to any loss or damage occurring during such time as the policy or policies of insurance covering such loss shall contain a clause or endorsement to the effect that this release shall not adversely affect or impair such insurance or prejudice the right of the insured to recover thereunder. To the extent available, Landlord and Tenant further agree to provide such endorsements for such insurance policies agreeing to the waiver of subrogation as required herein.

#### 14. INSPECTION; ACCESS; CHANGES IN BUILDING FACILITIES.

14.1. Upon reasonable notice and at reasonable times, accompanied by Tenant's employee or agent, Landlord and its agents or other representatives shall be permitted to enter Building 3 (i) to examine, inspect and protect Building 3, (ii) during the last nine (9) months of the Lease Term, or prior thereto if Tenant vacates Building 3, to show Building 3 to prospective tenants and to affix to any suitable part of Building 3 a notice for letting Building 3, or (iii) to show Building 3 to prospective purchasers, lenders and other interested parties and to affix to any suitable part of Building 3 a notice for sale of Building 3. Notwithstanding the foregoing, notice of entry shall not be required in the event of an emergency.

14.2. Upon reasonable notice and at reasonable times, accompanied by Tenant's employee or agent, Landlord shall have access to and use of all areas in Building 3 (including exterior building walls, core corridor walls and doors and any core corridor entrances), any roofs, and any space used for shafts, stacks, pipes, conduits, fan rooms, ducts, electric or other utilities, sinks or other facilities, as well as access to and through Building 3 for the purpose of operation, maintenance, decoration and repair, provided, however,

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that except in emergencies such access shall not be exercised so as to interfere unreasonably with Tenant's use of Building 3. Tenant shall permit Landlord to install, use and maintain pipes, ducts and conduits in and through Building 3, provided that the installation work is performed at such times and by such methods as will not materially interfere with Tenant's use of Building 3, materially reduce the floor area thereof or materially and adversely affect Tenant's layout. Landlord and Tenant shall cooperate with each other in the location of Landlord's and Tenant's facilities requiring such access.

14.3. Landlord reserves the right at any time upon ten (10) days' prior notice, without incurring any liability to Tenant therefor, to make such changes in or to the interior and exterior of Building 3 and the fixtures and equipment thereof, as well as in or to the entrances, halls, foyers, passages, doors, doorways, corridors, elevators, if any, stairways, bathrooms and other public parts thereof, and to the Land and any other improvements thereon, as Landlord may deem necessary or desirable; provided that there shall be no change that materially detracts from the character or quality of Building 3 or, in Tenant's reasonable judgment, materially and adversely affects Tenant's use and enjoyment of Building 3 and other rights granted pursuant to this Lease.

14.4. In the event of a dispute arising concerning the provisions of this Section 14, either party shall be permitted to submit such dispute to arbitration under the provisions of Section 31 hereof.

#### 15. DEFAULT.

15.1. Any other provisions in this Lease notwithstanding, it shall be an event of default ("Event of Default") under this Lease if, during the Term: (i) Tenant fails to pay any installment of Fixed Rent, Additional Rent or other sum payable by Tenant hereunder when due and such failure continues for a period of ten (10) days after written notice from Landlord of such failure, or (ii) Tenant fails to observe or perform any other covenant or agreement of Tenant herein contained and such failure continues after written notice given by or on behalf of Landlord to Tenant for more than 30 days, or (iii) Tenant uses or occupies Building 3 other than as permitted hereunder, or (iv) Tenant assigns or sublets, or purports to assign or sublet, Building 3 or any part thereof other than in the manner and upon the conditions set forth herein, or (v) Tenant abandons or vacates Building 3 without paying rent. The notice and grace period provisions in clauses (i) and (ii) above shall have no application to the Events of Default referred to in clauses (iii) through (v) above.

15.2. It shall also be an Event of Default if, during the period from the date hereof to the Commencement Date: (i) Tenant fails to pay any installment of the Tenant Improvement Payments or other sum payable by Tenant hereunder when due and such failure continues for a period of ten (10) days after written notice from Landlord of such failure, or (ii) Tenant fails to observe or perform any other covenant or agreement of Tenant herein contained which Tenant is required to observe or perform prior to the Commencement Date, and such failure continues after written notice given by or on behalf

of Landlord to Tenant for more than 30 days, or (iii) Tenant fails to pay any installment of Fixed Rent, Additional Rent or other sum payable by Tenant under the IBM Sublease when due, and such failure continues beyond any applicable grace period (and the IBM Sublease or Tenant's right of possession under the IBM Sublease is terminated as a result thereof), or (iv) Tenant uses or occupies Building 3 other than as permitted under the IBM Sublease (and the IBM Sublease or Tenant's right of possession under the IBM Sublease is terminated as a result thereof), or (v) Tenant assigns or sublets, or purports to assign or sublet, Building 3 or any part thereof other than in the manner and upon the conditions set forth herein or in the IBM Sublease (and the IBM Sublease or Tenant's right of possession under the IBM Sublease is terminated as a result thereof). The notice and grace period provisions in clauses (i) and (ii) above shall have no application to the Events of Default referred to in clauses (iii) through (v) above.

15.3. It shall also be an Event of Default if, at any time from and after the date hereof: (i) Tenant files a petition commencing a voluntary case, or has filed against it a petition commencing an involuntary case, under the Federal Bankruptcy Code (Title 11 of the United States Code), as now or hereafter in effect, or under any similar law, or files or has filed against it a petition or answer in bankruptcy or for reorganization or for an arrangement pursuant to any state bankruptcy law or any similar state law, and, in the case of any such involuntary action, such action shall not be dismissed, discharged or denied within sixty (60) days after the filing thereof, or Tenant consents or acquiesces in the filing thereof, or (ii) if Tenant is a banking organization, Tenant files an application for protection, voluntary liquidation or dissolution applicable to banking organizations, or (iii) a custodian, receiver, trustee or liquidator of Tenant or of all or substantially all of Tenant's property or of Building 3 shall be appointed in any proceedings brought by or against Tenant and, in the latter case, such entity shall not be discharged within sixty (60) days after such appointment or Tenant consents to or acquiesces in such appointment, or (iv) Tenant shall generally not pay Tenant's debts as such debts become due, or shall make an assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due. The notice and grace period provisions in Sections 15.1 (i) and (ii) and 15.2 (i) and (ii) above shall have no application to the Events of Default referred to this Section 15.3.

#### 16. LANDLORD'S REMEDIES.

16.1. Upon the occurrence of any Event of Default, Landlord at any time thereafter may at its option exercise any one or more of the following remedies:

(a) Landlord may terminate this Lease, by written notice to Tenant, without any right by Tenant to reinstate its rights by payment of rent due or other performance of the terms and conditions hereof. Upon such termination Tenant shall immediately surrender possession of Building 3 to Landlord, and Landlord shall immediately become entitled to receive from Tenant an amount equal to the aggregate of all unpaid Fixed Rent and Additional Rent (which Additional Rent shall be fixed at the level of the last complete Operating Year prior to such termination) reserved under this Lease through the end of the Term, determined as of the date of such termination.

(b) Landlord may, at Landlord's option, with or without terminating this Lease, enter upon Building 3 and remove any and all persons therefrom and take and retain possession thereof by any means available to Landlord, including summary dispossess proceedings.

(c) If Landlord elects to terminate Tenant's right to possession only, without terminating the Lease, Landlord may, at the Landlord's option, enter into Building 3, remove Tenant's signs and other evidences of tenancy, and take and hold possession thereof as hereinabove provided, without such entry and possession terminating the Lease or releasing Tenant, in whole or in part, from Tenant's obligations to pay the rent hereunder or for any other of its obligations under this Lease. Landlord may, but will not be under obligation to, relet all or any part of Building 3 in any manner, for any term, for such rent and upon terms satisfactory to Landlord and may decorate or make any repairs, changes, alterations or additions in or to Building 3 that may be necessary or convenient. If Landlord does not relet Building 3, Tenant will pay the Landlord on demand all unpaid amounts due from Tenant to Landlord under this Lease through the end of the Term. If Building 3 is relet, Tenant shall pay any excess of the rent over the actual proceeds of such reletting, net of all expenses, including repairs or construction costs and leasing commissions. If Building 3 is at the time of any Event of Default sublet or leased by Tenant to others, Landlord may collect rents due from any subtenant or other tenant and apply such rents to the rent and other amounts due hereunder without in any way affecting Tenant's obligation to Landlord hereunder.

(d) Landlord may declare all unpaid Fixed Rent and all items of Additional Rent (the amount thereof to be based on historical amounts and Landlord's estimates for future amounts) through the end of the Term

immediately due and payable, together with all other charges, payments, costs, and expenses payable by Tenant as though such amounts were payable in advance on the date the Event of Default occurred.

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(e) Landlord may remove all persons and property from Building 3, and store such property in a public warehouse or elsewhere at the cost of and for the account of Tenant, upon service of notice or resort to legal process and without being deemed guilty of trespass or becoming liable for any loss or damage which may be occasioned thereby.

16.2. No expiration or termination of this Lease by operation of law or otherwise (except as expressly provided herein), and no repossession of Building 3 or any part thereof shall relieve Tenant of its liabilities and obligations hereunder, all of which shall survive such expiration, termination or repossession, and Landlord may, at its option, sue for and collect all rent and other charges due hereunder at any time as and when such charges accrue.

16.3. In the event of breach or threatened breach by Tenant of any provision of this Lease, Landlord shall have the right of injunction and the right to invoke any remedy allowed at law or in equity in addition to other remedies provided for herein.

16.4. Tenant hereby expressly waives any and all rights of redemption granted by or under any present or future law in the event this Lease is terminated, or in the event of Landlord obtaining possession of Building 3, or in the event Tenant is evicted or dispossessed for any cause, by reason of violation by Tenant of any of the provisions of this Lease.

16.5. No right or remedy herein conferred upon or reserved to Landlord is intended to be exclusive of any other right or remedy herein or by law provided, but each shall be cumulative and in addition to every other right or remedy given herein or now or hereafter existing at law or in equity or by statute.

16.6. In the event that Landlord commences suit for the repossession of Building 3, for the recovery of rent or any other amount due under the provisions of this Lease, or because of the breach of any other covenant herein contained on the part of Tenant to be kept or performed, Tenant shall, if Landlord shall prevail in such suit, pay to Landlord all reasonable expenses incurred in connection therewith, including reasonable attorneys' fees.

17. LANDLORD'S RIGHT TO CURE TENANT'S DEFAULT. If Tenant defaults in the making of any payment or in the doing of any act herein required to be made or done by Tenant (including expiration of any applicable cure periods), then Landlord may, but shall not be required to, make such payment or do such act, and charge the amount of Landlord's expense, with interest accruing and payable thereon at the Default Rate as of the date of the expenditure by Landlord or as of the date of payment thereof by Tenant, whichever is higher, from the date paid or incurred by Landlord to the date of payment thereof by Tenant. Such payment and interest shall constitute Additional Rent hereunder due and payable with the next monthly installment of Fixed Rent, but the making of such payment or the taking of such action by Landlord shall not operate to cure such default by Tenant or to estop Landlord from the pursuit of any remedy to which Landlord would otherwise be entitled.

18. TENANT'S REMEDIES. In the event of breach or threatened breach by Landlord of any provision of this Lease, Tenant shall have the right of injunction and the right to invoke any remedy allowed at law or in equity in addition to other remedies provided for herein.

19. ESTOPPEL CERTIFICATE. Tenant shall, at any time and from time to time, at the request of Landlord, upon ten (10) business days notice, execute and deliver to Landlord a certificate in the form of Exhibit "G" attached hereto or some other reasonable form supplied by Landlord, it being intended that any such certificate delivered pursuant hereto may be relied upon by others with whom Landlord may be dealing.

20. HOLDING OVER. If Tenant retains possession of Building 3 or any part thereof after the termination of this Lease by expiration of the Lease Term or otherwise, in the absence of any written agreement between Landlord and Tenant concerning any such continuance of the Lease Term, Tenant shall pay Landlord (i) an amount, calculated on a per diem basis for each day of such unlawful retention, equal to the greater of (a) 150% the Annual Fixed Rent in effect immediately prior to the expiration or earlier termination of the Lease Term, or (b) the market rental for Building 3, as determined by Landlord, for the time Tenant thus remains in possession, plus, in each case, all Additional Rent and other sums payable hereunder. Without limiting any rights and remedies of Landlord resulting by reason of the wrongful holding over by Tenant, or creating any right in Tenant to continue in possession of Building 3, all Tenant's obligations with respect to the use, occupancy and



maintenance of Building 3 shall continue during such period of unlawful retention.

21. SURRENDER OF BUILDING 3. Tenant shall, at the expiration or earlier termination of this Lease, promptly surrender Building 3 in good order and condition and in conformity with the applicable provisions of this Lease, excepting only reasonable wear and tear and casualty. Any of Tenant's Owned Property which shall remain in Building 3 after the expiration or earlier termination of this Lease shall be deemed to have been abandoned and either may be retained by Landlord as Landlord's property or may be disposed of in such manner as Landlord may see fit, provided that, notwithstanding the foregoing, Tenant shall, upon request of Landlord made prior to or within a reasonable period after the expiration or earlier termination of this Lease, promptly remove from Building 3 any such Tenant's Owned Property at Tenant's sole cost and expense. Should Tenant fail to do so, Landlord may do so, and the cost and expense thereof, together with interest at the Default Rate from the date such costs and expenses are incurred by Landlord, shall be paid by Tenant to Landlord as "Additional Rent" within fifteen (15) days after Tenant is billed therefor. If such Tenant's Owned Property or any part thereof shall be sold by Landlord, Landlord may receive and retain the proceeds of such sale as Landlord's property.

22. SUBORDINATION, ATTORMENT AND NONDISTURBANCE.

22.1. This Lease and the estate, interest and rights hereby created are subordinate to any mortgage now or hereafter placed upon Building 3 or the Land or any estate or interest therein, including, without limitation, any mortgage on any leasehold estate, and to all renewals, modifications, consolidations, replacements and extensions of same as well as any substitutions therefor. Tenant agrees that in the event any person, firm, corporation or other entity acquires the right to possession of Building 3 or the Land, including any mortgagee or holder of any estate or interest having priority over this Lease, Tenant shall, if requested by such person, firm, corporation or other entity, attorn to and become the tenant of such person, firm, corporation or other entity, upon the same terms and conditions as are set forth herein for the balance of the Lease Term. Notwithstanding the foregoing, any mortgagee may, at any time, subordinate its mortgage to this Lease, without Tenant's consent, by notice in writing to Tenant, and thereupon this Lease shall be deemed prior to such mortgage without regard to their respective dates of execution and delivery, and in that event, such mortgagee shall have the same rights with respect to this Lease as though it had been executed prior to the execution and delivery of the mortgage. Tenant, if requested by Landlord, shall execute such instruments in recordable form as may reasonably be required by Landlord in order to confirm or effect the subordination or priority of this Lease, as the case may be, and the attornment of Tenant to future landlords in accordance with the terms of this Section.

22.2. With respect to any existing lease, estate, interest and/or mortgage, no later than the date sixty (60) days after Tenant executes and delivers this Lease, and with respect to any future lease, estate and/or mortgage, on or before the effective date thereof, Landlord shall obtain from its lessor and/or mortgagee, as the case may be, a written agreement with Tenant in a form substantially in conformity with the form attached hereto as Exhibit "M", which agreement shall be binding on their respective legal representatives, successors and assigns and shall provide, among other provisions, that so long as this Lease shall be in full force and effect (a) Tenant shall not be joined as a defendant in any proceeding which may be instituted to terminate or enforce the lease or to foreclose or enforce the

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mortgage, and (b) Tenant's possession and use of Building 3 in accordance with the provisions of this Lease shall not be affected or disturbed by reason of the subordination to or any modification of or default under the ground or underlying lease or mortgage. If such lessor and/or mortgagee or any successor -in-interest shall succeed to the rights of Landlord under this Lease, whether through possession, surrender, assignment, subletting, judicial or foreclosure action, or delivery of a deed or otherwise, Tenant will attorn to and recognize such successor-landlord as Tenant's landlord and the successor-landlord will accept such attornment and recognize Tenant's rights of possession and use of Building 3 in accordance with the provisions of this Lease. This clause shall be self-operative and no further instrument of attornment or recognition shall be required.

23. BROKERS. The parties agree that Buschman/Jackson-Cross, Inc. (the "Broker") and Cushman and Wakefield, Inc. (the "Cooperating Broker") are the real estate broker and cooperating broker, respectively, who have brought the parties together in connection with the transactions contemplated hereby and that Landlord shall be responsible for all brokerage commissions to be paid to Broker and Cooperating Broker on the terms and conditions set forth in a separate agreement between Landlord and Broker. Each party represents and warrants to the other that he, she or they have not made any agreement or taken any action which may cause anyone (other than Broker or Cooperating

Broker) to become entitled to a commission as a result of the transactions contemplated by this Lease, and each will indemnify and defend the other from any and all claims, actual or threatened, for compensation by any such third person (other than Broker or Cooperating Broker) by reason of such party's breach of his, her or their representation or warranty contained in this Section.

24. NOTICES. All notices or other communications hereunder shall be in writing and shall be sent to the address of the party for whom such notice is intended as set forth below (or to such other address as a party may hereafter designate for itself by notice to the other party as required hereby). Any such notice or communication shall be sufficient if sent by registered or certified mail, return receipt requested, postage prepaid, by prepaid overnight delivery service, or by hand delivery. Any such notice or communication shall be deemed to have been given: if hand delivered, then when delivered or when such delivery is refused; if sent by an overnight delivery service, then on the day following the day deposited with such service; or if sent by registered or certified mail, then on the third business day following the date deposited in the United States mails. All notices and communications to Tenant may also be given by leaving same at Building 3 during the hours set forth in Section 8 hereof.

24.1. If to Landlord:

South Brunswick Investors, L.P.  
c/o South Brunswick Investment Company, L.L.C.  
Suite 1105, One Logan Square  
Philadelphia, PA 19103  
Attention: Clay W. Hamlin, III

With a required copy to:

Saul, Ewing, Remick & Saul  
3800 Centre Square West  
Philadelphia, PA 19102  
Attention: F. Michael Wysocki, Esquire

Notice to mortgagees: All notices by Tenant to Landlord relating to any default by Landlord under this Lease must also be given by Tenant to the holders of any mortgage on the Land and/or Building 3 of which Tenant has notice.

24.2. If to Tenant:

Teleport Communications Group Inc.  
One Teleport Drive  
Staten Island, NY 10311  
Attention: General Counsel

With a required copy to:

Teleport Communications Group Inc.  
One Teleport Drive  
Staten Island, NY 10311  
Attention: S.V.P. Engineering

Teleport Communications Group Inc.  
One Teleport Drive  
Staten Island, NY 10311  
Attention: Controller

25. [INTENTIONALLY OMITTED]

26. [INTENTIONALLY OMITTED]

27. [INTENTIONALLY OMITTED]

28. RENEWAL TERMS. Tenant shall have the option to extend the term of this Lease for Building 3 for two consecutive five-year terms (each a "Renewal Term"), on the same terms and conditions as set forth herein except that (i) Tenant shall be entitled to a Tenant Allowance at the commencement of each Renewal Term equal to Ten Dollars (\$10) per square foot included in Building 3, and (ii) Tenant shall not be entitled to any further Renewal Terms after the second Renewal Term. The Annual Fixed Rent during each Renewal Term is set forth in Exhibit "B" hereto. Each option to extend shall be exercised by written notice to Landlord given at least 270 days prior to the then-current expiration date for the Term. Notwithstanding anything herein to the contrary, the term shall not be extended if Tenant is in default under the terms of this Lease on the date which is 270 days prior to the commencement of a Renewal Term. As used in this Lease, the word "Term" and the words "term of this Lease" shall mean the initial Lease Term, any extensions pursuant to Section 27 and any Renewal Terms which may become effective.

29. SIGNS.

29.1. So long as Tenant shall lease Building 3, it shall have the right, upon Landlord's approval, to (1) name Building 3, and (2) design and designate the location of signs naming Building 3, including such locations on the facade of Building 3, and (3) install such signs.

29.2. Neither Tenant nor Landlord shall install or permit installation of any signs, sculptures and/or graphics which adversely reflect on the dignity or character of the Project as a first-class office Project.

30. PARKING.

30.1. (a) Landlord shall, at its expense, provide Tenant with 99 self-parking spaces within the Building Parking Area and Visitors Parking Area (collectively, the "Parking Areas") for Tenant's use. The Parking Areas are shown on Exhibit "K". The Parking Areas shall be available for use twenty-four (24) hours a day, every day of the year during the term of this Lease and shall be illuminated when necessary to maintain a safe environment. Further, Landlord shall, at its expense, keep and maintain the Parking Areas in a clean, safe and first-class condition.

(b) If Tenant, its employees, licensees or guests are not able to use the Parking Areas and access ways thereto because of unauthorized use thereof by others, Landlord shall take whatever steps are necessary to end and prevent further unauthorized use including, if appropriate, posting signs, distributing parking stickers and towing away unauthorized vehicles.

30.2. Landlord shall reserve (as a component of the spaces allocated to Tenant pursuant to Section 29.1) at least three (3) parking spaces in the Visitors Parking Area, for use by invitees of Tenant. These parking spaces shall be designated for transient use, and Landlord shall take reasonable steps to see that these parking spaces are available for such use at all times.

31. ARBITRATION.

31.1. If arbitration is agreed upon hereunder as a dispute resolution procedure, the arbitration shall be conducted as provided in this Section. All proceedings shall be conducted according to the Commercial Arbitration Rules of the American Arbitration Association, except as hereinafter provided. No action at law or in equity in connection with any such dispute shall be brought until arbitration hereunder shall have been waived, either expressly or pursuant to this Section. The judgment upon the award rendered in any arbitration hereunder shall be final and binding on both parties hereto and may be entered in any court having jurisdiction thereof.

31.2. During an arbitration proceeding pursuant to this Section, the parties shall continue to perform and discharge all of their respective obligations under this Lease, except as otherwise provided in this Lease.

31.3. All disputes that may be arbitrated in accordance with this Lease shall be raised by notice to the other party, which notice shall state with particularity the nature of the dispute and the demand for relief, making specific reference by section number and title of the provisions of this Lease alleged to have given rise to the dispute. The notice shall also refer to this Section and shall state whether or not the party giving the notice demands arbitration under this Section. If no such demand is contained in the notice, the other party against whom relief is sought shall have the right to demand arbitration under this Section within five (5) business days after such notice is received. Unless one of the parties demands arbitration, the provisions of this Section shall be deemed to have been waived with respect to the dispute in question.

31.4. Tenant and Landlord shall mutually and promptly select one person who has demonstrated at least ten year's experience in commercial real estate matters and, in particular, the subject matter of the dispute, to act as arbitrator hereunder. If a selection is not made within thirty (30) days after a demand for arbitration is made, upon the request of either party the arbitrator shall be appointed by The American Arbitration Association. The arbitration proceedings shall take place at a mutually acceptable location in New Jersey.

31.5. When resolving any dispute, the arbitrator shall apply the pertinent provisions of this Lease without departure therefrom in any respect. The arbitrator shall not have the power to change any of the provisions of this Lease, but this Section shall not prevent in any appropriate case the interpretation, construction and determination by the arbitrator of the applicable provisions of this Lease to the extent necessary in applying the same to the matters to be determined by arbitration. The arbitrator shall limit his deliberations to the following issues only and no others:

- (i) resolution of those disputes expressly agreed in this Lease to be subject to submission to arbitration, and
- (ii) whether an item included in Landlord Statement as Operating Expenses or Real Estate Taxes is properly includable pursuant to Exhibit "C".

32. ADDITIONAL RIGHTS OF TENANT.

32.1. So long as Tenant shall lease space on the Project under either this Lease, the First Lease, or any lease executed hereafter, Tenant shall be permitted to install and maintain a generator on the existing pad on the Land, in the location depicted on Exhibit "K". Tenant shall repair any damage to the pad site which results from the installation or maintenance of such generator. Tenant shall during such period also have exclusive use of an existing fuel tank, located in the location on the Land depicted on Exhibit "K". Tenant shall maintain the fuel tank and keep it in good repair and condition.

32.2. Tenant may install a generator plug on the outside wall of Building 3 to accommodate a mobile generator.

32.3. Tenant shall be permitted to install four (4) 6" conduits from the street or the First Space to Building 3.

32.4. Tenant shall have the right to contact other tenants within the Project regarding sales of Tenant's telecommunication services.

32.5. Landlord grants to Tenant the license and right during the term of this Lease (i) to utilize space and conduits which exist on the Land and in Building 3 during the term of this Lease for the purpose of using existing risers and conduit and/or installing conduit (in the event existing conduit space is insufficient), (ii) to install cable in, across and through such risers and conduit, and (iii) to make connections to all electrical and mechanical closets as necessary for the use of such cable for the purposes of connection of Tenant's equipment and facilities within Building 3 to Tenant's telecommunication system network outside Building 3 and connection of Tenant's equipment and facilities in Building 3 to other tenant premises. The location of such risers and conduit shall be designated by Landlord in its reasonable discretion. The method of installation of conduit or cable shall be subject to the prior approval of Landlord, which approval

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shall not be unreasonably withheld or delayed. Tenant shall be responsible for maintaining any conduit and cable which is used solely by Tenant at its cost.

32.6. Prior to exercising any rights under this Section, Tenant shall provide Landlord with plans and specifications detailing Tenant's plans, which plans and specifications shall be subject to Landlord's approval, which approval shall not be unreasonably withheld or delayed, provided, however, that such approval may be subject to reasonable conditions including, without limitation, that Tenant be required to pay for any out-of-pocket cost to Landlord occasioned thereby. Tenant shall bear all costs incurred in the exercise of its rights set forth above shall exercise these rights in full compliance with all applicable governmental laws, regulations and rules (including without limitation the obtaining of all required permits) or any other requirements reasonably imposed by Landlord. Tenant shall not, in the exercise of its rights under this Section, interfere with Landlord, other tenants at the Project and the operations of Building 3 or the Project. Tenant shall take all precautionary steps to protect its facilities and the facilities of other affected by performance of work and shall police same properly. Tenant will replace or restore any disturbance or damage it caused to Building 3 or other improvements at the Project. Any alteration, additions or improvements constructed by Tenant in the course of exercising its rights under this Section shall be deemed to be Tenant Improvements.

32.7. Except as otherwise expressly provided herein, Tenant shall not be charged any amounts by Landlord for the enjoyment of the additional rights of Tenant set forth in this Section 32.

33. BUILDING 3 SECURITY. Tenant agrees that it shall, as part of the Tenant Work, install a security system in Building 3 providing for card key access. At such time as any tenant other than Tenant shall lease any portion of Building 3, Tenant shall, at its sole cost and expense, modify the security system (if necessary) so as to provide separately controlled access into Building 3 for such other tenant.

34. RESTRICTIONS ON OTHER TENANTS IN BUILDING 3.

34.1. In order to protect Tenant's trade secrets and confidential information and enhance security in Building 3, Landlord shall not assign

this Lease to, any person or entity which, as a major part of its business, (1) leases or sells or otherwise trades in telecommunications products or services of the kind sold by Tenant, or (2) provides consulting services or advice in the use or application of such products or services.

34.2. Landlord shall include the foregoing prohibition in all leases which are executed after the date hereof and cover space in Building 3, and shall, in such leases, require the tenant thereunder to include the same in all subleases and assignments executed after the date hereof.

34.3. Landlord shall consult with Tenant before (i) leasing space in Building 3 to any tenant, (ii) approving any subtenant or assignee of any tenant in the Building 3, or (iii) making any other commitment which may violate this Section.

#### 35. MISCELLANEOUS.

35.1. The obligations of this Lease shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; provided that Landlord and each successive owner of Building 3 and/or the Land shall be liable only for obligations accruing during the period of its ownership or interest in Building 3, and from and after the transfer by Landlord or such successive owner of its ownership or other interest in Building 3, Tenant shall look solely to the successors in title for the performance of Landlord's obligations hereunder arising thereafter.

35.2. No delay or forbearance by Landlord in exercising any right or remedy hereunder or in undertaking or performing any act or matter which is not expressly required to be undertaken by Landlord shall be construed, respectively, to be a waiver of Landlord's rights or to represent any agreement by Landlord to undertake or perform such act or matter thereafter.

35.3. TENANT HEREBY CONSENTS TO THE EXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE WHERE BUILDING 3 IS LOCATED AND IN ANY AND ALL ACTIONS OR PROCEEDINGS ARISING HEREUNDER OR PURSUANT HERETO. LANDLORD AND TENANT AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY EITHER OF THE PARTIES HERETO AGAINST THE OTHER ON ANY MATTER WHATSOEVER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS LEASE, THE RELATIONSHIP OF LANDLORD AND TENANT AND/OR TENANT'S USE OF OR OCCUPANCY OF BUILDING 3. IT IS FURTHER MUTUALLY AGREED THAT IN THE EVENT LANDLORD COMMENCES ANY SUMMARY PROCEEDING FOR NON-PAYMENT OF RENT, TENANT WILL NOT INTERPOSE ANY COUNTERCLAIM OF WHATEVER NATURE OR DESCRIPTION IN ANY SUCH PROCEEDING, UNLESS TENANT CANNOT BRING SEPARATE ACTION.

35.4. Tenant shall look solely to Building 3 and rents derived therefrom for enforcement of any obligation hereunder or by law assumed or enforceable against Landlord, and no other property or other assets of Landlord shall be subjected to levy, execution or other enforcement proceeding for the satisfaction of Tenant's remedies or with respect to this Lease, the relationship of landlord and tenant hereunder or Tenant's use and occupancy of Building 3.

35.5. All times, wherever specified herein for the performance by Landlord or Tenant of their respective obligations hereunder, are of the essence of this Lease.

35.6. Each covenant and agreement in this Lease shall for all purposes be construed to be a separate and independent covenant or agreement. If any provision in this Lease or the application thereof shall to any extent be invalid, illegal or otherwise unenforceable, the remainder of this Lease, and the application of such provision other than as invalid, illegal or unenforceable, shall not be affected thereby; and such provisions in this Lease shall be valid and enforceable to the fullest extent permitted by law.

35.7. This Lease, including all Exhibits hereto, each of which is incorporated in this Lease, contains the entire agreement between the parties hereto, and shall not be amended, modified or supplemented unless by agreement in writing signed by both Landlord and Tenant, except as specifically provided for herein.

35.8. The title and headings and table of contents of this Lease are for convenience of reference only and shall not in any way be utilized to construe or interpret the agreement of the parties as otherwise set forth herein. The term "Landlord" and term "Tenant" as used herein shall mean, where appropriate, all persons acting by or on behalf of the respective parties, except as to any required approvals, consents or amendments, modifications or supplements hereunder when such terms shall only mean the parties originally named on the first page of this Lease as Landlord and Tenant, respectively, and their agents so authorized in writing.

35.9. If Tenant is a corporation or a limited liability company, each person signing this Lease on behalf of Tenant represents and warrants that he/she has full authority to do so and that this Lease is fully and completely binding on the corporation or limited liability

company. If at any time during the Lease Term hereunder, or any extension or renewal thereof, Tenant shall change its corporate or company name, by operation of law or otherwise, Tenant shall deliver to Landlord a copy of a certificate of name change filed with the state of Tenant's jurisdiction evidencing such name change, or such other evidence of Tenant's name change and authority as is reasonably acceptable to Landlord. Such evidence shall be delivered to Landlord within sixty (60) days after Tenant's official name change. If Tenant is a general partnership, limited partnership or limited liability partnership, each person or entity signing this Lease for Tenant represents that he/she or it has full authority to sign for the partnership and that this Lease is completely and fully binding on the partnership and all general partners of the partnership. Tenant shall give written notice to Landlord of any general partner's withdrawal or addition and, in the event of a name change of the partnership, the same conditions regarding a name change of a corporate or limited liability company Tenant, as stated above, shall apply.

35.10. This Lease shall be governed by and construed in accordance with the laws of the State of New Jersey.

35.11. Within ten (10) days after receipt, Landlord and Tenant shall advise the other party in writing, and provide the other with copies of (as applicable), any notices alleging violation of the Americans with Disabilities Act of 1990 ("ADA") relating to any portion of Building 3; any claims made or threatened in writing regarding noncompliance with the ADA and relating to any portion of Building 3; or any governmental or regulatory actions or investigations instituted or threatened regarding noncompliance with the ADA and relating to any portion of Building 3.

35.12. If Tenant is comprised of more than one signatory, each signatory shall be jointly and severally liable with each other signatory for payment and performance according to this Lease.

35.13. Any covenants set forth in this Lease which, by their nature, would reasonably be expected to be performed after the expiration or earlier termination of this Lease, shall survive the expiration or earlier termination of this Lease.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement of Lease to be executed on the day and year first above written.

LANDLORD:

SOUTH BRUNSWICK INVESTORS, L.P., a Delaware limited partnership

By: South Brunswick Investment Company, L.L.C.

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

TENANT:

TELEPORT COMMUNICATIONS GROUP INC.

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

EXHIBIT "B"

RENT SCHEDULE

EXHIBIT "C"

TAXES, OPERATING EXPENSE AND OTHER ADDITIONAL RENT

1. Taxes.

A. Definitions

- I. "ADJUSTED TAXES" shall mean the Taxes for any Tax Year, plus the expenses of any contests (administrative or otherwise) of tax assessments or proceedings for refunds incurred during such Tax Year. If Landlord is successful in obtaining a refund for any Tax Year(s), the Adjusted Taxes for the Tax Year(s) to which such refund is applicable shall be recalculated to reflect the amount of the refund received by Landlord, and Tenant shall receive a credit, if appropriate, equal to the amount of the difference between the Tax Adjustment which was actually paid by Tenant and the Tax Adjustment which actually is due, taking into account the amount of the refund.
- II. "TAX ADJUSTMENT" shall have the meaning set forth in Subsection 1B below.
- III. "TAX ALLOWANCE" shall mean the actual Taxes for Tax Year 1997.
- IV. "TAX ESTIMATE" shall have the meaning set forth in Subsection 1B below.
- V. "TAX STATEMENT" shall mean a statement in writing signed by Landlord, setting forth (a) the Adjusted Taxes for the applicable Tax Year, (b) the Tax Allowance, (c) the Tax Adjustment payable for such Tax Year, or portion thereof, and (d) such other information as Landlord deems appropriate.
- VI. "TAX YEAR" shall mean each calendar year, or such other period of twelve (12) months as hereafter may be duly adopted by the applicable governmental or quasi-governmental body or authority or special service district as its fiscal year for purposes of Taxes, occurring during the Lease Term.

VII. "TAXES" shall mean all taxes, charges, impositions, levies, assessments and burdens of every kind and nature, whether general or special, ordinary or extraordinary, foreseen or unforeseen, assessed or imposed by any governmental or quasi-governmental body or authority or special service district on and/or with respect to the Land or the Buildings or their operation or the rents therefrom (including taxes based on gross receipts), whether or not directly paid by Landlord, subject to the following:

- (1) there shall be excluded from Taxes all income taxes, excess profit taxes, excise taxes, franchise taxes, estate, succession, inheritance and transfer taxes; provided, however, that if, due to a future change in the method of taxation or assessment, any such tax, however designated, shall be imposed in substitution, in whole or in part, for (or in lieu of all or any part of any contemplated increase in) any tax, charge, imposition, levy, assessment or burden which would otherwise be included within the definition of Taxes, such other tax shall be deemed to be included within the definition of Taxes as defined herein to the extent of such substitution or imposition in lieu; and
- (2) there shall be excluded from Taxes any use and occupancy tax, which shall be paid by Tenant to the appropriate governmental authority; provided, however, that Tenant shall pay such use and occupancy tax to Landlord as Additional Rent upon demand if Landlord is required by law to collect such tax for any governmental authority, in which case Landlord shall remit any amounts paid to Landlord to the appropriate governmental authority.

VIII. "TENANT'S PROPORTIONATE SHARE" shall mean a fraction, the numerator of which shall be the rentable square feet of Building 3, and the denominator of which shall be the aggregate rentable square feet in the Buildings, and, expressed as a percentage, shall be 15% (30,000/200,000). If the rentable square feet of the Buildings increases or decreases during any Operating Year or Tax Year, the rentable square feet of the Buildings for purposes of determining the numerator and/or denominator of the fraction shall be the weighted average of the rentable square feet in the Buildings for such Operating Year or Tax Year.

B. Payment of Tax Adjustment. If the Adjusted Taxes for any Tax Year shall be in excess of the Tax Allowance, Tenant shall pay to Landlord as Additional Rent an amount equal to Tenant's Proportionate Share of such excess. (The amount of Tenant's Proportionate Share of such excess is hereinafter referred to as the "Tax Adjustment".) If the Commencement Date is any date other than the first day of a Tax Year or if the expiration date of the Lease Term is any date other than the last day of a Tax Year, the Tax Adjustment shall be allocated proportionately to the amount of time in such Tax Year that the Lease Term is in effect.

Tenant shall pay to Landlord, on account of the Tax Adjustment for each Tax Year, monthly installments in advance equal to one-twelfth (1/12) of the estimated Tax Adjustment for such Tax Year (the "Tax Estimate"). Such installments shall be payable at such place as Landlord may direct. From time to time during any Tax Year, Landlord may furnish to Tenant the Tax Estimate for such Tax Year and, on the first day of the first month following the receipt of such Tax Estimate, in addition to the monthly installment of such new Tax Estimate, Tenant shall pay to Landlord (or Landlord shall credit to Tenant) any deficiency (or excess) between (i) the total of the installments paid on account of the Tax Adjustment for such Tax Year, and (ii) the product of one-twelfth (1/12) of such Tax Estimate for such Tax Year and the number of months which have elapsed during such Tax Year prior to the due date of such payment. Until the Tax Estimate for any Tax Year is furnished by Landlord, Tenant shall continue to pay monthly installments on account of such Tax Year's Tax Adjustment based upon the last Tax Estimate provided by Landlord to Tenant. Following the end of each Tax Year, Landlord shall furnish to Tenant a Tax Statement. On the first day of the first month following the receipt of such Tax Statement, Tenant shall pay to Landlord (or Landlord shall credit or refund to Tenant) any deficiency (or excess) between the installments paid on account of the preceding Tax Year's Tax Adjustment and the actual Tax Adjustment for such Tax Year.

Notwithstanding the foregoing, Landlord from time to time during the Term may elect to waive the requirement for payment of monthly installments on account of the Tax Adjustment and, in such case, Tenant shall pay the full amount of any unpaid Tax Adjustment within fifteen (15) days after Tenant receives any Tax Statement. Furthermore, notwithstanding the foregoing, more than one (1) Tax



election by Landlord shall not preclude Landlord from thereafter requiring Tenant to commence paying monthly installments on account of the Tax Adjustment as set forth above.

C. Tax Contest.

In consideration of Tenant's undertaking to reimburse Landlord for Tenant's Share of an increase in Real Estate Taxes, Tenant shall have the right, by appropriate proceedings, to protest any assessment or reassessment or any special assessment, or any change in the tax rate, or the validity of any of the above. During the pendency of any protest, Landlord shall be permitted to continue to pay any disputed taxes and Tenant shall continue to reimburse Landlord in accordance with the provisions of Section 1(B) above.

Landlord shall notify Tenant in writing of all assessments and the tax rates and any proposed changes to them. Tenant shall notify Landlord in writing within fifteen (15) business days after receipt of Landlord's notice if Tenant wants to file a protest. If Landlord receives written notice of a change in assessment and fails to give notice to Tenant of such change and, as a result, Tenant is unable to review the change, and if it so desires, to file a protest, Tenant shall not be obligated to reimburse Landlord for any increase in Real Estate Taxes resulting therefrom.

In the tax proceedings, Tenant may act in its own name and/or the name of Landlord and Landlord will, at Tenant's request and provided Landlord is not put to any expense thereby, cooperate with Tenant in any way Tenant may reasonably require in connection with such protest. Any protest conducted by Tenant hereunder shall be at Tenant's expense and if interest or late charges become payable with respect to the Real Estate Taxes as a result, Tenant shall reimburse Landlord for the same. However, Landlord shall be solely responsible for any penalties, interest or late charges imposed on Landlord through no fault of Tenant.

Tenant shall be responsible for posting any security and/or paying any fees required in connection with any protest initiated by Tenant.

Landlord agrees to keep Tenant apprised of all tax protest filings and proceedings undertaken by Landlord or others to obtain a tax reduction or refund. Landlord may deduct from the total refund any reasonable attorneys' fees and other reasonable expenses incurred by Landlord therefor. However, if the refund or reduction resulted from Tenant's efforts, Landlord shall also reimburse Tenant for reasonable attorneys' fees and any other reasonable expenses incurred by Tenant in connection with the protest, such reimbursement not to exceed Tenant's Proportionate Share of the refund or reduction.

2. Operating Expense.

A. Definitions.

I. "ESSENTIAL CAPITAL IMPROVEMENT" shall mean (a) a labor saving device, energy saving device or other installation, improvement or replacement which is intended to reduce Operating Expense, whether or not voluntary or required by governmental mandate, or (b) an installation or improvement required by reason of any law, ordinance or regulation which was not applicable to the Buildings on the date of the execution of this Lease, or (c) an installation or improvement intended to improve the health or safety of tenants in the Buildings generally, whether or not voluntary or required by governmental mandate.

II. "OPERATING EXPENSE" shall mean all costs and expenses of whatever kind or nature paid or incurred by Landlord from time to time in connection with the ownership, management, maintenance, operation, replacement, restoration and repair of the Buildings and the Land, all computed on the accrual basis, including, without limitation, the following items:

- (a) gas, oil, electricity, steam, fuel, water, sewer and other utility charges (including surcharges) of whatever nature (excepting electricity charges for usage by tenants for which any such tenant is billed separately), including, without limitation, the proportion of costs (including but not limited to oil, gas and electricity, repairs and personnel) of the central heating and air conditioning plant

located on Lot 2 allocable to the provision of services to the Buildings;

- (b) insurance premiums and the amounts of any deductibles paid by Landlord;
- (c) on-site building personnel costs, including, but not limited to, salaries, wages, fringe benefits, taxes, insurance and other direct and indirect costs;
- (d) costs of service and maintenance contracts including, but not limited to, standard trash removal, cleaning and security services;
- (e) Landlord's share, as owner of Lot 2, of costs relating to maintenance and operation of the Project which are shared and allocated among owners of lots comprising the Project;
- (f) all other maintenance, preventive maintenance, painting, repair, restoration and replacement expenses (including, but not limited to, all of Landlord's repairs in Section 8), and the cost of materials, supplies and uniforms;
- (g) the cost of an on-site office and segregated storage area for Landlord's parts, tools, supplies;
- (h) all professional fees incurred in connection with the operation of the Buildings;
- (i) management fees payable to the managing agent, provided that such management fees shall not exceed 2% of annual fixed and additional rent payable by all tenants of the Buildings;
- (j) sales and use taxes and any taxes imposed on personal property owned by Landlord and used in connection with the Buildings and taxes on any of the expenses which are included in Operating Expense;
- (k) decorations for the lobby and other public portions of the Buildings;

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- (l) all costs and expenses of maintaining (including snow removal), repairing and replacing paving, curbs, walkways, driveways, roadways and landscaping; and
- (m) the annual amortization of any Essential Capital Improvement made by Landlord, computed based on the useful life of the improvement with interest at the prime rate referenced in Section 3 of the Lease determined as of the date of completion of such Essential Capital Improvement. If Landlord shall lease such Essential Capital Improvement, then the rentals or other operating costs paid pursuant to such lease shall be included in Operating Expense for each Operating Year in which they are incurred.

Notwithstanding the foregoing, Operating Expense shall not include the following:

- (i) costs to prepare space for occupancy by a new tenant;
- (ii) costs of capital improvements (except for costs of any Essential Capital Improvement);
- (iii) advertising expenses and leasing commissions;
- (iv) any cost or expenditure for which Landlord is reimbursed, whether by insurance proceeds or otherwise, but not including costs and expenditures for which Landlord is reimbursed by tenants of the Buildings pursuant to operating expense reimbursement provisions;
- (v) legal expenses of negotiating and enforcing leases;
- (vi) special cleaning or other services not offered to all tenants of the Buildings;
- (vii) any charge for depreciation, interest or rental (except as set forth above with respect to any Essential Capital Improvement);

- (viii) the cost of removal of asbestos-containing material not related to the repair, maintenance or restoration of equipment, as referred to in Section 8;
- (ix) salaries of Landlord's officers and partners and its headquarters staff;
- (x) the cost of any repair made in accordance with Sections 11 or 12 of this Lease, except to the extent such cost is not reimbursed by insurance;
- (xi) any costs representing an amount paid to an affiliated person of Landlord which is in excess of the amount which would have been paid in the absence of such relationship; and
- (xii) any expenses of repairs or maintenance which are covered by warranties, guarantees or service contracts (excluding any mandatory deductibles).

In determining Operating Expense for any Operating Year, if the Buildings were less than fully occupied during such entire year, or were not in operation during such entire year, then Operating Expense shall be adjusted by Landlord to reflect the amount that such expenses would normally be expected to have been, in the reasonable opinion of Landlord, had the Buildings been fully occupied and operational throughout such year, except that in no event shall such adjustment result in the recovery by Landlord of an amount in excess of the actual Operating Expense. In addition, if Landlord is not furnishing any particular work or service (the cost of which, if performed by Landlord, would constitute an Operating Expense) to a tenant who has undertaken to perform such work or service in lieu of performance by Landlord, Operating Expense shall nevertheless be deemed to include the amount Landlord would reasonably have incurred if Landlord had in fact performed the work or service at its expense.

- III. "OPERATING EXPENSE ADJUSTMENT" shall have the meaning set forth in Subsection 2B below.
- IV. "OPERATING EXPENSE ALLOWANCE" shall mean the actual Operating Expense for Operating Year 1997, adjusted as set forth above.
- V. "OPERATING EXPENSE ESTIMATE" shall have the meaning set forth in Subsection 2B below.
- VI. "OPERATING EXPENSE STATEMENT" shall mean a statement in writing signed by Landlord, setting forth in reasonable detail (a) the Operating Expense for the applicable Operating Year, (b) the Operating Expense Allowance, (c) the Operating Expense Adjustment for such Operating Year, or portion thereof, and (d) such other information as Landlord deems appropriate.
- VII. "OPERATING YEAR" shall mean each calendar year, or such other period of twelve (12) months as hereafter may be adopted by Landlord as its fiscal year for purposes of Operating Expense, occurring during the Lease Term.

- B. Payment of Operating Expense Adjustment. If the Operating Expense for any Operating Year shall be in excess of the Operating Expense Allowance, Tenant shall pay to Landlord as Additional Rent an amount equal to Tenant's Proportionate Share (as defined in Subsection 1A of this Exhibit) of such excess. (The amount of Tenant's Proportionate Share of such excess is hereinafter referred to as the "Operating Expense Adjustment".) If the Commencement Date is any date other than the first day of an Operating Year or if the expiration date of the Lease Term is any date other than the last day of an Operating Year, the Operating Expense Adjustment shall be allocated proportionately to the amount of time in such Operating Year that the Lease Term is in effect.

Tenant shall pay to Landlord, on account of the Operating Expense Adjustment for each Operating Year, monthly installments in advance equal to one-twelfth (1/12) of the estimated Operating Expense Adjustment for such Operating Year (the "Operating Expense Estimate"). Such installments shall be payable at such place as Landlord may direct. From time to time during any Operating Year, Landlord may furnish to Tenant the Operating Expense Estimate for such Operating Year and, on the first day of the first month following receipt of such Operating Expense Estimate, in addition to the monthly installment of such new Operating Expense Estimate, Tenant shall pay to Landlord (or

Landlord shall credit to Tenant) any deficiency (or excess) between (i) the total of the installments paid on account of the Operating Expense Adjustment for such Operating Year, and (ii) the product of one-twelfth (1/12) of such Operating Expense Estimate for such Operating Year and the number of months which have elapsed during such Operating Year prior to the due date of such payment. Until the Operating Expense Estimate for any Operating Year is furnished by Landlord, Tenant shall continue to pay monthly installments on account of such Operating Year's Operating Expense Adjustment based upon the last Operating Expense Estimate provided by Landlord to Tenant. Following the end of each Operating Year, Landlord shall furnish to Tenant an Operating Expense Statement. On the first day of the first month following the receipt of such Operating Expense Statement, Tenant shall pay to Landlord (or Landlord shall credit or refund to Tenant) any deficiency (or excess) between the installments paid on account of the preceding Operating Year's Operating Expense Adjustment and the actual Operating Expense Adjustment for such Operating Year.

Tenant shall have the right, during regular business hours, to inspect the books and records used by Landlord in calculating the Operating Expense Adjustment for a particular Operating Year, upon not less than thirty (30) days prior notice given any time within two (2) years following Tenant's receipt of the Operating Expense Statement for such year; provided, however, that Tenant shall make all payments required hereunder without delay. Unless Tenant shall take written exception to any Operating Expense Statement within sixty (60) days after the end of such two (2) year period (such date, the "Exception Date"), such statement shall be final and binding upon Tenant. Tenant's inspection of Landlord's books and records shall be performed by an employee or employees of Tenant or by a reputable public accounting firm or real estate company. Tenant agrees that all information obtained by Tenant or by those performing such inspection on behalf of Tenant shall at all times remain confidential, and Tenant further agrees to take such action as is necessary to insure the continued confidentiality of all such information.

Landlord shall be permitted to adjust the Operating Expense Adjustment for a particular Operating Year any time up to the Exception Date relating to such Operating Year. Thereafter, such Operating Expense Statement shall be final and binding upon Landlord.

3. Personal Property Taxes. Tenant shall be responsible for all ad valorem taxes on its personal property and on the value of the leasehold improvements in Building 3 to the extent that the same exceed building standard allowances (and if the taxing authorities do not separately assess Tenant's leasehold improvements, Landlord may make a reasonable allocation of imposition to such improvements).
4. Survival. If, upon expiration or termination of this Lease for any cause, the amount of any Additional Rent due under this Lease has not yet been determined, an appropriate payment from Tenant to Landlord, or refund from Landlord to Tenant, shall be made promptly after such determination, and such obligation shall survive the expiration or termination of this Lease.
5. Adjustment of Fixed and Additional Rent. At Tenant's option, to be exercised not more than ninety (90) days prior to the Commencement Date, Landlord agrees to enter into an amendment to this Lease so that the Fixed Rent will be increased to incorporate Tenant's proportionate share of increases in real estate taxes and operating expenses for the years 1997 through 2001. To achieve this, the Fixed Rent for the period commencing upon the Commencement Date will be increased by the sum of (i) the Tax Adjustment for Tax Year 2001, and (ii) the Operating Expense Adjustment for Operating Year 2001. Additional Rent thereafter will be computed utilizing (i) a Tax Allowance defined as the Adjusted Taxes for Tax Year 2001, and (ii) an Operating Expense Allowance defined as the Operating Expense for Operating Year 2001. It is the intent of this provision that the net income of the Landlord over the term of the Lease not be reduced as a result of any of the foregoing adjustments.

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EXHIBIT "D"

SCHEDULE OF LANDLORD'S WORK

At no cost to Tenant, Landlord will:

Remove asbestos as reasonably necessary to permit Tenant to complete the Tenant Work.

Create ADA-mandated parking spaces, curb cuts and access grades for the disabled.

Rehabilitate landscaping in courtyard and at main entry.

Provide street number signage.

#### EXHIBIT "E"

#### JANITORIAL SPECIFICATIONS

DAILY - Night time coverage Monday through Friday.

##### 1. Office Areas

- a. Empty all trash containers and waste baskets.
- b. Replace all trash liners.
- c. Empty all ashtrays and receptacles and wipe clean with damp cloth.
- d. Dust all uncluttered desktops, file cabinets, counters, sills and ledges.
- e. Vacuum all carpeted traffic lanes.
- f. Dust mop and spot mop tile floors.
- g. Vacuum all entrance mats and runners.
- h. Remove smudges and finger prints from all doors, door frames, partitions and switch plates.
- i. Arrange all furniture neatly.
- j. Wash and squeegee all entrance door glass, both sides.
- k. Clean all entrance frames and ledges.
- l. Highlight all lobbies, elevators, conference room and executive areas to maintain superior level of appearance.
- m. Remove all trash in specifically designated area and dispose of in prescribed manner.
- n. Clean and polish all drinking fountains.
- o. Remove finger prints and smudges and dust all sills and ledges.
- p. Clean all coffee stations.
- q. Clean chalkboards.
- r. Provide shared use of day porter.

##### 2. Restrooms

- a. Clean and disinfect all restrooms.
- b. Empty all waste containers.
- c. Dry mop floor.
- d. Fill all dispensers.
- e. Spray disinfect all fixtures and urinals inside and outside.
- f. Clean all toilet fixtures and urinals inside and outside.
- g. Clean all sinks and counter tops.
- h. Clean and polish all mirrors and brightwork.
- i. Clean and polish outside of all waste containers.
- j. Wash floor with disinfectant cleaner making sure all corners are cleaned.

##### WEEKLY

- a. Vacuum and spot clean all carpets.
- b. Wipe desks and telephones.
- c. Sweep stairwells.

##### MONTHLY

- a. Clean all ceramic tile walls.
- b. Clean all diffusers, registers and Venetian blinds.
- c. Wash interior glass, both sides.
- d. Wash stairwell treads and landings.

##### SEMI-ANNUALLY

- a. Clean outside of windows.
- b. Damp wipe diffusers and vents.

##### ANNUALLY

- a. Clean inside of windows.
- b. Shampoo carpeted traffic lanes.
- c. Strip and refinish resilient floors.
- d. Clean vertical surfaces.

EXHIBIT "F"

RULES AND REGULATIONS

1. DEFINITIONS. Wherever in these Rules and Regulations the word "Tenant" is used, it shall be taken to apply to and include Tenant and its agents, employees, invitees, licensees, subtenants and contractors, and is to be deemed of such number and gender as the circumstances require. The word "room" shall be taken to include the space covered by this Lease. The word "Landlord" shall be taken to include the employees and agents of Landlord.

2. CONSTRUCTION. The streets, sidewalks, entrances, halls, passages, elevators, stairways and other common areas provided by Landlord shall not be obstructed by Tenant, or used by it for any other purpose than for ingress and egress.

3. WASHROOMS. Toilet rooms, water-closets and other water apparatus shall not be used for any purposes other than those for which they are constructed.

4. GENERAL PROHIBITIONS. In order to insure proper use and care of the Buildings, without Landlord's prior written consent, to be withheld or granted in Landlord's sole discretion, Tenant shall not:

a. Allow any sign, advertisement, notice or other marking to be affixed to the interior or exterior of the Buildings, other than any signs which are located within Building 3 and are not visible from outside of Building 3;

b. Make improper noises or disturbances of any kind;

c. Mark or defile elevators, water-closets, toilet rooms, walls, windows, doors or any other part of the Buildings;

d. Place anything on the outside of the Buildings, including roof setbacks, window ledges and other projections;

e. Use or place any curtains, blinds, drapes or coverings over any windows or upon the window surfaces which are visible from the outside of Building 3;

f. Other than in connection with normal office decoration, fasten any article, drill holes, drive nails or screws into the walls, floors, woodwork, window mullions, or partitions; nor shall the same be painted, papered or otherwise covered or in any way marked or broken;

g. Interfere with the heating or cooling apparatus;

h. Allow anyone but Landlord's employees to clean rooms;

i. Leave Building 3 without locking doors, stopping all office machines (other than those machines required to be operated at all times), and extinguishing all lights;

j. Install any shades, blinds, or awnings;

k. Use any electrical heating device;

l. Install call boxes or any kind of wire in or on the Buildings;

m. Manufacture any commodity, or prepare to dispense any foods or beverages, whether by vending or dispensing machines or otherwise (other than as may be permitted in any kitchenette/vending area(s) located within Building 3 for use by Tenant's employees), or alcoholic beverages, tobacco, drugs, flowers, or other commodities or articles;

n. Secure duplicate keys for rooms, except from Landlord, or change the locks of any doors to or in Building 3;

o. Give its employees or other persons permission to go upon the roofs of the Buildings; or

p. Place door mats in public corridors.

5. PUBLICITY. Tenant shall not use the names of the Buildings or the Princeton Technology Center in any way in connection with its business except as the address thereof. Landlord also shall have the right to prohibit any advertising by Tenant which, in Landlord's opinion, tends to impair the reputation of the Buildings or the Princeton Technology Center or their desirability as buildings or locations for offices; and upon written notice from Landlord, Tenant shall refrain from or discontinue such advertising.

6. BUSINESS MACHINES. Business machines and mechanical equipment which cause vibration, noise, cold or heat that may be transmitted to any space outside Building 3 shall be placed and maintained by Tenant, at its sole cost and expense, in settings of cork, rubber or spring type vibration eliminators

sufficient to absorb and prevent such vibration, noise, cold or heat.

7. MOVEMENT OF EQUIPMENT. Landlord reserves the right to designate the time when and the method whereby freight, small or large office equipment, furniture, safes and other like articles may be brought into, moved, or removed from the Buildings or rooms, and to designate the location for temporary disposition of such items. In no event shall any of the foregoing items be taken from Tenant's space for the purpose of removing same from the Buildings, other than in the ordinary course of Tenant's business, without the express consent of both Landlord and Tenant.

8. PUBLIC ENTRANCE. Landlord reserves the right to exclude the general public from the Buildings upon such days and at such hours as in Landlord's judgment will be for the best interest of the Buildings and its tenants.

9. RIGHTS RESERVED TO LANDLORD. Without abatement or diminution in rent, Landlord reserves and shall have the following additional rights:

a. To change the name and/or street address of the Buildings;

b. To install and maintain a sign or signs on the exterior of the Buildings;

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c. To approve all sources furnishing sign painting and lettering, ice, drinking water, towels and toilet supplies, and other like services used in Building 3;

d. To make, either voluntarily or pursuant to governmental requirement, repairs, alterations or improvements in or to the Buildings or any part thereof and during alterations, to close entrances, doors, windows, corridors, elevators or other facilities, provided that such acts (except in emergencies) shall not unreasonably interfere with Tenant's use and occupancy of Building 3 as a whole;

e. If Tenant vacates all or any portion of Building 3 prior to the expiration of the Lease Term, to decorate, remodel, repair, alter or otherwise prepare all or such portion of Building 3, as applicable, for re-occupancy;

f. To constantly have pass keys to Building 3, which keys Landlord must secure at all times;

g. To grant to anyone the exclusive right to conduct any particular business or undertaking in the Buildings; and

h. To take any and all measures, including inspections, repairs, alterations, additions and improvements to the Buildings, as may be necessary or desirable in the operation of the Buildings, provided that such acts (except in emergencies) shall not unreasonably interfere with Tenant's use and occupancy of Building 3 as a whole.

Subject to the provisions hereof, Landlord may enter Building 3 and may exercise any or all of the foregoing rights hereby reserved without being deemed guilty of an eviction or disturbance of Tenant's use or possession and without being liable in any manner to Tenant.

10. REGULATION CHANGE. Landlord shall have the right to make such other and further reasonable Rules and Regulations, as in the judgment of Landlord, may from time to time be needful for the appearance, care and cleanliness of the Buildings, for the preservation of good order therein, and for the health and safety of the tenants and their visitors, provided that all such Rules and Regulations shall be enforced by Landlord in a nondiscriminatory fashion. Landlord shall not be responsible to Tenant for any violation of Rules and Regulations by any other tenant, but shall use reasonable efforts to enforce such compliance with the Rules and Regulations.

10. CONFLICT WITH LEASE. If the terms of this Exhibit shall be in conflict with the terms set forth in the body of the Lease, the terms set forth in the body of the Lease shall prevail.

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EXHIBIT "G"

FORM OF  
TENANT ESTOPPEL CERTIFICATE AND STATEMENT

\_\_\_\_\_  
(Tenant)

The undersigned (jointly and severally if more than one) hereby represents, warrants and certifies to \_\_\_\_\_ (the "Landlord") that it is the tenant and present occupant (the "Tenant") of certain premises (the "Demised Premises") comprising a portion of the real property and improvements in the buildings (the "Buildings") located at \_\_\_\_\_ and that:

1. Basic Lease Terms - The Demised Premises are more specifically described in, and are leased under the provisions of, a lease agreement (the "Lease"), the basic terms of which are described below:
  - 1.1. Demised Premises/Suite: \_\_\_\_\_; Floor \_\_\_\_\_
  - 1.2. Rentable Square Feet of Demised Premises: \_\_\_\_\_
  - 1.3. Date of Lease: \_\_\_\_\_
  - 1.4. Commencement Date: \_\_\_\_\_
  - 1.5. Expiration Date: \_\_\_\_\_
  - 1.6. Current Annual/Monthly Fixed Rent: \$ \_\_\_\_\_ / \$ \_\_\_\_\_
  - 1.7. Current Monthly Additional Rent: \$ \_\_\_\_\_
  - 1.8. Total Monthly Rent As of \_\_\_\_\_ : \$ \_\_\_\_\_
  - 1.9. Tenant's Proportionate Share: \_\_\_\_\_%
  - 1.10. Security Deposit: \$ \_\_\_\_\_
  - 1.11. Total Rent Is Paid Through: \_\_\_\_\_
  
2. MODIFICATIONS. The Lease contains all of the understandings and agreements between Tenant and Landlord, and is in full force and effect, without modification, addition, extension, or renewal on the date hereof, except as indicated below:

\_\_\_\_\_

\_\_\_\_\_
  
3. ACCEPTANCE OF DEMISED PREMISES. Tenant has accepted possession of Building 3 and is now in possession of same, and the improvements and space required to be furnished according to the Lease have been fully delivered by Landlord and accepted by Tenant.
  
4. OPTIONS. There are no purchase options, rights of first refusal, rights of first offer, options to terminate, exclusive business rights, or other rights in Tenant to extend or renew the Lease Term or to expand or otherwise modify Building 3, except as indicated below:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_
  
5. COMMENCEMENT OF RENTAL OBLIGATION. Tenant's obligation to pay rent has commenced, unless indicated below:

\_\_\_\_\_

\_\_\_\_\_
  
6. Rent Payment. No rent has been paid by Tenant in advance under the Lease, except for the Total Monthly Rent, as described above, that became due for the current month.
  
7. No Tenant Default. Tenant is not in default under the Lease and is current in the payment of any and all charges required to be paid by Tenant, except as indicated below: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_
  
8. SUBORDINATION AND ATTORNMENT. In the event that Landlord's interest is conveyed or Landlord otherwise relinquishes possession of Building 3 to a third party, including but not limited to any mortgagee or successor in interest to any such mortgagee, the undersigned agrees to attorn to such third party and to recognize such third party as landlord. Tenant agrees to subordinate to any mortgagee or successor in interest to any such mortgagee as more fully set forth in the Lease. Any such attornment or subordination shall be effective and self-operative without the execution of any other instrument by either party hereto but, upon the request of such landlord, the undersigned shall execute and deliver an instrument confirming such attornment or subordination.
  
9. NO DEFENSE. Tenant has no defenses, set-offs, basis for withholding of rent, claims or counterclaims against Landlord for any failure of performance of any of the terms of the Lease, nor to the best of Tenant's knowledge are there defaults or breaches by Landlord under the Lease, including, without limitation, defaults relating to the design, condition and tenant uses of the Buildings.
  
10. NO PRIOR ASSIGNMENT OR SUBLETTING. Tenant has not assigned, pledged, mortgaged or otherwise transferred or encumbered the Lease or the rental



payments thereunder, nor sublet all or any part of Building 3 and is not presently permitting the same to be occupied or used by anyone other than Tenant except as indicated below:

- 
- 
11. USE OF PREMISES. Tenant has not accumulated, recycled, stored, treated, spilled, emitted, leaked or disposed of any hazardous, toxic or polluting substances or wastes at the property. Tenant has not received notice from any governmental agency that it may be

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responsible for clean-up of the property or surrounding areas pursuant to the Federal Comprehensive Environmental, Response, Compensation and Liability Act, 42 U.S.C. Section 9601 et seq., the Federal Water Pollution Control Act (33 U.S.C.A. Section 1151 et seq.), the Clean Water Act of 1977 (33 U.S.C.A. Section 1251 et seq.), or the regulations promulgated thereunder (if applicable), or any other federal, state or local environmental law, regulation or ordinance.

The undersigned makes this Certificate and Statement with the understanding that Landlord and any others with which Landlord may be dealing intend to rely upon this Certificate and Statement and the undersigned agrees that they may so rely.

Dated: \_\_\_\_\_, 199\_.

\_\_\_\_\_  
(Name of Tenant)

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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EXHIBIT "H"

PROPERTY ENVIRONMENTAL STATUS

IBM, the former owner of the property, manufactured computer punch cards and printer ribbons at the South Brunswick facility during which time IBM utilized a common degreasing agent known as TCA. In December 1977, TCA was discovered in the groundwater beneath the Land. As a result, IBM entered

into an Administrative Consent Order ("ACO") with the New Jersey Department of Environmental Protection ("NJDEP") to perform a groundwater remediation program which is still ongoing. IBM is solely responsible for the complete remediation of the Land with respect to pre-purchase conditions to current NJDEP standards. The ACO, as amended, is filed of public record.

EXHIBIT "I"

HEATING, VENTILATION AND AIR CONDITIONING SPECIFICATIONS

Landlord shall provide air conditioning and winter humidification on a year-round basis throughout Building 3. The equipment shall maintain a uniform (1) indoor temperature of 76 degrees F.D.B. at 50% R.H, 5% automatic control in summer based on the local 2-1/2% outdoor design condition as specified in the latest edition of the "ASHRAE HANDBOOK OF FUNDAMENTALS" and (2) indoor temperature of 72 degrees F.D.B. at 30% R.H. minimum in winter based on the local 97.5% outdoor design condition as specified in the latest edition of the "ASHRAE HANDBOOK OF FUNDAMENTALS". Automatic reset on the humidifiers to prevent condensation on walls and glass during extreme cold weather shall be installed. Temperature control shall be automatic and shall maintain temperature set at + or - 2 degrees F. All systems shall conform to local and national codes. In the event that Tenant exercises any right under the Lease, or otherwise, to modify the systems in Building 3, such that the air conditioning and winter humidification systems do not meet the above standards, Tenant shall be responsible for performing such additional work so that the air conditioning and winter humidification systems do meet the above standards.

EXHIBIT "J"

HOLIDAYS

New Year's Day  
Presidents' Day  
Memorial Day  
Independence Day\*  
Labor Day  
Thanksgiving  
Day following Thanksgiving  
Christmas\*

\* When July 4 or Christmas falls on a Tuesday, Monday is also deemed a Holiday; and when July 4 or Christmas falls on a Thursday, Friday is also deemed a Holiday.

EXHIBIT "K"

PLAN OF PROPERTY AND PARKING AREAS

(to be provided)

EXHIBIT "L"

TENANT WORK

1. Completion Schedule. Within one hundred twenty (120) days after the execution of this Lease, Tenant shall deliver to Landlord, for Landlord's review and approval, a schedule ("Work Schedule") setting forth a timetable for the planning and completion of the installation of improvements to be constructed by Tenant in Building 3 (the "Tenant Work"). The Work Schedule shall set forth each of the various items of work to be done by or approval to be given by Landlord and Tenant in connection with the completion of the Tenant Work. Such Work Schedule shall be submitted to Landlord for its approval and, upon approval by both Landlord and Tenant, such Work Schedule shall become the basis for completing the Tenant Work.

2. Tenant Work. Reference herein to "Tenant Work" shall include all work to be done in Building 3 pursuant to the Tenant Work Plans described in Section 3 below, including, but not limited to, partitioning, doors, ceilings, floor coverings, wall finishes (including paint and wall covering), electrical (including lighting, switching, telephones, outlets, etc.), plumbing, heating, ventilating and air conditioning, fire protection,

cabinets and other millwork.

3. Tenant Work Plans. Immediately after the execution of the Lease, Tenant's architect shall prepare final working drawings and specifications for the Tenant Work. Such final working drawings and specifications are referred to herein as the "Tenant Work Plans." The Tenant Work Plans must be consistent with Landlord standards, conform to all applicable laws, ordinances, regulations, codes and other requirements of governmental authorities and with the regulations of Landlord's insurance underwriter and meet the further requirements set forth in the Schedule attached hereto. Any such working drawings shall be reviewed and approved or disapproved by Landlord (any disapproval being accompanied by a detailed explanation of the reason for such disapproval) within ten (10) days after submission to Landlord. Following approval of such working drawings, or revised working drawings, as the case may be, the working drawings shall be submitted to the appropriate governmental bodies by Tenant's architect for plan checking, the issuance of a building permit, and securing of all other necessary governmental approvals. Tenant, with Landlord's cooperation and subject to Landlord's approval, not to be unreasonably withheld, shall cause to be made any changes in the plans and specifications necessary to obtain the building permit.

4. Construction of Tenant Work. After the Tenant Work Plans have been prepared and approved, and a building permit for the Tenant Work has been issued, Tenant, upon Landlord's approval, shall enter into a construction contract with its contractor for the installation of the Tenant Work in accordance with the Tenant Work Plans. All contractors or subcontractors of Tenant, and any contract entered into between Tenant and any contractor, shall be approved by Landlord prior to work commencement. Tenant shall supervise the completion of such work and shall use due diligence to secure substantial completion of the work in accordance with the Work Schedule. The Tenant Work shall be constructed in accordance with the Tenant Work Plans approved by Landlord, the requirements of all applicable laws, ordinances, regulations, codes and other requirements of governmental authorities and with the regulations of Landlord's underwriter. In addition, the Tenant Work shall be constructed in a thorough, first-class and workmanlike manner and shall be in good and usable condition at the date of completion. At any time and from time to time during the construction of the Tenant Work, Landlord, Landlord's architect and Landlord's general contractor may enter upon Building 3 and inspect the Tenant Work and take such steps as they may deem necessary for the protection of the Buildings. Such inspection shall, however, be for Landlord's benefit only and may not be relied upon by Tenant or any other party. A portion of the cost of constructing the Tenant Work shall be paid as provided in Section 5 hereof.

5. Payment of Cost of the Tenant Work.

(a) Landlord hereby grants to Tenant a "Tenant Allowance" of up to Twenty Dollars (\$20.00) per square foot of Rentable Area of Building 3 for a total of up to Six Hundred Thousand Dollars (\$600,000). Such Tenant Allowance shall be used only for:

(1) Preparing the drawings and specifications, including architectural, mechanical, electrical, plumbing and structural drawings and all other aspects of the Tenant Work Plans.

(2) Plan check, permit and license fees relating to construction of the Tenant Work.

(3) Construction of the Tenant Work, including, without limitation, the following:

- (a) Installation within Building 3 of all partitioning, doors, floor coverings, ceilings, wall coverings and painting, millwork and similar items.
- (b) All electrical wiring, lighting fixtures, outlets, emergency generators and switches, and other electrical work to be installed within or outside of Building 3.
- (c) The furnishing and installation of all duct work, terminal boxes, diffusers and accessories required for the completion of the heating, ventilation and air conditioning systems within Building 3.
- (d) Any additional Tenant requirements including, but not limited to, odor control, special heating, ventilation and air conditioning, noise or vibration control or other special systems.
- (e) All fire and life protection systems such as fire walls, alarms, including accessories, safety control systems, sprinklers, fire piping, and wiring installed within Building 3.

- (f) Installation of the security systems in Building 3.
- (g) All plumbing, fixtures, pipes and accessories to be installed within Building 3.
- (h) Testing and inspection costs.
- (i) Reasonable contractors' fees, including, but not limited to, any fees based on general conditions.

(4) All other out-of-pocket costs to be expended by Landlord in the approval or construction of the Tenant Work, excluding those costs incurred by Landlord for construction of Landlord's Work, as noted in Exhibit "D".

(b) The cost of each item shall be charged against the Tenant Allowance. In the event that the cost of installing the Tenant Work, as established by Tenant's final pricing schedule, shall exceed the Tenant Allowance, or if any of the Tenant Work is not to be paid out of the Tenant Allowance as provided above, the excess shall be paid by Tenant.

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#### 6. Applications for Tenant Allowance.

(a) At any time after the date hereof, the Tenant Allowance shall be paid by Landlord (x) to Tenant to reimburse Tenant for amounts theretofore paid to Tenant's vendors, suppliers or contractors upon receipt of paid invoices, or (y) directly to Tenant's vendors, suppliers or contractors, promptly upon Landlord's receipt of invoices for the cost of the work delivered by Tenant to Landlord for payment to such vendors, suppliers or contractors together with a letter (a "Direction of Payment Letter") authorizing and directing Landlord to pay such invoices, and, provided that whether Landlord shall reimburse Tenant pursuant to clause (x) or shall pay Tenant's vendors, suppliers or contractors pursuant to clause (y), Landlord shall have received (a) a certificate signed by Tenant and Tenant's Architect setting forth (i) that the sum then requested was paid or is owed by Tenant and was or is due to contractors, subcontractors, materialmen, engineers and other persons who have rendered services or furnished materials in connection with work on the Tenant Work, (ii) a complete description of such services and materials and the amounts paid or to be paid to each of such persons in respect thereof, (iii) that the work described in the certificate has been completed substantially in accordance with the Tenant Work Plans and (iv) the amount of all previous payments made by Landlord hereunder with respect to Tenant Work and that no part of the sums being requested were part of a prior request for which payment was made, (b) paid receipts or such other proof of payment as Landlord shall reasonably require for all such work completed (other than that which is the subject of the then pending disbursement in the event Landlord is paying Tenant's vendors, suppliers or contractors directly) and (c) lien waivers satisfactory to Landlord executed by any contractors or subcontractors furnishing labor or supplying materials in connection with such work with respect to all portions thereof previously completed (other than that which is the subject of the then pending disbursement in the event Landlord is paying Tenant's vendors, suppliers or contractors directly). Landlord shall reimburse Tenant or pay such invoices on behalf of Tenant within thirty (30) days after Landlord's receipt of a written request for reimbursement from Tenant or Direction of Payment Letter and shall debit the Tenant Allowance therefor, provided further, however, that (x) Tenant shall not submit a request for reimbursement or a Direction of Payment Letter more than once per calendar month, and (y) an amount equal to 10% of the Tenant Allowance shall be held back by Landlord until Tenant has complied with the requirements of subsection (b) below.

(b) The funds remaining to be advanced hereunder but not advanced pursuant to subsection (a) above shall not be deemed to be due and payable until (i) the Tenant shall submit to the Landlord a final application, and (ii) the Tenant shall deliver to the Landlord reasonably satisfactory evidence that final payment has been made for all materials and labor furnished in connection with the Tenant Work; and (B) a copy of a final unconditional certificate of occupancy evidencing that Tenant may commence occupancy of Building 3 for all purposes set forth in this Lease.

#### 7. Insurance.

(a) All of Tenant's contractors shall maintain the following insurance coverages in the minimum amounts specified below or such greater amounts as may be required by Landlord based upon the risks of the project or good insurance practices:

- (1) Commercial General Liability Insurance including Products/Completed Operations, Owners and Contractors Protective Liability and Broad Form Contractual Liability with the exclusion pertaining to explosion collapse and underground property damage

hazards eliminated.

- (2) Business Automobile Liability Insurance including owned, hired, and non-owned automobiles.
- (3) Statutory Workers' Compensation Insurance, including occupational disease with employers' liability limits not less than mandated by statute.

(b) In addition to the foregoing insurance coverages, during the course of construction, Tenant or Tenant's general contractor or construction manager shall maintain "All-risk" builder's risk insurance for the full replacement cost of the Tenant Work.

(c) The insurance identified under a(i) and (ii) above shall (a) be in such amounts as may be reasonably determined by Landlord (but not less than \$1,000,000 or more than \$5,000,000), depending on the scope and nature of the Tenant Work, (b) name Landlord and any other parties designated by Landlord as additional insureds, (c) be in companies licensed to do business in New Jersey and reasonably satisfactory to Landlord, and (d) provide that the policies will not be changed, canceled or expire until at least thirty (30) days prior written notice has been given to Landlord. Evidence of all coverage shall be delivered to Landlord prior to any such contractor or subcontractor commencing work in the Buildings. The liability of Tenant, its contractors and subcontractors shall not be limited because of the insurance required hereunder nor to the amounts thereof nor because of any exclusions from coverage in any insurance policy.

8. Performance Bonds. Unless Tenant or its general contractor provides payment and performance bonds for the full cost of the Tenant Work, each contract and subcontract providing for materials and/or services with a value in excess of \$25,000 shall require the Tenant's general contractor thereunder to obtain payment and performance bonds in the full amount of its contract or subcontract. All bonds required pursuant to this provision shall be in form reasonably acceptable to Landlord, shall be issued by reputable surety companies licensed to do business in New Jersey and shall name Landlord and Tenant as obligees.

9. Landlord Procedures. Tenant shall comply with all procedures and policies established by Landlord from time to time relating to construction by tenants in the Building.

10. Coordination of Work. Construction of the Tenant Work shall be coordinated with all work being performed by Landlord to the end that the Tenant Work will not interfere with the operation of the Building or interfere with or delay the completion of any other construction within the Building. Such work shall be performed in a manner so as not to disturb or annoy other tenants or occupants of the Project and shall be performed only during such hours and under such conditions as shall be established by Landlord.

11. Safety. Tenant shall cause Tenant's contractors to (i) take all precautions necessary for the prevention of accidents and for the safety of persons and property, (ii) comply with all applicable laws, ordinances, rules, regulations and orders of any public authority relating thereto, and (iii) promptly report to Landlord any injury and furnish Landlord a written accident report within 24 hours of the accident and a copy of the accident report filed with its insurance carrier at the time of filing of such report.

12. Miscellaneous Construction Obligations.

(a) Tenant and Tenant's contractors shall be solely responsible for the transportation, safekeeping and storage of materials and equipment used in the performance of the Tenant Work, for the removal of waste and debris resulting therefrom, and for any damage caused by them to any part of the Project. It shall be Tenant's responsibility to cause each of Tenant's contractors to maintain continuous protection of adjacent property and improvements against damage by reason of the performance of the Tenant Work. It shall also be Tenant's responsibility to cause each Tenant's contractor to properly protect the Tenant Work. Any damage caused by Tenant's contractors to any portion of the Building or to any property of Landlord shall be repaired to its condition prior to such damage at no expense to Landlord.

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(b) Tenant shall cause Tenant's contractors to (i) keep Building 3 and adjacent areas, including without limitation the loading docks, elevators, logistic areas and surrounding areas, free from accumulations of waste material or rubbish, (ii) keep dirt and dust from infiltrating into adjacent tenant, common and mechanical areas, (iii) protect the front and top of all perimeter HVAC units and thoroughly clean them upon completion of work, (iv)

block off supply and return grills, diffusers and ducts to keep dust from entering into the building HVAC system, (iii) forthwith remove all rubbish, tools, equipment and materials from in and about Building 3 upon completion of the work.

(c) Tenant's contractors may not use any space within the Building for storage handling or moving of materials or equipment and/or for the location of a field office or facilities for the employees of such contractor or subcontractor without obtaining Landlord's prior written approval for each such use. If any Tenant's contractor shall use any space in the Building for any or all of the aforesaid enumerated purposes or any other similar purpose without obtaining Landlord's written approval therefor, Landlord shall have the right to terminate such use and remove all of such Tenant's Contractor's materials, equipment and other property from such space, without Landlord being liable to Tenant and/or to such Tenant's contractor, and the cost of such termination and/or removal shall be paid by Tenant to Landlord.

(d) Tenant shall promptly pay all Tenant's contractors or apply for such payment under the Tenant Allowance. Should any lien be made or filed in connection with the Tenant Work the cost of which is Tenant's responsibility, Tenant shall bond against or discharge the same within (10) days after receiving notice thereof. If Tenant shall fail to cause such lien to be bonded against or to be discharged within such period, then, in addition to any other right or remedy which Landlord may have under this Lease, at law or in equity, Landlord may, but shall not be obligated to, discharge the same either by paying the amount claimed to be due or by procuring the discharge of such lien by deposit or by bonding. Any amount so paid by Landlord and all costs and expenses incurred by Landlord in connection therewith, together with interest at the Default Rate from the respective dates of Landlord's making of the payment and incurring of the cost and expense, shall constitute Additional Rent payable by Tenant under this Lease and shall be paid by Tenant to Landlord on demand.

(e) Upon completion of the Tenant Work, Tenant shall furnish Landlord with contractors' affidavits and full and final waivers of liens and receipted bills covering all labor and materials.

(f) Within sixty (60) days after the Tenant Work have been completed, Tenant shall provide Landlord with a complete set of reproducible, record drawings for the Buildings showing as-built conditions, including any manuals, warranties or other such documents relating to the Tenant Work.

(g) Tenant shall indemnify, defend and hold harmless Landlord, its agents, contractors and employees from and against all claims, damages, liabilities, losses and expenses of whatever nature, including but not limited to, reasonable attorneys' fees, arising out of or resulting from the negligence or willful misconduct of Tenant, Tenant's contractors, or their respective agents and employees in the course of exercising its rights under this Exhibit "L". Tenant shall provide or cause to be provided in all contracts with each Tenant's contractor that such Tenant's contractor shall indemnify, defend and hold harmless Landlord, its agents and employees, from and against all claims, damages, liabilities, losses and expenses of whatever nature, including but not limited to, reasonable attorneys' fees, arising out of or resulting from the negligence or willful misconduct of such Tenant's contractor or its agents or employees in connection with the performance of the Tenant Work. The foregoing indemnities shall be in addition to the insurance requirements set forth in this Exhibit and shall not be in discharge or substitution of same, and shall not be limited in any way by any limitations on the amount or type of damages.

13. Tenant Improvement Payments. As noted in Exhibit "B", Fixed Rent to be paid by Tenant from and after the Commencement Date includes amounts designed to reimburse Landlord for a portion of the Tenant Allowance advanced by Landlord, such amounts being based upon a 10 year level payment amortization schedule with interest at 10%. Prior to the Commencement Date, Tenant shall reimburse Landlord for the remainder of the Tenant Allowance (based upon the same amortization schedule and interest rate), in equal consecutive monthly payments of \$7,875.00 (the "Tenant Improvement Payments"). The Tenant Improvement Payments shall be due on the first day of each month during the period commencing on January 1, 1997 and terminating on March 1, 2002. The Tenant Improvement Payments shall constitute Additional Rent under this Lease.

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#### Schedule

In addition to complying with the requirements for Plans and Specifications generally (as set forth in this Exhibit "L"), the Tenant Work Plans shall comply with the following requirements:

1. Architectural drawings must include the following:

(a) Partition locations and types (including any slab-to-slab partitions

- or special acoustical treatment required);
  - (b) Door locations, door schedule, door frames and the swing of each door;
  - (c) Reflected ceiling plan;
  - (d) Millwork items;
  - (e) Hardware schedule;
  - (f) Finish schedule showing all finish types and locations; and
  - (g) Telephone rooms.
  - (h) Roof plans and penetrations.
2. Structural drawings must include the following:
- (a) Location of any floor openings and stair drawings;
  - (b) Location and extent of any floor loading beyond building standard; and
  - (c) Any structural changes caused by Tenant's design (including raised flooring).
3. Electrical drawings must include the following:
- (a) Location and extent of any special electric requirements caused by equipment such as computer hardware, copiers or supplemental A/C units (i.e., separate circuiting, coaxial cabling, etc.);
  - (b) Estimate of total electrical load on each floor;
  - (c) Location of all electrical outlets, switches, telephone outlets, exit signs, and lighting fixtures;
  - (d) Location of all computer equipment systems and special audio-visual equipment; and
  - (e) Location and type of all fire alarm system devices and wiring.
4. Heating, ventilating and air conditioning (HVAC) drawings must include the following:
- (a) Location of any duct work, ceiling diffusers, and thermostats;
  - (b) Variable air volume (VAV) unit quantities and sizing information;
  - (c) Location and sizing of any supplemental HVAC equipment; and
  - (d) Estimate of total HVAC load on each floor.
5. Plumbing drawings must include the following (if applicable):
- (a) Location of kitchen, kitchenettes, etc.;
  - (b) Location of drinking fountains; and
  - (c) Location of sinks and toilets (other than base building).
6. Sprinkler and other fire suppression system drawings and specifications and design calculations.
7. Tenant security system must include:
- (a) A preliminary outline equipment brochure and riser diagram indicating all components (electrical power characteristics, voltages, and specific locations on plan);
  - (b) All requirements for dedicated circuits;
  - (c) All requirements for bonding and grounding;
  - (d) All requirements for outside connections to the telephone company or a central protective alarm agency;
  - (e) All emergency circuiting requirements; and
  - (f) The type, sizes, quantities and location of all required cable and circuit.

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EXHIBIT "M"

SUBORDINATION, ATTORNMEN AND NON-DISTURBANCE AGREEMENT

THIS SUBORDINATION, NON-DISTURBANCE AND ATTORNMEN AGREEMENT (this "Agreement") is made and entered into this \_\_\_ day of \_\_\_\_\_, 19\_\_\_, by and among Teleport Communications Group Inc., a Delaware corporation ("Tenant"), with a mailing address of \_\_\_\_\_, and \_\_\_\_\_, a \_\_\_\_\_ corporation ("Mortgagee"), with a mailing address of \_\_\_\_\_ and South Brunswick Investors, L.P., a Delaware limited partnership ("Landlord") with a mailing address of \_\_\_\_\_.

W I T N E S S E T H:

WHEREAS, Landlord and Tenant have entered into a lease (the "Lease") dated \_\_\_\_\_ of certain premises (the "Premises") situate \_\_\_\_\_, erected on the tract of land described in Exhibit "A" attached hereto and made a part hereof; and

WHEREAS, Landlord is about to make, execute and deliver to Mortgagee a certain promissory note secured by a first lien Mortgage on the

Premises (the "Mortgage"); and

WHEREAS, the Lease will be assigned by Landlord to Mortgagee as further security for the promissory note.

NOW, THEREFORE, in consideration of the mutual promises hereinafter contained and other good and valuable consideration, the receipt and sufficiency whereof are hereby acknowledged, Tenant and Mortgagee, intending to be legally bound hereby, covenant and agree as follows:

1. The Lease shall be subject and subordinate to the lien of the Mortgage and to all the terms, conditions and provisions thereof, and to any renewals, extensions, modifications or replacements thereof, to the full extent of the principal sum secured by the Mortgage, all interest accrued and from time to time unpaid thereon and any other amounts required to be paid by the terms of the Mortgage and the instruments secured thereby, unless Mortgagee elects to subordinate the mortgage to the Lease.

2. Provided Tenant is not in default beyond the applicable grace period provided for in the Lease:

(a) Tenant shall not be joined as an adverse or party defendant in any action or proceeding which may be instituted or commenced by Mortgagee to foreclose or enforce the Mortgage, unless Tenant is deemed to be a necessary party.

(b) Tenant shall not be evicted from the Premises nor shall any of Tenant's rights under the Lease be affected or disturbed in any way by reason of this subordination or any modifications of or default under the Mortgage.

(c) Tenant's leasehold estate under the Lease shall not be terminated or disturbed during the term of the Lease as it may be extended, by reason of any default under the Mortgage.

(d) Provided Landlord is not in default under the terms of the Mortgage, Mortgagee hereby subordinates and subjects its right to any portion of the insurance proceeds otherwise payable to Landlord and/or Mortgagee, when and to the extent necessary for Landlord to comply with its obligations of repair and restoration as required by the provisions of the Lease.

(e) If Mortgagee or any successor in interest to it shall succeed to the rights of Landlord under the Lease, whether through possession, termination or cancellation of the Lease, surrender, assignment, judicial action, sublettings, foreclosure action or delivery of a deed or otherwise, Tenant will attorn to and recognize such successor-landlord as Tenant's landlord and the successor-landlord will accept such attornment and recognize Tenant's rights of possession and use of the Premises in accordance with the provisions of the Lease and, without further evidence of such attornment and acceptance, the parties shall be bound by and comply with all the terms, provisions, covenants and obligations contained in the Lease, on their respective parts to be performed. Such successor-landlord shall not, however, be:

(i) liable for any act or omission of Landlord or any prior landlord;

(ii) obligated to Tenant for any security deposit or other sums deposited with any prior landlord (including Landlord) under the Lease and not physically delivered to Mortgagee;

(iii) bound by any rent or additional rent which the Tenant might have paid for more than the current month to any prior landlord (including Landlord);

(iv) bound by any amendment or modification of the Lease or any cancellation or surrender of the Lease made without the consent of Mortgagee subsequent to the date hereof;

(v) subject to any offsets, claims or defenses which Tenant might have against any prior landlord (including Landlord);

(vi) bound or liable under any written or oral notice given by Tenant to Landlord or any prior landlord and not given in writing to such successor-landlord; or

(vii) obligated or liable (financially or otherwise) on account of any representation, warranty, or indemnification obligation of Landlord with respect to hazardous materials, asbestos, or other environmental laws, claims or liabilities, whether expressly stated as such or subsumed within general obligations to comply with laws or preserve the benefits of Tenant's use and enjoyment of the Premises.

3. Tenant agrees to give Mortgagee a copy of any notice of



default served upon the Landlord, at Mortgagee's address stated on page one hereof or such other address designated in writing to Tenant. Tenant further agrees that if Landlord shall have failed to cure such default within the time provided in the Lease, then the Mortgagee shall have an additional thirty (30) days within which to cure such default or if such default cannot be cured within that time, then such additional time as may be necessary to cure such default shall be granted if within such thirty (30) days Mortgagee has commenced and is diligently pursuing the remedies necessary to cure such default (including, but not limited to commencement of foreclosure proceedings, if necessary to effect such cure) in which event the Lease shall not be terminated which such remedies are being so diligently pursued.

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4. Landlord and Tenant each agree not to amend, modify or accept a termination of the Lease without the prior written consent of the Mortgagee, which consent shall not be unreasonably withheld or delayed.

5. (a) Tenant will not pay an installment of rent or any part thereof more than thirty (30) days prior to the due date of such installment.

(b) After notice from Mortgagee to Tenant, Tenant will pay to Mortgagee, or to such person or firm designated by Mortgagee, all rentals and other monies due and to become due to Landlord under the Lease.

6. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, distributees, administrators, legal representatives, successors and assigns and may not be modified orally or by any course of conduct other than except by a written instrument signed by both parties hereto.

7. All notices required or permitted by this Agreement shall be given by (i) hand delivery, (ii) U.S. Registered or Certified Mail, return receipt requested, or (iii) nationally reputable overnight courier service, and shall be addressed to the recipient at the respective address specified in the opening paragraph of this Agreement. No notice shall be effective unless and until actually received.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed under seal as of the day and year first above written.

TENANT:

TELEPORT COMMUNICATIONS GROUP INC.

\_\_\_\_\_  
By:  
Name:  
Title:

LANDLORD:

SOUTH BRUNSWICK INVESTORS, L.P.

\_\_\_\_\_  
By:  
Name:  
Title:

MORTGAGEE:

\_\_\_\_\_  
By:  
Name:  
Title:

-----  
Notary Form of Tenant  
-----

Notary Form of Mortgagee

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-----  
-----  
U.S. SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
-----

FORM 10-KSB

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1996  
OR

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

For the transition period from to

COMMISSION FILE NUMBER 0-20047

ROYALE INVESTMENTS, INC.

(Exact Name of Registrant as Specified in its Charter)

<TABLE>

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

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

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

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

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

Check whether the issuer (1) filed all reports required to be filed by  
Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12  
months (or for such shorter period that the registrant was required to file such  
reports), and (2) has been subject to such filing requirements for the past 90  
days. Yes /X/ No / /

Check if disclosure of delinquent filers in response to Item 405 of  
Regulation S-B is not contained in this form, and no disclosure will be  
contained, to the best of registrant's knowledge, in definitive proxy or  
information statements incorporated by reference in Part III of this Form 10-KSB  
or any amendment to this Form 10-KSB. /X/

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

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

(APPLICABLE ONLY TO CORPORATE REGISTRANTS)

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

DOCUMENTS INCORPORATED BY REFERENCE

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

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

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

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PART I

ITEM 1. DESCRIPTION OF BUSINESS

GENERAL

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

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

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

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

INVESTMENT STRATEGY

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

FINANCING POLICIES

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

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

POTENTIAL ENVIRONMENTAL LIABILITIES

Under various federal, state and local laws and regulations, an owner of real estate is liable for the costs of removal or remediation of certain hazardous or toxic substances on such property. Such laws often impose such

liability without regard to whether the owner knew of, or was responsible for, the presence of such hazardous or toxic substances. The costs of remediation or removal of such substances may be substantial, and the presence of such substances, or the failure to promptly remediate such substances, may adversely affect the owner's ability to sell such real estate or to borrow using such real estate as collateral. As an owner of its properties, the Company may be liable for remediation costs, even though the Company's tenants are responsible for such costs under the leases.

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

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

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

COMPETITION

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

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

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

ITEM 2. DESCRIPTION OF PROPERTY

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

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

<TABLE>  
<CAPTION>

LEASE LOCATION EXPIRATION	GROSS LEASABLE AREA (GLA)	PERCENT OF TOTAL GLA	STRAIGHT LINE ANNUAL BASE RENT	ANNUAL REAL ESTATE TAXES
-----	-----	-----	-----	-----
-----	-----	-----	-----	-----

<S>	<C>	<C>	<C>	<C>	<C>
Plymouth, MN.....	67,650 sq ft	19%	\$ 522,813	\$ 213,036	
2006					
Indianapolis, IN.....	67,541	19%	548,196	102,300	
2011					
Peru, IL.....	44,300	13%	347,112	21,269	
2014					
Minot, ND.....	46,000	13%	316,272	53,291	
2014					
Glendale, WI.....	36,000	10%	177,984	64,244	
2010					
Oconomowac, WI.....	40,000	11%	264,798	49,985	
2014					
Delafield, WI.....	52,800	15%	330,564	68,791	
2014					

</TABLE>

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

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

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

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

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names Piggly Wiggly, Thriftway and Sentry. Fleming's common stock is traded on the New York Stock Exchange.

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

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

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

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

ITEM 3. LEGAL PROCEEDINGS

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

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

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

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

PRICE RANGE OF COMMON STOCK

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

<TABLE> <CAPTION> 1995 HIGH		
-----		
	LOW	
<S>		
First Quarter.....	5 1/4	<C> 7
1/4		
Second Quarter.....	4 3/4	5
5/8		
Third Quarter.....	5	6
3/8		
Fourth Quarter.....	4 3/4	
6		

<TABLE> <CAPTION> 1996 HIGH		
-----		
	LOW	
<S>		
First Quarter.....	4 3/4	<C> 5
3/8		
Second Quarter.....	4 7/8	5
3/4		
Third Quarter.....	5 1/8	5
3/4		
Fourth Quarter.....	4 3/4	5
1/2		

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

CASH DIVIDENDS

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

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

OVERVIEW

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

RESULTS OF OPERATIONS FOR FISCAL YEARS ENDED DECEMBER 1996 AND 1995

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

Rent on the Company's Minnesota and Indiana properties is fixed for the term of the leases, but is adjusted every five years by 50% of the increase in the "Food-at-Home" component of the Consumer Price Index up to a maximum of 10% for any five-year period. In March 1996, rent on the Minnesota property increased approximately 6%, and in November 1996, rent on the Indiana property increased approximately 8%. Remaining leases are for initial terms of seventeen to twenty years, and the rents due under these leases adjust upward every five years based upon a negotiated minimum rate or a percentage of sales, whichever is greater. The principal expenses of the Company will be mortgage interest and depreciation, and the leases are structured to provide sufficient rents to allow the Company to service the debt and pay other operating costs of the leased premises, including advisory fees. If rent is not paid as provided in the leases, the Company may be unable to meet its mortgage or other payments.

Interest income decreased in 1996 by approximately \$16,000 due to a reduction in cash and marketable securities. Interest income for 1995 decreased to \$48,467 from \$216,726 in 1994. The decrease was the result of construction period interest received on the Oconomowac and Delafield purchases during 1994, which was no longer applicable in 1995.

All operating expenses relating to the Company's properties, such as utilities, property taxes, repairs and maintenance and insurance, are the responsibility of the Company's tenants. Accordingly, the Company did not incur any material costs for these expenses in 1996 or 1995. Operation and management

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expenses consist mainly of fees paid to Crown Advisors, Inc., the Company's advisor and affiliate. The contractual fee was \$250,274 in both 1996 and 1995, as compared to \$510,964 in 1994. The higher amount in 1994 was the result of acquisition fees paid on properties acquired in that year. General and administrative expenses consist primarily of professional fees, travel expense and state income taxes. These expenses increased to \$42,505 in 1996 from \$34,595 in 1995 and \$34,874 in 1994.

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

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

#### FUNDS FROM OPERATIONS

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

#### LIQUIDITY AND CAPITAL RESOURCES

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

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



The ability of the Company to acquire additional properties is dependent upon obtaining additional equity capital through the issuance and sale of Common Stock or other securities as well as obtaining acceptable mortgage financing on its properties and properties to be acquired. Whether the Company will be able to procure the necessary financing will depend upon the prevailing market for the Company's Common Stock, interest rates and the lending market for real estate generally. There is no assurance that the Company will be able to raise additional capital on terms satisfactory to the Company.

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

ITEM 7. FINANCIAL STATEMENTS

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

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

Not applicable.

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PART III

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

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K

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

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

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

EXHIBIT INDEX

EXHIBIT NUMBER	TITLE	METHOD OF FILING
3.1	Restated Articles of Incorporation of the Company, as amended	(1)
3.2	Bylaws of the Company	(1)
3.3	Bylaws of the Company as amended June 15, 1993	(5)
10.1	Amendment of Advisory Agreement (Amended as of September 11, 1992)	(2)
10.2	Amended Advisory Agreement (Amended as of October 1, 1991)	(1)
10.5	Amended Form of Directors' Warrant	(1)
10.6	Executed Indianapolis Purchase Agreement together with Exhibits	(1)
10.7	Executed Amendment to Indianapolis Purchase Agreement	(1)
10.8	Executed Plymouth Purchase Agreement together with Exhibits	(1)
10.9	Super Valu Guaranty	(1)
10.11	Plymouth Property Appraisal	(1)
10.12	Indianapolis Property Appraisal	(1)
10.13	Promissory Note dated June 25, 1992 issued by Royale Investments, Inc. to American United Life Insurance Company for \$4.8 million	(3)
10.14	Guaranty Agreement dated June 25, 1992 between Super Valu Stores, Inc. and	

	Royale Investments, Inc.	(3)
10.15	Letter of Credit Agreement dated July 2, 1991 between Super Valu Stores, Inc. and Goldmark, Inc.	(3)
10.16	Indenture of Mortgage and Security Agreement with Assignment of Rents dated as of June 1, 1992 from Royale Investments, Inc. to American United Life Insurance Company re: Indianapolis	(3)
10.17	Indenture of Mortgage and Security Agreement with Assignment of Rents and Fixture Financing Statement dated as of June 1, 1992 from Royale Investments, Inc. to American United Life Insurance Company	(3)

</TABLE>

8

<TABLE> <CAPTION>		
EXHIBIT NUMBER	TITLE	METHOD OF FILING
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----		
<C>	<S>	<C>
10.18	First Amendment to Lease between Super Valu Stores, Inc. and Innsbruck Investments, Inc. dated June 25, 1992	(3)
10.19	Companion Lease dated June 25, 1992 by and between Royale Investments, Inc. and Super Valu Stores, Inc.	(3)
10.20	First Amendment to Guaranty Agreement dated June 25, 1992	(4)
10.21	First Amendment to Companion Lease dated June 25, 1992	(4)
10.22	First Amendment to Memorandum of Lease dated June 25, 1992	(4)
10.25	Executed Glendale Purchase Agreement dated August 31, 1993 with Exhibits	(6)
10.26	Executed Glendale Lease with Malone & Hyde, Inc. dated October 1, 1993	(6)
10.27	Fleming Companies Guaranty dated September 27, 1993	(6)
10.28	Glendale Property Appraisal dated August 17, 1993	(6)
10.29	Executed Peru Purchase Agreement dated November 30, 1993 with Exhibits	(6)
10.30	Executed Peru Lease with Nash-Finch Company dated December 1, 1993	(6)
10.31	Peru Property Appraisal dated August 13, 1993	(6)
10.32	Peru Mortgage and Assignment of Leases and Rents and Security Agreement and Fixture Financing Statement dated December 17, 1993 from Royale Investments, Inc. to Northern Life Insurance Company	(6)
10.33	Peru Secured Lease Obligation Note due November 1, 2013 from Royale Investments, Inc. to Northern Life Insurance Company dated December 17, 1993	(6)
10.34	Peru Subordination, Non-Disturbances and Attornment Agreement dated November 30, 1993	(6)
10.35	Stock Option Plan for Directors	(6)
10.36	Form of Directors Stock Option	(6)
10.37	Executed Minot Purchase Agreement dated January 31, 1994, with Exhibits	(7)
10.38	Executed Minot Lease with Nash Finch Company dated January 31, 1994	(7)
10.39	Minot Property Appraisal dated August 12, 1993	(7)
10.40	Minot Mortgage and Security Agreement and Fixture and Financing Statement dated January 31, 1994 from Royale Investments, Inc. to Northern Life Insurance Company	(7)
10.41	Minot Secured Lease Obligation Note due February 1, 2014, from Royale Investments, Inc. to Northern Life Insurance Company dated January 31, 1994	(7)
10.42	Minot Recognition Agreement dated January 31, 1994	(7)

</TABLE>

9

<TABLE> <CAPTION>		
EXHIBIT NUMBER	TITLE	METHOD OF FILING
-----		
----		
<C>	<S>	<C>
10.43	Executed Oconomowoc Purchase Agreement dated November 30, 1993, with Exhibits	(7)

10.44	Executed Oconomowoc Lease with Malone & Hyde, Inc. dated January 10, 1994	(7)
10.45	Fleming Companies, Inc. Guaranty dated January 10, 1994	(7)
10.46	Oconomowoc Property Appraisal dated October 26, 1993	(7)
10.47	Oconomowoc Mortgage and Security Agreement dated June 6, 1994 from Royale Investments, Inc. to Modern Woodmen of America	(7)
10.48	Oconomowoc Mortgage Note dated June 6, 1994 issued by Royale Investments, Inc. to Modern Woodmen of America for \$1.8 million	(7)
10.49	Amended and Restated Mortgage Note dated June 6, 1994 issued by Royale Investments, Inc. to Modern Woodmen of America for \$1.8 million	(7)
10.50	Executed Delafield Purchase Agreement dated March 11, 1994 with Exhibits	(7)
10.51	Executed Delafield Lease with Malone & Hyde, Inc. dated March 11, 1994	(7)
10.52	Fleming Companies, Inc. Guaranty dated March 11, 1994	(7)
10.53	Delafield Property Appraisal dated March 7, 1994	(7)
10.54	Delafield Mortgage and Security Agreement dated November 28, 1994 from Royale Investments, Inc. to Modern Woodmen of America	(7)
10.55	Delafield Mortgage Note dated November 28, 1994 issued by Royale Investments, Inc. to Modern Woodmen of America for \$2 million	(7)
10.56	Glendale Mortgage Note dated March 28, 1994 issued by Royale Investments, Inc. to Firststar Bank Milwaukee, N.A.	(7)
10.57	Amended and Restated Royale Investments, Inc. REIT Advisory Agreement dated November 22, 1995	(8)
10.58	Assignment of Tenant's Interest in Lease and Assumption Agreement dated April 22, 1996, with Exhibits	Filed Herewith
10.59	Second Amendment of Lease between Royale Investments, Inc. and Wigest Corporation, dated April 22, 1996	Filed Herewith
10.60	Release of Mark Murphy Guaranty, dated April 22, 1996	Filed Herewith
10.61	Subordination Agreement, dated April 22, 1996	Filed Herewith

</TABLE>

- -----

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

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SIGNATURES

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

Date: March 28, 1997

ROYALE INVESTMENTS, INC.

By: /s/ VERNON R. BECK  
-----  
Vernon R. Beck  
PRESIDENT AND CHIEF EXECUTIVE OFFICER

By: /s/ KENNETH R. NEUBAUER  
-----  
Kenneth R. Neubauer  
CHIEF FINANCIAL OFFICER

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

SIGNATURE	TITLE	DATE
/s/ VERNON R. BECK ----- Vernon R. Beck	President and Chief Executive Officer and Director	
/s/ JOHN PARSINEN ----- John Parsinen	Vice President, Secretary and Director	
/s/ ORVIN J. HALL ----- Orvin J. Hall	Director	
/s/ KURT SCHOENROCK ----- Kurt Schoenrock	Director	
/s/ KENNETH D. WETHE ----- Kenneth D. Wethe	Director	
/s/ ALLEN C. GEHRKE ----- Allen C. Gehrke	Director	

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U.S. SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
-----

FORM 10-KSB/A-1

/X/ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE  
SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1996  
OR

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

FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_

COMMISSION FILE NUMBER 0-20047

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

<TABLE> <S>	<C>	
MINNESOTA (State or Other Jurisdiction of Incorporation)		41-1691930 (IRS Employer Identification No.)
3430 LIST PLACE, MINNEAPOLIS, MINNESOTA (Address of principal executive offices)		55416 (Zip Code)

</TABLE>

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

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

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

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes /X/ No / /

Check if disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. / /

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

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

(APPLICABLE ONLY TO CORPORATE REGISTRANTS)

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

DOCUMENTS INCORPORATED BY REFERENCE  
NONE

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

-----  
ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS;  
COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

The following table sets forth certain information regarding the directors and executive officers of the Company.

<TABLE>  
<CAPTION>

NAME SINCE	AGE	OFFICE	DIRECTOR
<S>	<C>	<C>	<C>
Vernon R. Beck..... 1988	55	President, Treasurer and Director	
John Parsinen..... 1988	54	Vice President, Secretary and Director	
Orvin J. Hall..... 1990	70	Director	
Kurt Schoenrock..... 1990	64	Director	
Kenneth D. Wethe..... 1990	55	Director	
Allen C. Gehrke..... 1995	62	Director	

</TABLE>

VERNON R. BECK is Chairman of the Board of Directors of the Company. Mr. Beck has served as President of the Company since 1988 and as President of Crown Advisors, Inc., the Company's advisor, since its inception in 1988. Since 1976, Mr. Beck has been President of Vernon Beck & Associates, Inc. a commercial mortgage banking and real estate development firm, which has developed and financed numerous commercial real estate projects. Mr. Beck is a former commercial loan officer with IDS Mortgage Corporation and senior analyst with Northwestern National Life Insurance Company. Mr. Beck is also Vice President of Enterprise Maintenance, LLC, a company which provides maintenance services to commercial buildings.

JOHN PARSINEN has over 29 years of experience in commercial real estate. Mr. Parsinen has developed and owns various real estate projects. Mr. Parsinen has been a senior attorney at Parsinen Kaplan Levy Rosberg & Gotlieb, P.A. (Minneapolis, Minnesota) since it was formed in 1982. Mr. Parsinen specializes in commercial real estate and represents mortgage lenders, brokers, and developers in all types of residential and commercial transactions. Mr. Parsinen owns 50% of Guaranty Title, Inc., a Minneapolis-based real estate title insurance company. Mr. Parsinen was a general partner of Earle Brown Commons Limited Partnership II, which owned and operated an elderly housing facility in Brooklyn Center, MN. In 1994, the limited partnership initiated a Chapter 11 bankruptcy reorganization proceeding to restructure certain tax and debt obligations. The bankruptcy was dismissed in 1995 and the project was sold. Mr. Parsinen is Vice President of Crown Advisors, Inc., the Company's advisor, and also an owner of Enterprise Maintenance, LLC.

ORVIN J. HALL has over 31 years of real estate experience. Mr. Hall is now retired from Towle Real Estate, a Minneapolis-based real estate management company. Mr. Hall has been a real estate sales associate for several agencies since 1980. Prior to that, Mr. Hall worked as Mortgage Branch Manager for Investors Diversified Services, Inc. for 14 years, Mortgage Underwriter at Northwestern National Life Insurance Company for five years and worked for five years at Equitable Life Assurance Society of the United States. Mr. Hall is a Member of the Appraisal Institute (MAI).

KURT SCHOENROCK has over 31 years in real estate activities. Mr. Schoenrock is currently an officer and director of Suncoast Appraisers, a full line real estate appraisal and consulting firm in St. Petersburg, Florida. Prior to starting his own appraisal firm, Mr. Schoenrock, for approximately 20 years, was the senior real estate appraiser for Aid Association for Lutherans (AAL), the world's largest fraternal association with assets exceeding \$3.5 billion. Mr. Schoenrock is a licensed real estate broker in the State of Florida. Mr. Schoenrock is a Member of the Appraisal Institute (MAI).

KENNETH D. WETHE is a certified public accountant (CPA). He has a master's degree in business administration (MBA) from Pepperdine University and has over 26 years of experience in the group insurance and employee benefits area. Mr. Wethe is a Fellow of the Life Office Management Institute. Since 1990, Mr. Wethe has been the owner and principal officer of Wethe & Associates, a Dallas-based firm providing independent risk management, insurance and employee benefit services to school districts

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and governmental agencies. Since 1988, Mr. Wethe also has been a consultant to Robert W. Lazarus & Associates in the area of employee benefits.

ALLEN C. GEHRKE has over 43 years of real estate construction and development experience. Mr. Gehrke is a private investor who retired from Fleming Companies, Inc., in 1995 after 35 years with the company. His most recent position with the Milwaukee division of Fleming was Senior Vice President of Corporate Development. His responsibilities included management of all company physical assets, market research, store design and construction, fixture purchasing and installation, lease negotiations and real estate financing. Prior to his employment with Fleming Companies, he was in the construction business for 7 years with Midwest Contractors and L.A. Construction Co. of Milwaukee. Mr. Gehrke is a former director of United Cerebral Palsy, Milwaukee Yacht Club, and Keep Greater Milwaukee Beautiful.

#### SECTION 16(A) BENEFICIAL OWNERSHIP REPORT COMPLIANCE

Section 16(a) of the Exchange Act requires the Company's directors and executive officers to file reports of changes in beneficial ownership of the Company's common stock with the Securities and Exchange Commission. Based on information provided to the Company, the Company is not aware of any executive officer or director of the Company who failed to timely file any report required to be filed.

#### ITEM 10. EXECUTIVE COMPENSATION

No individual officer of the Company was paid any cash or other compensation for the years ended December 31, 1994, 1995 or 1996. Mr. Beck and Mr. Parsinen each received options to purchase 2,500 shares of Common Stock from the Company pursuant to the Company's Stock Option Plan for Directors during the year ended December 31, 1996. The options become exercisable May 20, 1997 at an option price of \$5.625 per share. No officer of the Company has received options or warrants to purchase securities of the Company by reason of that person's position as an officer, and no options or warrants held by officers of the Company were exercised, adjusted or repriced in 1994, 1995 or 1996.

#### CERTAIN INFORMATION REGARDING THE BOARD OF DIRECTORS AND COMMITTEES

AUDIT COMMITTEE. The Company has a standing Audit Committee which currently consists of Kenneth D. Wethe (Chairman) and Orvin J. Hall. The Audit Committee reviews, recommends and reports to the board on (1) independent auditors, (2) the quality and effectiveness of internal controls, (3) engagement or discharge of the independent auditors, (4) professional services provided by the independent auditors, and (5) the review and approval of major changes in the Company's accounting principles and practices. During 1996, the Audit Committee held one meeting.

The Board presently does not have a Compensation Committee and acts as its own Nominating Committee.

During the year ended December 31, 1996, the Board of the Company held five regular meetings and four special meetings. No director attended fewer than 75% of the aggregate number of meetings of the Board and the committees on which they serve.

#### COMPENSATION OF DIRECTORS

DIRECTORS' FEES AND EXPENSES.

Directors who are not officers of the Company receive an annual fee of \$3,000, plus \$500 for each meeting (other than telephonic Board meetings) they attend. Directors incurring travel expenses in connection with their duties as directors of the Company are reimbursed in full. The total directors' fees and travel expense reimbursement in the year 1996 was approximately \$18,000. Mr. Beck and Mr. Parsinen received no fees in connection with board meetings for 1996.

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AUTOMATIC OPTION GRANTS

Since 1993, the Company has maintained a Stock Option Plan for Directors. A total of 75,000 shares of the Company's common stock are reserved for issuance under this plan. Each director of the Company is eligible to participate in the plan. The plan provides that each director will receive, upon initial election or appointment, an option to purchase 2,500 shares of the Company's common stock at the then fair market value of the common stock. The plan also provides for the grant of an option to purchase an additional 2,500 shares of the Company's common stock upon each director's re-election to the Board. The options become exercisable in full one year after date of grant and expire ten years from the date of grant.

The following table sets forth outstanding options granted to officers and directors of the Company under the Stock Option Plan for Directors:

<TABLE>  
<CAPTION>

EXPIRATION NAME ----- <S>	NUMBER OF	VESTING	EXERCISE	
	SECURITIES	DATE	PER SHARE	DATE
	<C>	<C>	<C>	<C>
Vernon R. Beck.....	2,500	5-24-94	\$ 9.50	5-24-03
04	2,500	5-16-95	9.87	5-16-
05	2,500	5-15-96	5.38	5-15-
06	2,500	5-20-97	5.63	5-20-
John Parsinen.....	2,500	5-24-94	9.50	5-24-03
04	2,500	5-16-95	9.87	5-16-
05	2,500	5-15-96	5.38	5-15-
06	2,500	5-20-97	5.63	5-20-
Kenneth D. Wethe.....	2,500	5-24-94	9.50	5-24-03
04	2,500	5-16-95	9.87	5-16-
05	2,500	5-15-96	5.38	5-15-
06	2,500	5-20-97	5.63	5-20-
Orvin J. Hall.....	2,500	5-24-94	9.50	5-24-03
04	2,500	5-16-95	9.87	5-16-
05	2,500	5-15-96	5.38	5-15-
06	2,500	5-20-97	5.63	5-20-
Kurt Schoenrock.....	2,500	5-24-94	9.50	5-24-03
04	2,500	5-16-95	9.87	5-16-
05	2,500	5-15-96	5.38	5-15-
06	2,500	5-20-97	5.63	5-20-
Allen C. Gehrke.....	2,500	5-15-96	5.38	5-15-05
06	2,500	5-20-97	5.63	5-20-

</TABLE>

4

The following table sets forth certain information as of March 31, 1997, relating to the number of shares of Common Stock beneficially owned by each director and by all executive officers and directors as a group. The Company is not aware of any beneficial owner of more than five percent (5%) of the outstanding shares of the Company's common stock.

SHARES OF COMMON STOCK

<TABLE>  
<CAPTION>

<S> DIRECTORS AND OFFICERS	BENEFICIALLY OWNED	
	<C> NUMBER (1)	<C> PERCENT
Vernon R. Beck.....	23,116 (3)	1.6%
John Parsinen.....	20,687 (3)	1.5%
Orvin J. Hall.....	7,500 (4)	*
Kurt Schoenrock.....	7,606 (4)	*
Kenneth D. Wethe.....	7,724 (4)	*
Allen C. Gehrke.....	2,750 (5)	*
All executives, officers and directors as a group (seven individuals).....	69,726 (6)	4.9%

</TABLE>

\* Less than one percent (1%)

- (1) Unless otherwise noted, each person or group identified possesses sole voting and investment power with respect to such shares.
- (2) Includes fifty percent of the 26,374 shares of Common Stock owned by Crown Advisors, Inc., the Company's Advisor, which is owned equally by Messrs. Beck and Parsinen. See "Certain Transactions and Related Transactions."
- (3) Does not include 2,500 shares of Common Stock issuable upon exercise of options granted in 1996 under the Company's Stock Option Plan for Directors as they are not presently exercisable.
- (4) Includes 7,500 shares of common stock issuable upon exercise of presently exercisable options.
- (5) Includes 2,500 shares of common stock issuable upon exercise of presently exercisable options.
- (6) Includes 40,000 shares of common stock issuable upon exercise of presently exercisable options.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Effective December 23, 1991, the Company issued five-year warrants to each of Vernon R. Beck, John Parsinen, Orvin J. Hall, Kurt Schoenrock and Kenneth D. Wethe to purchase 10,000, 10,000, 2,500, 2,500 and 2,500 shares of Common Stock, respectively, at a purchase price of \$10 per share. These warrants expired on December 23, 1996. Options to purchase 2,500 shares of Common Stock were also granted to the Company's directors in 1993, 1994, 1995 and 1996 under the Company's Stock Option Plan for Directors. These options expire ten years after their issue date. See the table under "CERTAIN INFORMATION REGARDING THE BOARD OF DIRECTORS AND COMMITTEES".

Subject to the supervision of the Company's Board of Directors, the business of the Company is managed by the Advisor, which provides investment advisory and administrative services to the Company.

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The Advisor is owned by John Parsinen and Vernon R. Beck, officers and directors of the Company. As of March 31, 1997, the Advisor employed three persons on a full-time basis.

Pursuant to an advisory agreement, the Company must pay the Advisor certain advisory fees, expenses and performance fees, as defined in the agreement and a 3% fee for each real estate acquisition or disposition. For each of the years ended December 31, 1996 and 1995, the advisory fee was \$250,000. For the year ended December 31, 1994, the advisory fee was \$240,000 and the acquisition fee was \$271,000. There have been no performance fees in any of the above years.



Upon termination of the advisory agreement, the Company must pay a fee equal to 3% of the invested real estate assets plus 25% of the increase in value of invested real estate assets from the date of acquisition to the date of termination.

Parsinen Kaplan Levy Rosberg & Gotlieb, P.A. was compensated for legal services provided to the Company in connection with the 1991 initial public offering of its Common Stock and the acquisition of the Company's properties in 1992, 1993 and 1994. The firm continues to provide legal services to the Company, and incurred legal fees of \$9,000 in 1996 and \$0 in 1995. John Parsinen is an officer, director and shareholder of Parsinen Kaplan Levy Rosberg & Gotlieb, P.A.

See also Item 10.

6  
SIGNATURES

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

ROYALE INVESTMENTS, INC.

By: /s/ VERNON R. BECK

-----  
Vernon R. Beck  
PRESIDENT AND  
CHIEF EXECUTIVE OFFICER

Date: May 16, 1997

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

FORM 10-QSB

/X/ Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange  
Act of 1934  
For the Quarterly Period Ended September 30, 1997

/ / Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange  
Act of 1934

-----  
Commission File Number 0-20047  
-----

ROYALE INVESTMENTS, INC.

(Exact name of Registrant as specified in its Charter)

<TABLE>  
<S> MINNESOTA <C> 41-1691930  
(State or other (I.R.S. Employer  
jurisdiction of Identification  
incorporation or No.)  
organization)  
</TABLE>

ONE LOGAN SQUARE, SUITE 1105, PHILADELPHIA, PA 19103

(Address of principal executive offices)

TELEPHONE: (215) 567-1800

(Registrant's telephone number, including area code)

3430 LIST PLACE, MINNEAPOLIS, MINNESOTA 55416

(Former name or former address, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such requirements for the past 90 days. Yes  No

The number of shares outstanding of the Registrant's stock as of November 4, 1997 was 2,266,083 Shares of Common Stock.

ROYALE INVESTMENTS, INC.

FORM 10-QSB

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 1997

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4	Statements of Operations for the Three Months Ended September 30, 1997 (unaudited) and September 30, 1996 (unaudited).....
4	Statements of Operations for the Nine Months Ended September 30, 1997 (unaudited) and September 30, 1996 (unaudited).....
5	Statements of Cash Flows for the Nine Months Ended September 30, 1997 (unaudited) and September 30, 1996 (unaudited).....

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PART I. FINANCIAL INFORMATION  
ITEM 1. FINANCIAL STATEMENTS

## ROYALE INVESTMENTS, INC.

## BALANCE SHEETS

<TABLE>  
<CAPTION>

	SEPTEMBER 30, 1997	DECEMBER 31, 1996
	-----	-----
	(UNAUDITED)	
<S>	<C>	<C>
ASSETS		
Assets:		
Investments in real estate:		
Land and buildings.....	\$ 25,027,358	\$ 25,027,358
Less: accumulated depreciation.....	2,373,269	1,957,448
	-----	-----
Net investments in real estate.....	22,654,089	23,069,910
Cash and cash equivalents.....	496,956	258,275
Marketable securities.....	--	479,379
Deferred costs and other assets.....	535,113	389,517
	-----	-----
Total Assets.....	\$ 23,686,158	\$ 24,197,081
	-----	-----
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Mortgage notes payable.....	\$ 14,448,265	\$ 14,658,250
Dividends payable.....	177,500	177,500
Accounts payable and other liabilities.....	158,431	189,977
	-----	-----
Total Liabilities.....	14,784,196	15,025,727
	-----	-----
Stockholders' Equity:		
Common stock--\$.01 par value per share		
Authorized--50,000,000 shares		
Issued and outstanding--1,420,000 shares.....	14,200	14,200
Additional paid-in capital.....	12,353,398	12,353,398
Distributions in excess of accumulated earnings.....	(3,465,636)	(3,196,244)
	-----	-----
Total Stockholders' Equity.....	8,901,962	9,171,354
	-----	-----
Total Liabilities and Stockholders' Equity.....	\$ 23,686,158	\$ 24,197,081
	-----	-----

&lt;/TABLE&gt;

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

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## ROYALE INVESTMENTS, INC.

## STATEMENTS OF OPERATIONS

(UNAUDITED)

<TABLE>  
<CAPTION>

<S>	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	<C> 1997	<C> 1996	<C> 1997	<C> 1996
Revenues:				
Rental income.....	\$ 628,441	\$ 616,525	\$ 1,880,805	\$ 1,844,187
Interest income.....	5,082	7,858	18,045	25,120
Total Revenue.....	633,523	624,383	1,898,850	1,869,307
Expenses:				
Operations and management.....	93,366	79,153	254,858	269,276
Mortgage interest.....	305,302	310,941	920,237	936,812
Depreciation and amortization.....	141,770	141,771	425,312	425,312
Administrative and general.....	8,035	3,715	35,335	23,987
Total Expenses.....	548,473	535,580	1,635,742	1,655,387
Net Income.....	\$ 85,050	\$ 88,803	\$ 263,108	\$ 213,920
Per Common Share:				
Net income.....	\$ 0.06	\$ 0.06	\$ 0.19	\$ 0.15
Dividends declared.....	\$ 0.13	\$ 0.13	\$ 0.38	\$ 0.38
Weighted Average Number of Common Shares Outstanding.....	1,422,297	1,420,000	1,420,314	1,420,000

</TABLE>

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

4  
ROYALE INVESTMENTS, INC.  
STATEMENTS OF CASH FLOWS  
(UNAUDITED)

<TABLE>  
<CAPTION>

<S>	NINE MONTHS ENDED SEPTEMBER 30,	
	<C> 1997	<C> 1996
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income.....	\$ 263,108	\$ 213,920
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization.....	425,312	425,312
Amortization of marketable securities.....	(7,621)	(20,842)
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable.....	(38,582)	(54,290)
(Increase) decrease in other assets.....	2,426	(407)
Increase (decrease) in accounts payable and other liabilities.....	(31,546)	(11,899)
Net cash provided by operating activities.....	613,097	551,794
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of marketable securities.....	487,000	588,000
Purchase of marketable securities.....	--	(524,272)
Costs associated with new ventures.....	(118,931)	--
Net cash provided by investing activities.....	368,069	63,728
CASH FLOW FROM FINANCING ACTIVITIES:		
Principal payments on mortgage loans.....	(209,985)	(197,193)
Dividends paid to shareholders.....	(532,500)	(532,500)
Net cash used in financing activities.....	(742,485)	(729,693)
NET INCREASE (DECREASE) IN CASH.....	238,681	(114,171)
CASH AND CASH EQUIVALENTS:		
Beginning of period.....	258,275	257,970
End of period.....	\$ 496,956	\$ 143,799

SUPPLEMENTARY DATA:

Income taxes paid.....	\$ 3,100	\$ 4,542
	-----	-----
Interest paid.....	\$ 921,558	\$ 944,952
	-----	-----

</TABLE>

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

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ROYALE INVESTMENTS, INC.

NOTES TO FINANCIAL STATEMENTS

NINE MONTHS ENDED SEPTEMBER 30, 1997

(UNAUDITED)

1. ORGANIZATION AND NATURE OF OPERATIONS

Royale Investments, Inc. (the "Company"), a Minnesota corporation, was formed in 1988, to acquire a portfolio of income-producing commercial real estate properties. The Company has elected to qualify as a real estate investment trust ("REIT") under Sections 856-860 of the Internal Revenue Code and intends to remain so qualified.

As of September 30, 1997, the Company's portfolio was comprised of seven properties leased to operators of seven major retail food stores under long-term operating lease agreements. The leases have initial terms of 17 to 20 years and expire between 2006 and 2014.

Subsequent to September 30, 1997, the Company closed on the acquisition of a portfolio of 10 properties, representing the Mid-Atlantic suburban office operations of The Shidler Group, a national real estate investment firm (the "Shidler Acquisition Properties"). In the transactions (the "Shidler Transactions"), the Company became the sole general partner of and obtained a 20.6946% interest in FCO, L.P. ("FCO"), an operating partnership formed to acquire and hold the Shidler Acquisition Properties (See Note 5).

2. GENERAL

BASIS OF PRESENTATION

The financial statements have been prepared by the Company without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in the financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. In the opinion of the Company, all adjustments (consisting solely of normal recurring matters) necessary to fairly present the financial position of the Company as of September 30, 1997, and the results of its operations and its cash flows for the three and nine months ended September 30, 1997 and 1996 have been included. The results of operations for such interim periods are not necessarily indicative of the results for a full year. For further information refer to the Company's financial statements and footnotes thereto included in the Annual Report on Form 10-K (as amended by Form 10-K/A) for the year ended December 31, 1996.

CAPITALIZATION OF COSTS

As of September 30, 1997, the Company had incurred \$118,931 in costs associated with its pursuit of the Shidler Acquisition Properties. Such costs are included in deferred costs and other assets on the Company's balance sheet as of September 30, 1997.

NET INCOME PER COMMON SHARE

Net income per common share is based on the weighted average number of common shares ("Common Shares") outstanding adjusted to give effect to common share equivalents. In February, 1997, the Financial Accounting Standards Board issued Statement No. 128, "Earnings per Share", which is effective for financial statements for periods ending after December 15, 1997. At that time, the Company will be required to change the method currently used to compute and disclose earnings per share and to restate all prior periods. The impact of Statement No. 128 on the calculation of primary and fully diluted earnings per share for the interim periods presented is not expected to be material.

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ROYALE INVESTMENTS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NINE MONTHS ENDED SEPTEMBER 30, 1997

2. GENERAL (CONTINUED)  
RECLASSIFICATIONS

Certain previously reported amounts have been reclassified to conform to the current presentation.

3. LINE OF CREDIT

On April 10, 1997, the Company obtained a revolving credit agreement with a bank whereby the Company can borrow up to \$100,000 at an annual interest rate equal to prime. Interest is payable monthly with the principal due April 10, 1998. At September 30, 1997, no amounts were borrowed against the note.

4. DIVIDENDS

On September 25, 1997, the Company declared a cash dividend of \$.125 per common share payable on October 17, 1997, to stockholders of record as of September 30, 1997.

5. SUBSEQUENT EVENTS

On October 14, 1997, the Company closed on the acquisition of the Shidler Acquisition Properties. As a result of the Shidler Transactions, the Company became the sole general partner of and obtained a 20.6946% interest in FCO, an operating partnership formed to acquire and hold the Shidler Acquisition Properties.

The Shidler Acquisition Properties were acquired subject to mortgage indebtedness of \$100 million. The loan is a non-recourse mortgage loan collateralized by the real estate assets of the Shidler Acquisition Properties. The loan provides for monthly payments of interest only at a fixed rate of 7.5% per annum. The loan matures on October 13, 2000 and provides for two one-year extension options, subject to certain conditions.

In connection with the Shidler Transactions, the Company issued 600,000 Common Shares (valued at \$5.50 per share, aggregate of \$3.3 million) and FCO issued approximately 3.2 million common partnership units ("Common Units") (valued at \$5.50 per unit, aggregate of \$17.5 million) and 2.1 million preferred partnership units ("Preferred Units") (valued at \$25.00 per unit, aggregate of \$52.5 million). The Preferred Units may be converted, on or after, October 1, 1999, into 3.5714 Common Units for each Preferred Unit. Subject to certain conditions, beginning on September 1, 1998, Common Units are convertible into one Common Share (or an equivalent cash value, at the sole discretion of the Company) for each Common Unit. Certain Common Units and Preferred Units contain certain restrictions through November 2000.

Concurrently with the Shidler Transactions, the Company issued 273,729 Common Shares (valued at \$5.50 per share, aggregate of \$1.5 million) in exchange for the assets of Crown Advisors, Inc. ("Crown"), an affiliate of the Company, previously acting as investment advisor to the Company and assisting in the management operations. The contract between Crown and the Company was terminated and the Company entered into a property management agreement with Glacier Realty, LLC ("Glacier"), all of the interests in which are owned by two current officers of the Company, one of whom is also a current director. Further, the Company retired 27,646 Common Shares previously held by Crown at the time it was acquired.

The property management agreement with Glacier provides for Glacier to manage the seven net lease retail assets of Royale for a term of five years with a minimum fee of \$250,000 per annum.

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

This Form 10-QSB contains forward looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. The words "believe", "expect", "anticipate", "intend", "estimate" and other expressions which are predictions of or indicate future events and trends and which do not relate to historical matters identify forward-looking statements. The Company's actual results could differ materially from those set forth in the forward-looking statements. Certain factors that might cause such a difference include the following: real estate investment considerations, such as the effect of economic and other conditions in the market area on cash flows and values; the need to renew leases or relet space upon the expiration of current leases; the ability of a property to generate revenues sufficient to meet debt service payments and other operating expenses; and risks associated with borrowings, such as the possibility that the Company will not have sufficient funds available to make principal payments on outstanding debt or outstanding debt may be refinanced at higher interest rates or otherwise on terms less favorable to the Company.

The following discussion and analysis of the financial condition and results of operations should be read in conjunction with the accompanying financial statements and notes thereto.

#### RESULTS OF OPERATIONS

##### COMPARISON OF THREE AND NINE MONTHS ENDED SEPTEMBER 30, 1997 AND SEPTEMBER 30, 1996

During the three and nine month periods ended September 30, 1997 and 1996, the Company owned and leased seven properties in five states to operators of retail food stores.

Net income for the three and nine months ended September 30, 1997, was \$85,050 and \$263,108 respectively, as compared to net income of \$88,803 and \$213,920 for the corresponding periods in 1996. The increase in net income for the nine month period is primarily due to improved operating results of the Company's properties as a result of scheduled rent increases and reduced mortgage interest as a result of declining principal balances.

Revenues for the three and nine month periods ended September 30, 1997, increased by 1.5% and 1.6%, respectively, over the comparable periods of 1996, due to scheduled increases in rental income, which was partially offset by decreases in interest income. The impact of the straight-line rent adjustment increased revenues by \$49,915 for the nine months ended September 30, 1997, and by \$49,915 for the nine months ended September 30, 1996.

Expenses during the quarter ended September 30, 1997, increased by 2.4%, as compared to the corresponding period in 1996. Expenses for the nine months ended September 30, 1997, decreased by 1.2%, compared to the corresponding period in 1996. The decrease in expenses for the nine month period is primarily the result of decreased mortgage interest due to declining principal balances and decreased operations and management expenses primarily due to the reimbursement of certain fees which the Company is obligated to make in connection with its lease guarantees on two of the Company's properties. This decrease in expenses was offset, in part, by an increase in administrative and general expenses primarily attributable to public filing costs.

#### STATEMENT OF CASH FLOWS

During the nine months ended September 30, 1997, and September 30, 1996, the Company generated \$613,097 and \$551,794, respectively, in cash flow from operating activities. The increase is primarily the result of scheduled increases in rental income and timing differences in receipts and disbursements from year to year.

Net cash provided by investing activities increased to \$368,069 for the nine months ended September 30, 1997, as compared to \$63,728 for the nine months ended September 30, 1996. This increase is

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primarily a result of the Company's change from investing excess cash balances in U.S. Treasury Bills with maturities of six months, to investing excess cash balances in cash equivalents with maturities of 30 days or less.

Net cash used in financing activities totaled \$742,485 and \$729,693 for the nine months ended September 30, 1997, and September 30, 1996, respectively. The increased use is wholly due to increased mortgage amortization.

#### LIQUIDITY AND CAPITAL RESOURCES

The Company believes that its cash flow from operations is adequate to fund its short-term liquidity requirements for the foreseeable future. The Company's properties are all leased on a triple-net basis, which places the risk of rising property costs, such as maintenance, insurance and property taxes, on the tenant. The leases generally provide that the tenant is also responsible for roof and structural repairs. Cash flow from operations is generated primarily from rental revenues and operating expense reimbursements from tenants and interest income earned on the Company's cash investments. The Company intends to use its cash funds to meet its principal short-term liquidity needs which are to fund operations and management, and general and administrative expenses, debt service requirements and the minimum distribution to shareholders required to maintain the Company's REIT qualifications under the Internal Revenue Code.

For the quarter ended September 30, 1997, the Company declared distributions totaling \$0.125 per Common Share amounting to \$177,500.

#### FUNDS FROM OPERATIONS

Management generally considers Funds from Operations ("FFO") as one measure of REIT performance. The Company has adopted the NAREIT definition of FFO and has used this definition for all periods presented in the financial statements included herein. FFO is calculated as net income (loss) adjusted for depreciation expense attributable to real property, amortization expense attributable to capitalized leasing costs, gains on sales of real estate

investments and extraordinary and non-recurring items. FFO should not be considered an alternative to net income as an indication of the Company's performance or to cash flows as a measure of liquidity.

FFO for the three and nine months ended September 30, 1997, and September 30, 1996, is summarized in the following table:

<TABLE>  
<CAPTION>

<S>	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	<C> 1997	<C> 1996	<C> 1997	<C> 1996
Net Income.....	\$ 85,050	\$ 88,803	\$ 263,108	\$ 213,920
Add:				
Depreciation attributable to real property.....	138,606	138,607	415,821	415,821
Funds from Operations.....	\$ 223,656	\$ 227,410	\$ 678,929	\$ 629,741
Weighted Average Number of Common Shares Outstanding.....	1,422,297	1,420,000	1,420,314	1,420,000
Funds from Operations per share.....	\$ 0.16	\$ 0.16	\$ 0.48	\$ 0.44

</TABLE>

#### SUBSEQUENT EVENTS

As reported on Current Form 8-K dated October 28, 1997, on October 14, 1997, the Company closed on the acquisition of the Shidler Acquisition Properties. As a result of the Shidler Transactions, the

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Company became the sole general partner of and obtained a 20.6946% interest in FCO, an operating partnership formed to acquire and hold the Shidler Acquisition Properties.

The Shidler Acquisition Properties were acquired subject to mortgage indebtedness of \$100 million. The loan is a non-recourse mortgage loan collateralized by the real estate assets of the Shidler Acquisition Properties. The loan provides for monthly payments of interest only at a fixed rate of 7.5% per annum. The loan matures on October 13, 2000 and provides for two one-year extension options, subject to certain conditions.

In connection with the Shidler Transactions, the Company issued 600,000 Common Shares (valued at \$5.50 per share, aggregate of \$3.3 million) and FCO issued approximately 3.2 million Common Units (valued at \$5.50 per unit, aggregate of \$17.5 million) and 2.1 million Preferred Units (valued at \$25.00 per unit, aggregate of \$52.5 million). The Preferred Units may be converted, on or after, October 1, 1999, into 3.5714 Common Units for each Preferred Unit. Subject to certain conditions, beginning on September 1, 1998, Common Units are convertible into one Common Share (or an equivalent cash value, at the sole discretion of the Company) for each Common Unit. Certain Common Units and Preferred Units contain certain restrictions through November 2000.

Concurrently with the Shidler Transactions, the Company issued 273,729 Common Shares (valued at \$5.50 per share, aggregate of \$1.5 million) in exchange for the assets of Crown, an affiliate of the Company, previously acting as investment advisor to the Company and assisting in the management operations. The contract between Crown and the Company was terminated and the Company entered into a property management agreement with Glacier, all of the interests in which are owned by two current officers of the Company, one of whom is also a current director. Further, the Company retired 27,646 Common Shares previously held by Crown at the time it was acquired.

The property management agreement with Glacier provides for Glacier to manage the seven net lease retail assets of Royale for a term of five years with a minimum fee of \$250,000 per annum.

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#### PART II. OTHER INFORMATION

##### ITEM 1. LEGAL PROCEEDINGS

The Company is not currently involved (nor was it involved at September 30, 1997) in any material legal proceedings nor, to the Company's knowledge, is any material legal proceeding currently threatened against the Company (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) Not applicable.

(b) Not applicable

(c) On October 14, 1997, in connection with the Shidler Transactions, the Company issued 600,000 Common Shares in connection with the formation of FCO and issued 273,729 Common Shares in connection with the Company's acquisition of Crown. Further, the Company retired 27,646 Common Shares.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

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

Not applicable

ITEM 5. OTHER INFORMATION

Not applicable

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a) Exhibits filed with Form 10-QSB

<TABLE>  
<CAPTION>

EXHIBIT NUMBER	DESCRIPTION
<C>	<S>
2.1*	Formation/Contribution Agreement dated September 7, 1997, as amended, by and among Royale Investments, Inc., H/SIC Corporation, a Delaware corporation, Strategic Facility Investors, Inc., a Delaware corporation, the sole general partner of Blue Bell Investment Company, L.P., a Delaware limited partnership, South Brunswick Investment Company, LLC, a New Jersey limited liability company, a general partner of South Brunswick Investors, L.P., a Delaware limited partnership, ComCourt Investment Corporation, a Pennsylvania corporation, the sole general partner of ComCourt Investors, L.P., a Delaware limited partnership, and Gateway Shannon Development Corporation, a Pennsylvania corporation, the sole general partner of 6385 Flank Drive, L.P., a Pennsylvania limited partnership, with exhibits, as amended by the Amendment thereto dated October 13, 1997.
2.2*	Agreement and Plan of Reorganization between the Company and Crown Advisors, Inc.
2.3*	FCO, L.P. Partnership Agreement dated October 14, 1997.
2.4*	Amended and Restated Partnership Agreement of Blue Bell Investment Company, L.P.

</TABLE>

PART II. OTHER INFORMATION (CONTINUED)

<TABLE>  
<CAPTION>

EXHIBIT NUMBER	DESCRIPTION
<C>	<S>
2.5*	Amended and Restated Partnership Agreement of South Brunswick Investors, L.P.
2.6*	Amended and Restated Partnership Agreement of ComCourt Investors, L.P.
2.7*	Amended and Restated Partnership Agreement of 6385 Flank Drive, L.P.
10.1*	Clay W. Hamlin, III Employment Agreement dated October 14, 1997 with FCO, L.P.
10.2*	Registration Rights Agreement dated October 14, 1997 for the benefit of certain shareholders of the Company.
10.3*	Management Agreement between the Company and Glacier Realty, LLC.
10.4*	Senior Secured Credit Agreement dated October 13, 1997 (Exhibits and Schedules have been omitted pursuant to Rule 6.01(b) (2) of Regulation S-K. Such Exhibits and Schedules are listed and described in the Credit Agreement. The Company hereby agrees to furnish to the Securities and Exchange Commission, upon its request, any or all such omitted Exhibits and Schedules.)
20.*	Press Release dated October 14, 1997.
27.1	Financial Data Schedule

</TABLE>

\* Incorporated by reference to the same numbered Exhibit to the Company's Current Report on Form 8-K dated October 28, 1997.

b) Reports on Form 8-K.

During the three months ended September 30, 1997, and through November 6, 1997, the Company filed the following:

(i) a Current Report on Form 8-K dated October 28, 1997, (reporting under Items 1, 2, and 7) regarding the Company's acquisition of the Shidler Acquisition Properties, a portfolio of 10 properties, representing the Mid-Atlantic suburban office operations of The Shidler Group, a national real estate investment firm.

(ii) a Current Report on Form 8-K dated November 6, 1997 (reporting under Item 4) regarding the Company's change in certifying accountant.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused the report to be signed on its behalf by the undersigned, thereunto duly authorized.

ROYALE INVESTMENTS, INC.

Date: November 6, 1997

By: /s/ CLAY W. HAMLIN III

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Name: Clay W. Hamlin, III  
Title: President and Chief Executive  
Officer  
(Principal Executive Officer)

By: /s/ THOMAS D. CASSEL

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Name: Thomas D. Cassel  
Title: Vice President Finance  
(Principal Financial and Accounting  
Officer)

SUBSIDIARIES OF REGISTRANT

NONE

## CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in this registration statement of Corporate Office Properties Trust on Form S-4 (the "Registration Statement") of our report dated January 19, 1998 on our audits of the consolidated financial statements of Royale Investments, Inc. (d/b/a Corporate Office Properties Trust, Inc.) as of December 31, 1996 and 1995 and for each of the years in the three year period ended December 31, 1996. We also consent to the incorporation by reference in the Registration Statement of our report dated December 5, 1997 on our audits of the combined financial statements of The Shidler Acquisition Properties (Group) as of December 31, 1996 and 1995 and for each of the years in the three year period ended December 31, 1996. We also consent to the inclusion in the Registration Statement of our report dated February 4, 1998 on our audit of the balance sheet of Corporate Office Properties Trust as of February 3, 1998. Further, we consent to the reference to our firm under the caption "Experts."

Philadelphia, Pennsylvania  
February 4, 1998

COOPERS & LYBRAND L.L.P.

THIS PROXY IS BEING SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby appoints Jay H. Shidler and Clay W. Hamlin and each of them, with full power of substitution, the proxies of the undersigned to vote all of the shares of Common Stock of Corporate Office Properties Trust, Inc. (the "Company") which the undersigned is entitled to vote at the Special Meeting of Shareholders of Corporate Office Properties Trust, Inc. to be held at Room 803, Four Seasons Hotel, One Logen Square, Philadelphia, Pennsylvania on March 12, 1998 commencing at 10:30 a.m. and at any adjournment or adjournments thereof, with all the powers the undersigned would possess if personally present upon:

(1) APPROVAL OF THE REFORMATION: Authority to vote this proxy for the approval the reformation of the Company, in which the Company will be reformed as a Maryland real estate investment trust, which will be named Corporate Office Properties Trust, pursuant to two consecutive mergers, (a) of the Company into a newly formed, wholly owned subsidiary corporation of the Company and (b) of the former subsidiary corporation into a newly formed, wholly owned subsidiary Maryland real estate investment trust (the "Trust"), and the conversion of each outstanding share of common stock of the Company into one common share of beneficial interest of the Trust, which approval shall constitute approval of all the provisions set forth in the Declaration of Trust and the Bylaws of the Trust, including a classified board of trustees, the members of which are the same as the current directors of the Company, and the more flexible operational and investment policies permitted thereunder, as more fully described in the Proxy Statement/Prospectus dated February , 1998 relating to the Special Meeting, is:

// GRANTED // WITHHELD

(2) ADOPTION OF THE PLAN: Authority to vote this Proxy for the approval and adoption of the 1998 Long Term Incentive Plan, as more fully described in the Proxy Statement/Prospectus dated February , 1998 relating to the Special Meeting, is:

// GRANTED // WITHHELD

(3) In their discretion, such other matters as may properly come before the meeting.

UNLESS A CONTRARY DIRECTION IS INDICATED, THE SHARES REPRESENTED BY THIS PROXY SHALL BE VOTED FOR THE APPROVAL OF THE REFORMATION AND FOR THE APPROVAL AND ADOPTION OF THE 1998 LONG TERM INCENTIVE PLAN.

PLEASE SIGN EXACTLY AS YOUR NAME APPEARS ON THIS PROXY. IF SIGNING FOR ESTATES, TRUSTS OR CORPORATIONS, TITLE OR CAPACITY SHOULD BE STATED. IF SHARES ARE HELD JOINTLY, EACH HOLDER SHOULD SIGN.

Dated: \_\_\_\_\_, 1998

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Signature

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Signature