

SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934

Filed by the Registrant / X /

Filed by a Party other than the Registrant / /

Check the appropriate box:

/ X / Preliminary Proxy Statement

/ / Confidential, for Use of the Commission Only (as permitted by
----- Rule 14a-6(e)(2))

/ / Definitive Proxy Statement

/ / Definitive Additional Materials

/ / Soliciting Material Pursuant to ss.240.14a-11(c) or ss.240.14a-12

CORPORATE OFFICE PROPERTIES TRUST

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

/ / No fee required.

/ X / Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- (1) Title of each class of securities to which transaction applies: Common Shares, par value \$0.01 per share, and Preferred Shares, par value \$0.01 per share, of Corporate Office Properties Trust.
- (2) Aggregate number of securities to which transaction applies: approximately 6,928,000 shares of Common Shares and approximately 969,900 Series A Convertible Preferred Shares convertible into Common Shares on the basis of 1.8748 Common Shares for each Preferred Share.
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined): \$9.09375 per Common Share and \$25.00 per Preferred Share, plus \$107,600,000 in cash and assumption or payment of indebtedness. The Common Share price is calculated pursuant to Rule 0-11(a)(4) of the Securities Exchange Act of 1934 as the average of the high and low prices reported in the consolidated reporting system as of June 23, 1998 which is within five business days prior to the date of this filing.
- (4) Proposed maximum aggregate value of transaction: \$194,876,000.
- (5) Total fee paid: \$38,975.

/ / Fee paid previously with preliminary materials.

/ / Check box if any part of the fee is offset as provided by Exchange Act
----- Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid: _____

(2) Form, Schedule or Registration Statement No.: _____

(3) Filing Party: _____

(4) Date Filed: _____

[CORPORATE OFFICE PROPERTIES TRUST LOGO]

_____, 1998

Dear Shareholder:

You are cordially invited to attend a Special Meeting of Shareholders (the "Special Meeting") of Corporate Office Properties Trust (the "Company") to be held on _____, 1998, at 10:30 a.m. in Room _____ at The Four Seasons Hotel, One Logan Square, Philadelphia, Pennsylvania 19103.

At the Special Meeting, you will be asked to consider and vote to approve a transaction (the "Transaction") pursuant to which certain affiliates of Constellation Real Estate Group, Inc. (collectively, "Constellation") will contribute certain real property, interests in entities which own certain real property and a mortgage, and certain other assets to the Company in exchange for cash, the assumption of certain debt, and Common Shares of Beneficial Interest and non-voting Series A Convertible Preferred Shares of Beneficial Interest to be issued by the Company. The Transaction is more fully described in the accompanying Proxy Statement.

The scale of the Transaction will significantly expand the Company's management, property, tenant and capital base. In addition, the Constellation management team will add property development and third party property management functions that management believes will enhance the Company's resources and long term performance. As a result, the Board of Trustees believes the Transaction will create shareholder value; and therefore it is in the economic interest of all shareholders to approve the Transaction.

We urge you to review and consider carefully the accompanying Notice of Special Meeting of Shareholders and Proxy Statement, which contain information about the Transaction to be voted upon and certain other matters. The Board of Trustees has unanimously approved, and recommends a vote FOR the Transaction.

The approval of the Transaction requires the affirmative vote of a majority of the votes cast at the Special Meeting. Your vote is important to the Company. Please complete, date and sign the enclosed proxy card and return it in the accompanying postage-paid envelope. You are, of course, welcome to attend the Special Meeting and vote in person, even if you have previously returned your proxy card. Regardless of your attendance, you may revoke your proxy at any time before it is exercised.

Thank you for your consideration of this important matter.

Sincerely,

/s/ JAY H. SHIDLER

JAY H. SHIDLER
CHAIRMAN OF THE BOARD

Sincerely,

/s/ CLAY W. HAMLIN, III

CLAY W. HAMLIN, III
CHIEF EXECUTIVE OFFICER

CORPORATE OFFICE PROPERTIES TRUST
ONE LOGAN SQUARE, SUITE 1105
PHILADELPHIA, PENNSYLVANIA 19103

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
To Be Held On _____, 1998

Notice is hereby given that a Special Meeting of Shareholders (the "Special Meeting") of Corporate Office Properties Trust (the "Company") will be held on _____, 1998, at 10:30 a.m. in Room _____ at The Four Seasons Hotel, One Logan Square, Philadelphia, Pennsylvania 19103, to consider and vote upon the following matters more fully described in the accompanying Proxy Statement:

1. A proposal to approve a transaction evidenced by various agreements by and among the Company, Corporate Office Properties, L.P. and certain partnerships and other entities affiliated with Constellation Real Estate Group, Inc. (collectively, "Constellation"), pursuant to which Constellation will contribute interests in entities which own certain real property and a mortgage, certain real property owned by Constellation, and certain other assets owned by Constellation to the Company in exchange for a combination of cash, the assumption of debt by the Company, and Common Shares and non-voting Series A Convertible Preferred Shares of Beneficial Interest to be issued by the Company; and
2. Such other business as may properly be brought before the Special Meeting or any adjournment or postponement thereof.

The Board of Trustees has fixed the close of business on _____, 1998 as 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, at One Logan Square, Suite 1105, Philadelphia, Pennsylvania 19103, at least ten days prior to the Special Meeting.

By order of the Board of Trustees,

/s/ JOHN D. PARSINEN

JOHN D. PARSINEN
SECRETARY

_____, 1998

Philadelphia, Pennsylvania

THE BOARD OF TRUSTEES APPRECIATES AND ENCOURAGES YOUR PARTICIPATION IN THE COMPANY'S SPECIAL MEETING. WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING, IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED. ACCORDINGLY, PLEASE SIGN, DATE AND PROMPTLY RETURN THE ENCLOSED PROXY IN THE POSTAGE-PAID ENVELOPE PROVIDED. IF YOU ATTEND THE SPECIAL MEETING, YOU MAY WITHDRAW YOUR PROXY, IF YOU WISH, AND VOTE IN PERSON. YOUR PROXY IS REVOCABLE IN ACCORDANCE WITH THE PROCEDURES SET FORTH IN THE PROXY STATEMENT.

CORPORATE OFFICE PROPERTIES TRUST

SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD _____, 1998

PROXY STATEMENT

This Proxy Statement (the "Proxy Statement") is being furnished to holders of Common Shares of Beneficial Interest, par value \$0.01 per share, (the "Common Shares") of Corporate Office Properties Trust, a Maryland real estate investment trust (the "Company"), in connection with a special meeting of shareholders of the Company (the "Special Meeting") and the solicitation of proxies in connection therewith. At the Special Meeting, shareholders will be asked to consider and vote upon: (A) a transaction (the "Transaction") in which certain affiliates of Constellation Real Estate Group, Inc. (collectively, "Constellation") will contribute to the Company (i) Constellation's interests in entities which own certain real property and a mortgage, (ii) certain real property, and (iii) certain other assets owned by Constellation, in exchange for a combination of cash, assumption of debt, and Common Shares and non-voting Series A Convertible Preferred Shares of Beneficial Interest to be issued by the Company; and (B) such other business as may properly come before the Special Meeting or any adjournment thereof. Constellation is an indirect wholly-owned subsidiary of Baltimore Gas and Electric Company.

The close of business on _____, 1998 has been fixed by the Board of Trustees as the record date for the determination of shareholders entitled to notice of and to vote at the Special Meeting and any adjournments or postponements thereof (the "Record Date"). On the Record Date, the Company had outstanding _____ Common Shares. The Common Shares is the Company's only class of voting securities and each Common Share entitles the holder thereof to one vote on all matters to come before the meeting. Approval of the Transaction requires the affirmative vote of a majority of the votes cast at the Special Meeting, assuming a quorum is present. There is no cumulative voting.

All of the shareholders represented at the Special Meeting by properly executed proxies received prior to or at the Special Meeting, and not revoked, will be voted at the Special Meeting in accordance with the instructions thereon. If no instructions are indicated, proxies will be voted in favor of the Transaction. Abstentions will have the effect of a vote against the Transaction.

The Company does not know of any matters, other than as described in the Notice of Meeting, which are to come before the Special Meeting. If any other matters are properly presented at the Special Meeting for action, the persons named in the enclosed form of proxy and acting thereunder will have the discretion to vote on such matters in accordance with their best judgment.

A proxy given pursuant to this solicitation may be revoked at any time before it is voted. Proxies may be revoked (i) by filing with the Board of Trustees of the Company at or before the Special Meeting a written notice of revocation bearing a later date than the proxy, (ii) by duly executing a subsequent proxy relating to the same Common Shares and delivering it to the Board of Trustees of the Company at or before the Special Meeting or (iii) by attending the Special Meeting and voting in person (attendance at the Special Meeting will not in and of itself constitute revocation of a proxy). Any written notice revoking a proxy should be delivered to the Board of Trustees, Corporate Office Properties Trust, One Logan Square, Suite 1105, Philadelphia, Pennsylvania 19103.

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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. 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 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 Trustees and officers of the Company, who will receive no additional compensation.

The Company's Common Shares are listed for trading on the New York Stock Exchange ("NYSE") under the symbol OFC. On _____, 1998, the last sale price for the Company's Common Shares as reported on the NYSE was \$__ per share. The high and low sales price for the Company's Common Shares as reported on the NYSE on May 14, 1998, the date preceding the public announcement of the Transaction, was 10-15/16 and 10-1/2, respectively.

No persons have been authorized to give any information or to make any representation other than those contained in this Proxy Statement in connection with the solicitation of proxies hereby and, if given or made, such information or representation must not be relied upon as having been authorized by the Company or any other person.

This Proxy Statement is solicited on behalf of the Board of Trustees of the Company. The date of this Proxy Statement is _____, 1998.

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SUMMARY

The following summary is qualified in its entirety by the more detailed information and financial statements contained elsewhere in this Proxy Statement and incorporated by reference. Unless the context otherwise requires, the "Company" refers to Corporate Office Properties Trust, and its predecessors and, where applicable, Corporate Office Properties, L.P., a Delaware limited partnership ("COPLP" or the "Operating Partnership") and its subsidiaries. The

actual amounts of cash to be paid, debt to be assumed or repaid and Common and Preferred Shares to be issued by the Company cannot be determined until closing, as they will be a function of certain calculations and adjustments to be made at that time. Accordingly, such amounts included in this Proxy Statement are estimates, not expected to vary materially from the actual amounts.

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 strong and growing suburban submarkets in the United States. The Company currently owns interests in 24 suburban office properties in Maryland, Pennsylvania and New Jersey containing approximately 2.6 million rentable square feet and seven retail properties located in the Midwest containing approximately 370,000 rentable square feet. As of June 1, 1998, the properties owned by the Company were over 97% leased. In addition, the Company has options to purchase 44.3 acres of land contiguous to certain of its properties owned by related parties. See "The Company."

Constellation.....Constellation Real Estate Group, Inc. (together with its affiliates that will be party to the Transaction, "Constellation") is a wholly owned indirect subsidiary of Baltimore Gas and Electric Company ("BGE"), through which BGE has engaged in the acquisition, ownership, development, construction and management of office, industrial and retail properties since 1981. The Company is acquiring from Constellation title to, or ownership of entities that own title to, all the office and retail operating properties owned by Constellation, and options to purchase 91 acres of land held by Constellation for future office and retail development. The Company is also acquiring Constellation's 75% interest in Constellation Realty Management, LLC ("CRM"), a real estate management services entity, and will employ the approximately 37 employees of Constellation Real Estate, Inc. ("CRE") who are engaged in the development, construction and asset management of Constellation's operating properties. Constellation will continue to be actively engaged in the real estate business, as it is retaining substantially all its interests in its commercial and residential land and will continue to employ its personnel engaged in the development and management of those properties. See "Constellation."

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Date, Place & Time
of Meeting.....The Special Meeting of Shareholders of the Company is scheduled to be held in Room _____ at The Four Seasons Hotel, One Logan Square, Philadelphia, Pennsylvania 19103 on _____, 1998 at 10:30 a.m.

Purpose of Meeting.....To consider and vote upon: (i) a transaction, pursuant to which Constellation will contribute to the Company certain real property, its interests in entities which own certain real property and a mortgage, and certain other assets owned by Constellation in exchange for a combination of cash, assumption of debt by the Company, and Common Shares and non-voting Series A Convertible Preferred Shares of Beneficial Interest to be issued by the Company (the "Transaction"); and (ii) such other business as may properly come before the Special Meeting.

Record Date, Quorum
and Vote Required.....Approval of the Transaction requires the affirmative vote of a majority of the votes cast at the Special Meeting, assuming a quorum is present. A majority of the Common Shares outstanding, represented in person or by proxy, will constitute a quorum for the transaction of business at the Special Meeting. The Record Date for the Special Meeting is _____, 1998. See "The Special Meeting--Record Date; Voting at the Meeting."

Solicitation and Revocation
of Proxies.....All expenses of the solicitation of the shareholders of the Company in connection with this Proxy Statement will be borne by the Company. Any

proxy given pursuant to this solicitation may be revoked at any time prior to its exercise by the execution of a proxy signed at a later date or by the giving of written notice of revocation to the Secretary of the Company at any time before the taking of the vote at the Special Meeting. A shareholder may also revoke a proxy by attending the Special Meeting and voting in person. See "The Special Meeting--Proxies."

Assets to be Contributed to
the Company by
Constellation.....

Constellation will contribute to the Company: (i) title to, or 100% of the ownership interests in, entities which own a total of 14 office properties and two retail properties; (ii) controlling interests in two entities, one of which holds a mortgage on a retail property, the other of which owns a retail property under development; (iii) a 75% ownership interest in CRM, a real estate management company (the 25% minority interest is owned by an unaffiliated third party), and (iv) certain equipment, office furniture and other assets related to CRE. In addition, approximately 37 employees of CRE will become Company

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employees. See "The Transaction--Terms of the Transaction." The real property, mortgage interest and interests in entities owning real property being contributed by Constellation are referred to herein collectively as the "Constellation Properties," and the 75% interest in CRM and the furniture and other CRE assets to be contributed to the Company by Constellation are referred to herein as the "Constellation Service Companies."

Upon completion of the Transaction, the Company will own interests in a total of 38 suburban office properties (as compared to 24 currently), containing approximately 4.0 million rentable square feet (as compared to 2.6 million currently), and 11 retail properties (as compared to seven currently) containing 783,000 rentable square feet (as compared to 370,000 square feet currently); the Company will have approximately 49 full time employees (as compared to 12 currently).

Constellation is also granting to the Company options to purchase up to 91 acres of land zoned for office development, and an option to purchase a 50% interest in a 206,000 square foot office property.

Consideration to be
Exchanged with Constellation
by the Company.....

In exchange for the Constellation Properties and Constellation Service Companies, the Company will (i) issue to Constellation an aggregate of approximately 6,928,000 Common Shares; (ii) issue to Constellation an aggregate of approximately 969,900 non-voting Series A Convertible Preferred Shares of Beneficial Interest, \$0.01 par value, with a liquidation preference of \$25.00 per share ("Preferred Shares"); and (iii) pay cash to Constellation and assume or repay indebtedness outstanding against the Constellation Properties. Such cash payments and indebtedness are estimated to total \$107.6 million, including \$4.2 million of cash payments to Constellation, \$64.8 million of debt repayment and \$13.0 million of assumed indebtedness. The \$25.6 million balance of the foregoing \$107.6 million cash requirement reflects the purchase price to be paid to Constellation for two retail properties (the "Development Properties"). The Company's obligation to close on each of the Development Properties is contingent on the occurrence of certain events. For purposes of the Transaction, the Common Shares are valued at \$10.50 per share and the Preferred Shares are valued at \$25.00 per share, for a total of approximately \$97.0 million. The Preferred Shares are convertible, beginning two years after the closing of the Transaction, at the rate of 1.8748 Common Shares for each Preferred Share into an aggregate of approximately 1,818,300 Common Shares. See "The Transaction--Terms of the Transaction." Common Shares and

Preferred Shares are collectively referred to herein as the "Shares."

Closing of the Transaction... The Transaction will be consummated at several closings, each comprising a closing with respect to one or more of the Constellation Properties and Constellation Service Companies, as follows. At the initial closing (expected to occur within 30 days following the date of the Special Meeting), the Company will acquire the Constellation Service Companies and 12 of the Constellation Properties. The total consideration payable at the initial closing will be approximately \$145.0 million, including approximately \$59.9 million of indebtedness assumed or repaid and approximately \$85.1 million in value of Common and Preferred Shares. Subsequent closings will be held with respect to six Constellation Properties currently under construction or development. The closing on two of those properties is to occur within 45 days after the initial closing (total consideration of approximately \$4.2 million in cash); closing on two of those properties is to occur on the earlier of December 31, 1998 or the date on which certain occupancy levels are met (total consideration of approximately \$29.8 million, including approximately \$17.9 million debt repayment and \$11.9 million in Shares), and closing on the Development Properties is to occur on the earlier of the date on which certain net operating income levels are achieved or July 1, 1999 (total purchase price of approximately \$25.6 million in cash). Neither the Company nor Constellation is obligated to close on the Development Properties unless certain minimum net operating income levels have been achieved by July 1, 1999.

Source of Funds Required
by the Company.....

To complete the Transaction, the Company will require a total of approximately \$98.7 million in cash, of which approximately \$64.8 million will be used to repay indebtedness currently outstanding with respect to certain Constellation Properties, approximately \$4.2 million will be the purchase price payable for two of the Constellation Properties, approximately \$25.6 million will be the purchase price of the two Development Properties and approximately \$4.1 million will be required for brokerage fees and other out of pocket expenses related to the Transaction. The cash required to complete the Transaction, not including the Development Properties, is available from the Company's existing acquisition credit facility; however, the Company and Constellation are currently seeking to refinance certain of the Constellation Properties at or prior to the closing of the Transaction to fund a significant portion of the cash requirements of the Transaction. The Company expects to be able to obtain financing commitments sufficient to enable it to close on each of the Development Properties prior to the time

any such closing may occur. See "The Transaction-Certain Effects of the Transaction."

Changes in Operations,
Management and

Board of Trustees..... Upon closing of the Transaction, certain of Constellation's senior management personnel will be employed by the Company in senior management positions, and the Board of Trustees will be increased by two members, to a total of nine, by the addition of two Trustees designated by Constellation. The Company's property management, development, construction and accounting activities will be conducted from Constellation's offices in Columbia (one of the Constellation Properties), Maryland, and the Company's acquisition, capital markets and financing activities will continue to be conducted from the Company's headquarters in Philadelphia, Pennsylvania. See "The

Transaction--Changes in Operations and Additions to Management."

Certain Effects of the

Transaction.....As a result of the transaction: (i) Constellation will have the right, so long as it maintains certain levels of share ownership in the Company, to designate up to two members of the Board of Trustees; (ii) Constellation will own approximately 41.5% of the Company's Common Shares outstanding upon closing of the Transaction, and as such will have the power to prevent certain actions that require the approval of the holders of two thirds of the Common Shares; and (iii) Constellation, as holder of the Preferred Shares, will be entitled to receive an annual preferred, cumulative dividend payment of \$1.375 per Preferred Share, equal to a rate of 5.5% based on the \$25.00 per share liquidation preference attributable to the Preferred Shares. Additionally, in order to fulfill its obligation to close on the Development Properties, the Company must obtain financing commitments prior to the date of any such closing in amounts up to approximately \$25.6 million. See "The Transaction--Certain Effects of the Transaction."

Conditions to the Closing of

the Transaction.....Closing of the Transaction is conditioned, among other things, upon (i) approval of the Transaction by the Company's shareholders, (ii) the representations and warranties of the parties contained in the agreements related to the Transaction (the "Transaction Agreements") being true and correct in all material respects as of the closing of the Transaction, (iii) performance by each of the parties of their respective obligations required to be performed under the Transaction Agreements on or prior to the closing of the Transaction, and (iv) receipt of the requisite consents, opinions and approvals from certain third parties. For a discussion of certain important issues related, inter

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alia, to the Company's continued qualification as a REIT, see "The Transaction--Conditions to the Transaction."

Federal Income Tax

Consequences.....No gain or loss will be recognized by the Company or the holders of Common Shares upon the consummation of the Transaction. Subsequent to the Transaction, the Company will continue to operate as a REIT. See "The Transaction--Federal Income Tax Matters."

Shares Outstanding

after Closing.....Upon closing of the Transaction, there will be approximately 16,699,083 Common Shares outstanding. The entities comprising Constellation, all of which are directly or indirectly owned by BGE, will own an aggregate of approximately 6,928,000 Common Shares, or approximately 41.5% of the Common Shares to be outstanding after the Transaction. They will also own approximately 969,900 Preferred Shares, convertible on a basis of 1.8748 Common Shares for each Preferred Share beginning two years following the closing of the Transaction into a total of approximately 1,818,300 Common Shares. The Preferred Shares may not be converted into Common Shares if at the time of such conversion Constellation and its affiliates would own 45% or more of the Company's outstanding Common Shares. See "The Transaction--Terms of the Transaction."

Ownership of Units

in COPLP.....As of the date of this Proxy Statement, there are 10,399,310 Partnership Units and 1,913,545 Preferred Units of COPLP outstanding. In addition, 282,508 Partnership Units and 186,455 Preferred Units are issuable in November 2000. The Company owns 8,100,000 Partnership Units, or 75.8% of all Partnership Units outstanding and to be issued as aforesaid. The ownership of substantially all the Constellation Properties and Constellation Service Companies will be contributed by the Company to COPLP and its subsidiaries, in exchange for which COPLP will issue to the Company 6,928,000

Partnership Units and 969,900 Preferred Units. Upon completion of the transaction, the Company will own 85.3% of all Units outstanding and to be issued as aforesaid. The Preferred Units currently held by outside parties are convertible to Partnership Units on a basis of 3,5714 Partnership Units for each Preferred Unit beginning October 1, 1999. The 969,900 Preferred Units to be issued to the Company are convertible to 1,818,300 Partnership Units on a basis of 1.8748 Partnership Units for each Preferred Unit beginning two years after the closing of the Transaction. The Company's Preferred Units will be so converted automatically upon the conversion of Preferred Shares into Common Shares - the conversion of each Preferred Share will automatically trigger

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the conversion of a Preferred Unit.

Recommendation of the

Board of Trustees.....The Board of Trustees, including the independent Trustees, has unanimously approved the Transaction and the terms of the Transaction Agreements, and UNANIMOUSLY RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR APPROVAL OF THE TRANSACTION. The Board of Trustees believes that the terms of the Transaction are fair to, and in the best interests of, the Company, the Operating Partnership and the Company's shareholders. For a discussion of factors considered by the Board of Trustees in reaching its decision, see "The Transaction--Reasons for the Transaction and Recommendation of the Board of Trustees."

This Proxy Statement 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. The Company'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, continued occupancy of certain major tenants, supply and demand of office properties in the Company's market area, prevailing economic conditions in the Mid-Atlantic region, significant expansion of the properties owned and managed by the Company, interest rates, availability of capital, expansion of the Company's personnel, future capital expenditure requirements, and distributions available from the Operating Partnership.

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THE SPECIAL MEETING

At the Special Meeting, the Company's shareholders will be asked to: (i) consider and vote upon the approval of the Transaction, and (ii) transact such other business relating thereto as may properly come before the Special Meeting.

The Board of Trustees has determined the Transaction to be fair to, and in the best interests of, the Company's shareholders, has unanimously approved the Transaction and the terms of the Transaction Agreements, and unanimously recommends that the shareholders vote "FOR" approval of the Transaction.

RECORD DATE; VOTING AT THE MEETING

On the Record Date, there were _____ Common Shares outstanding. Each holder of record of Common Shares on the Record Date is entitled to cast one vote per Common Share, exercisable in person or by a properly executed proxy, upon each matter properly submitted for the vote of the shareholders at the Special Meeting. A majority of the Common Shares outstanding, represented in person or by proxy, will constitute a quorum for the transaction of business at the Special Meeting. Abstentions will be treated as shares that are present and entitled to vote for the purpose of determining a quorum.

The approval and adoption of the Transaction requires the affirmative vote of a majority of the votes cast at the Special Meeting, assuming a quorum is present.

Approval of postponement or adjournment of the Special Meeting requires the affirmative vote of a majority of the Common Shares voting at the Special Meeting. For purposes of satisfying this vote requirement, failure to vote or an abstention from voting will have the effect of votes against postponement or adjournment. If shareholders approve such an adjournment or postponement, the Special Meeting could be postponed or adjourned in order to permit further solicitation of proxies if there are not sufficient votes at the time of the Special Meeting to approve the Transaction.

PROXIES

Common Shares represented by properly executed proxies received at or prior to the Special Meeting that have not been revoked will be voted at the Special Meeting in accordance with the instructions contained therein. Common Shares represented by properly executed proxies for which no instruction is given will be voted "FOR" approval of the Transaction. The Company's shareholders are requested to complete, sign, date and promptly return the enclosed proxy card in the postage prepaid envelope provided for this purpose to ensure that their shares are voted. A shareholder may revoke a proxy any time before it is voted by submitting at any time prior to the Special Meeting a later-dated proxy with respect to the same shares, by delivering a written notice of revocation to the Secretary of the Company at any time prior to such Special Meeting or by attending the Special Meeting and voting in person. Mere attendance at the Special Meeting will not in and of itself revoke a proxy.

If the Special Meeting is postponed or adjourned for any reason, including further solicitation of proxies, 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).

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The Company has retained _____ (the "Solicitation Agent") to solicit proxies. The Solicitation Agent may contact the Company's shareholders. The Solicitation Agent will receive a fee of approximately \$_____ for such services, plus reimbursement of out-of-pocket expenses. The Trustees and officers of the Company and their affiliates may also solicit proxies by telephone, telegram or personal contact, and such persons will receive no additional compensation for such services. Copies of solicitation materials will be furnished to fiduciaries, custodians and brokerage houses for forwarding to beneficial owners of the Company shares held in their name. The Company will bear the cost of preparing and mailing proxy materials in connection with the Special Meeting and the solicitation of proxies, and the cost of commission filing fees and printing costs in connection with this Proxy Statement.

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THE TRANSACTION

REASONS FOR THE TRANSACTION AND RECOMMENDATION OF THE BOARD OF TRUSTEES

In reaching its conclusion, the Board of Trustees considered, without assigning relative weight to, the following factors:

- (i) The Transaction will provide the Company with additional experienced management personnel and significant property management, development and construction infrastructure, all of which will expand its business and development capabilities in the Mid-Atlantic region of the United States. In addition, the Company will have the option to acquire 91 acres, adjacent to certain of the properties being acquired, suitable for development of office properties.
- (ii) The Transaction will increase the Company's asset and capital base and diversify its sources of revenue. While increased profitability does not necessarily result from increased size, the Board of Trustees believes the Company's increased size should enhance its access to capital and reduce its costs of capital.
- (iii) The Transaction will give the Company a major presence in the Baltimore/Washington market, enhancing the geographic diversity of the Company's ownership interests and operations and the Company's goal of becoming a significant participant in key markets in the Mid-Atlantic region of the United States.
- (iv) The Transaction is expected to be accretive, and therefore economically advantageous to the Company's current shareholders.
- (v) In addition to adding up to 18 properties to the Company's portfolio, the Transaction will add more than 130 tenants to the Company's tenant base, for a combined total of more than 215 tenants. This adds to the diversity and stability of the Company's portfolio.
- (vi) The addition of the CRE employees and CRM will make the Company one of the largest property managers in its market area, and will increase the square footage of the office properties managed by the Company to more than 17 million (including approximately four million square feet in properties owned, or to be owned by the Company).

The terms of the Transaction were negotiated by the respective managements of the Company and Constellation. The Company did not obtain independent appraisals of the specific Constellation Properties or Constellation Service Companies, nor did the Company obtain an independent appraisal, valuation or fairness opinion with respect to the Transaction as a whole. Constellation did obtain a fairness opinion from an independent party, solely for the benefit of

Constellation.

The Board of Trustees has unanimously agreed that the Transaction is in the best interests of the shareholders of the Company, and has unanimously recommended that the shareholders approve the Transaction.

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THE BOARD OF TRUSTEES RECOMMENDS A VOTE FOR APPROVAL
OF THE TRANSACTION.

TERMS OF THE TRANSACTION

The following summary of the material provisions of the Transaction Agreements is qualified in its entirety by reference to the Transaction Agreements, copies of which have been filed with the Securities and Exchange Commission as Exhibits to this Proxy Statement.

Properties and Assets to be Contributed by Constellation

Constellation will contribute to the Company:

- (i) Title to one operating office property;
- (ii) 100% of the ownership interests in entities which own a total of ten operating properties (nine office properties and one retail property);
- (iii) 100% of the ownership interests in entities which own two office properties currently under construction;
- (iv) 75% of the ownership interest in one entity which holds a mortgage on a retail property owned by persons not affiliated with either the Company or Constellation;
- (v) 100% and 60%, respectively, of the ownership interests in two entities which own two retail properties currently under development (the "Development Properties");
- (vi) Either title to, or 100% of the ownership interests in entities which own, two office properties on which construction recently commenced;
- (vii) A 75% ownership interest in CRM; and
- (viii) Certain equipment, furniture and other assets related to CRE.

Items (i)-(vi) above are referred to herein as the "Constellation Properties," and items (vii) and (viii) are referred to herein as the "Constellation Service Companies." The Constellation Properties comprise, in the aggregate, approximately 1.4 million rentable square feet of office space and approximately 400,000 rentable square feet of retail space in a total of 14 office properties and four retail properties. The terms of the mortgage referred to in (iv) above are such that the mortgagee has virtually the same economic risks and rewards as if it owned the land and improvements directly.

The Company will acquire from CRE the furniture, equipment, computer software, etc. used by CRE in connection with the operation of the Constellation Properties. In addition, those persons employed by CRE engaged in the operation of the Constellation Properties will become Company employees. Of the 37 CRE employees expected to join the Company, ten are currently involved in construction, nine in finance/accounting, four in legal, four in development, three in information technology, two in asset management, and five in various corporate and administrative functions. CRM

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is one of the largest property management organizations in the Baltimore/Washington market. Approximately 47% of its revenues for the year ended December 31, 1997 were derived from Constellation Properties and other Constellation affiliates (including BGE). The balance of its revenues for the year were derived from unaffiliated third parties. CRM employs 66 people, 30 of whom are building engineers and maintenance personnel, 19 are engaged in property management and support, five are lease administrators, nine are engaged in accounting and three are involved in corporate activities.

In addition to the foregoing, Constellation will grant the Company an option to purchase for cash its 50% interest in a planned suburban office development project in Annapolis, Maryland, as well as certain options and rights of first refusal to purchase undeveloped land totaling 91 acres in three locations adjacent to certain of the Constellation Properties with aggregate office development potential of approximately 1.7 million square feet.

Following closing of the Transaction, a subsidiary of the Operating Partnership will perform certain consulting and project management services for Constellation pursuant to an agreement that calls for Constellation to pay the Company \$250,000 per month for the first three months following the closing,

\$150,000 per month for the next three months, \$100,000 per month for the four months thereafter, and \$50,000 per month for the eight months thereafter.

For a more complete description of the foregoing, see "The Constellation Properties and Constellation Service Companies."

Consideration to be Paid by the Company

Pursuant to the Transaction Documents, the Company agreed to acquire the Constellation Service Companies for Common Shares and Preferred Shares valued at a total of \$2.5 million, and the Constellation Properties for a payment of cash, the issuance of Common Shares and Preferred Shares and the assumption of debt valued at a total of approximately \$202.1 million. The mix of cash, shares and debt assumption cannot be determined precisely until closing on all aspects of the Transaction have occurred. The closing on certain of the retail Constellation Properties may be deferred until after the first quarter of 1999, closing on the Development Properties is contingent upon the occurrence of certain events, and it is possible that certain of the Constellation Properties may be disposed of to third parties with the consent of both the Company and Constellation prior to closing of the Transaction. For purposes of the Transaction, the Company and Constellation agreed to value the Common Shares at \$10.50 per share and the Preferred Shares at \$25.00 per share.

At the date of this Proxy Statement, the Company's best estimate is that in exchange for the Constellation Properties and Constellation Service Companies, the Company will:

- (i) Pay approximately \$29.8 million in cash to Constellation. Approximately \$25.6 million of this amount will be payable for the purchase of the two Development Properties, the closings for which are not expected to occur prior to the first quarter of 1999, and approximately \$4.2 million will be payable for two properties (134 National Business Parkway and Woodlands Two) on which construction recently commenced, the closings for which are expected to occur within 45 days after the initial closing of the Transaction;
 - (ii) Repay a total of approximately \$64.8 million of indebtedness currently outstanding against certain of the Constellation Properties;
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- (iii) Assume two loans reflecting a total of approximately \$13.0 million of indebtedness outstanding against certain of the Constellation Properties. One such obligation is approximately \$9.6 million of fixed rate debt bearing interest at 7.5% percent per annum. Annual principal payments for the year ended December 31, 1998 will approximate \$165,000. This debt matures in October 2020, unless the lender exercises a termination right in October 2005 and every five years thereafter. The remaining \$3.4 million of debt to be assumed matures in September 2000 and bears interest, payable monthly, based upon London Interbank Offered Rate (LIBOR) plus 250 basis points. LIBOR as of June 1, 1998 was 5.69%. Scheduled annual principal payments of \$82,440 are required, with the remaining balance due upon maturity in September 2000;
 - (iv) Issue to Constellation approximately 6,928,000 Common Shares; and
 - (v) Issue to Constellation approximately 969,900 Preferred Shares.

The Company has deposited with an independent Escrowee a non-transferable, irrevocable standby letter of credit in the amount of \$5 million (the "Letter of Credit") to collateralize its obligations under the Transaction Agreements, other than the Company's obligation to acquire the Development Properties. In the event of a final determination that the Company has defaulted under the terms of such Transaction Agreements, the proceeds of the Letter of Credit are to be paid to Constellation as liquidated damages. Upon closing of the Transaction, the Letter of Credit shall be returned to the Company.

The Transaction will be consummated at several closings, each comprising a closing with respect to one or more of the Constellation Properties and Constellation Service Companies, as follows. At the initial closing (expected to occur within 30 days following the date of the Special Meeting), the Company will acquire the Constellation Service Companies and 12 of the Constellation Properties. The total consideration payable at the initial closing will be approximately \$145.0 million, including approximately \$59.9 million of indebtedness assumed or repaid and approximately \$85.1 million in value of Common and Preferred Shares. Subsequent closings will be held with respect to six Constellation Properties currently under construction or development. The closing on two of those properties is to occur within 45 days after the initial closing (total consideration approximately \$4.2 million in cash); closing on two of those properties is to occur on the earlier of December 31, 1998 or the date on which certain occupancy levels are met (total consideration approximately \$29.8 million, including approximately \$17.9 million debt repayment and \$11.9 million in Shares), and closing on the Development Properties is to occur on the earlier of the date on which certain net operating income levels are achieved or July 1, 1999 (total purchase price approximately \$25.6 million in cash). Neither the Company nor Constellation is obligated to close on the Development Properties

unless certain minimum net operating income levels have been achieved by July 1, 1999.

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Description of Common and Preferred Shares

General. The Declaration of Trust provides that the Company may issue up to 45,000,000 Common Shares and 5,000,000 Preferred Shares. As of June 1, 1998, there were 9,771,083 Common Shares and no Preferred Shares issued and outstanding. As permitted by Title 8 of the Corporations and Associations Article of the Annotated Code of Maryland, as amended (the "Maryland REIT Law"), the Declaration of Trust contains a provision permitting the Board of Trustees, without any action by the shareholders of the Company, 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 Company has authority to issue. The NYSE requires that the Company obtain shareholder approval of the Transaction, since it calls for the issuance of voting securities constituting more than 20% of the Company's outstanding voting securities. For a discussion of certain limitations on Share ownership, see "-- Federal Tax Matters" below.

Common Shares. Subject to the preferential rights of any other shares or series of beneficial interest and to the provisions of the 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 out of assets legally available therefor and to share ratably in the assets of the Company 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 Company.

Subject to the provisions of the Declaration of Trust regarding restrictions on transfer of shares of beneficial interest, 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 Company. 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.

Preferred Shares. In connection with the Transaction, the Board of Trustees has authorized the Series A Convertible Preferred Shares which will constitute the non-voting convertible preferred shares to be issued to Constellation in the Transaction, as follows:

Voting Rights. Except as set forth below and as required by applicable law, the Preferred Shares do not entitle the holder thereof to any vote. If an amendment to the Company's Declaration of Trust or a reclassification of Preferred Shares would amend, alter or repeal any of the rights, preferences or powers of the Preferred Shares, then the affirmative vote of holders of two-thirds of the outstanding Preferred Shares, voting as a separate class, would be required for its adoption. As discussed under "The Transaction--Changes in Operation and Additions to Management," Constellation has the right to designate up to two members of the Board of Trustees depending on Constellation's ownership percentage of outstanding Shares. This right is set forth as a term of the Preferred Shares, such that so long as Constellation holds any Preferred Shares (and it owns the requisite amount of

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Common Shares), Constellation will have the right to designate up to two Trustees.

Dividends. Holders of Preferred Shares will be entitled to cumulative dividends, payable quarterly and in preference to dividends payable on Common Shares, accruing from the date of issue, when, as and if declared by the Board of Trustees out of funds legally available therefor, at the annual rate of \$1.375 per share, which is 5.5% of the \$25.00 liquidation preference of the Preferred Shares.

Liquidation. In the event of any liquidation, dissolution or winding up of the Company's affairs, voluntary or otherwise, holders of Preferred Shares will be entitled to receive, out of the assets of the Company legally available for distribution to its shareholders, the sum of \$25.00 for each Preferred Share, plus an amount equal to all dividends accrued and unpaid on each such Preferred Share up to the date fixed for distribution, before any distribution may be made to holders of the Company's Common Shares.

Conversion. The Preferred Shares are convertible, beginning two years after the closing of the Transaction, into Common Shares on the basis of 1.8748

Common Shares for each Preferred Share (subject to adjustment upon certain events, such as dividends paid in Common Shares). Notwithstanding the foregoing, Preferred Shares held by Constellation may not be converted into Common Shares if after such conversion Constellation and its affiliates would own 45% or more of the Company's outstanding Common Shares.

Conditions to the Transaction

Constellation's obligation to consummate the Transaction is subject to the fulfillment of certain conditions (in most cases subject to waiver by Constellation) by the Company including, but not limited to, the following: (i) the Transaction shall have been approved by the Company shareholders; (ii) the resolutions contemplated by the Transaction Agreements shall have been approved and implemented by the Board of Trustees of the Company; (iii) the representations and warranties of the Company contained in the Transaction Agreements will be true and correct in all material respects as of the closing of the Transaction; (iv) the Company will have performed all obligations required to be performed by it under the Transaction Agreements on or prior to the closing of the Transaction; (v) the Company shall not have taken any action or have failed to take any action which would reasonably be expected to result in the loss of its status as a REIT for federal income tax purposes; and (vi) the Company shall have delivered, on or before the closing of the Transaction, certain documents detailed in the Transaction Agreements.

The Company's obligation to consummate the Transaction is subject to the fulfillment of certain conditions (in most cases subject to waiver by the Company) by Constellation including, but not limited to, the following: (i) the representations and warranties of Constellation contained in the Transaction Agreements will be true and correct in all material respects as of the closing of the Transaction; (ii) Constellation will have performed all obligations required to be performed by it under the Transaction Agreements on or prior to the closing of the Transaction; (iii) certain options to purchase and all rights of first refusals and rights of first offer with respect to the Constellation Properties which are held by unaffiliated third parties shall have been waived; (iv) Constellation and the Company shall have received all requisite consents and approvals from unaffiliated third parties; and (v) Constellation shall have delivered, on or before the closing of the Transaction, certain documents detailed in the Transaction Agreements.

In addition, Constellation has agreed that, among other things, prior to the consummation of the

Transaction, it will (i) operate and maintain the Constellation Service Companies and Constellation Properties in the ordinary course of business and use reasonable efforts to preserve for the Company its relationships with its tenants, suppliers and others having on-going business relationships with the Constellation Service Companies and Constellation Properties; (ii) maintain and keep in full force the insurance policies it currently maintains on the Constellation Service Companies and Constellation Properties; (iii) provide to the Company and its authorized representatives all information concerning, and reasonable access to, all its books, records, tenant and leasing data and materials, tax returns, market studies and any other materials of any kind owned by or in the possession of Constellation which are or may be used in the operation of the Constellation Service Companies and Constellation Properties at all reasonable times and upon reasonable notice; (iv) promptly notify the Company of any notice it may have received from any Governmental Authority concerning a violation of any environmental laws or a discharge of contaminants; (v) complete all required construction work at the Constellation Properties; (vi) take all commercially reasonable action to obtain the requisite consents and approvals from its partners to consummate the Transaction; (vii) make all required payments, and comply with all other material conditions under any mortgage affecting the Constellation Service Companies and Constellation Properties; (viii) not modify its ownership structure; and (ix) enter into new leases or modification of leases or new contracts without the consent of the Company.

Registration Rights

The Company has granted certain registration rights to the entities which are contributing the Constellation Properties and Constellation Service Companies to the Company in exchange for Common Shares and Preferred Shares. Within six months of closing the Transaction, the Company is obligated to file a shelf registration statement with respect to the Common Shares issued in the Transaction, as well as those issuable upon conversion of the Preferred Shares (the "Registrable Securities"). The Company is also required, at the demand of holders of 10% or more of the Registrable Securities, to register such holders' Registrable 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 of 1933, as amended. The Company will pay all fees associated with these registrations, other than underwriting discounts and commissions.

Transaction Costs

Each of the Company and Constellation has agreed to pay its own costs and expenses incidental to the Transaction, including brokerage, legal, accounting and other fees and expenses payable to third parties. Except as set forth in the following paragraph, all the Company's out-of-pocket expenses are payable to unaffiliated third parties, and no current or former officer, director, trustee or employee of the Company is entitled to receive any payment or other consideration in connection with the Transaction.

The Company estimates its out-of-pocket expenses in connection with the Transaction will be approximately \$4.1 million, including investigation, brokerage, legal, accounting, printing and title insurance fees. Among the fees to be paid by the Company is a fee to Corporate Office Services, Inc. ("OSI"), an entity of which Antony P. Bernheim is the principal employee, for acquisition-related services with respect to the Transaction. Mr. Bernheim resigned his position as Vice President and Chief Investment Officer of the Company effective April 27, 1998. OSI and other third party service providers will perform for the Company in the future those services previously performed by Mr. Bernheim. The fee payable to OSI pursuant to the terms of a Consulting Services Agreement between the Company and OSI will be approximately \$745,000 in cash, and could be increased by up to approximately \$150,000 if the Company does not dispose of the retail Constellation Properties within one year following closing of the Transaction. In addition, the Company has agreed to pay an additional fee to OSI in an amount to be determined based principally upon the market value of the Company's Common Shares 30 months after the closing of the Transaction.

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CHANGES IN OPERATIONS AND ADDITIONS TO MANAGEMENT

Upon closing of the Transaction, the Company's Board of Trustees will be expanded from its present composition of seven, to nine Trustees. The two new Trustees, designated by Constellation pursuant to its right as the holder of Preferred Shares, will be Edward A. Crooke, Chairman of Constellation Enterprises, Inc. and Vice Chairman of BGE and Steven D. Kesler, President of Constellation Investments, Inc. Mr. Crooke will be a Class III Trustee whose term expires in 2001, and Mr. Kesler will be a Class II Trustee whose term expires in 2000. If any member of the Board of Trustees designated by Constellation shall withdraw for any reason, Constellation shall have the right to designate such withdrawing Trustee's replacement. Thereafter, Constellation shall be entitled to designate two Trustees as long as it owns any Preferred Shares and at least 30% of the Company's outstanding Common Shares, and shall be entitled to designate one Trustee as long as it owns any Preferred Shares and less than 30% but more than 15% of the outstanding Common Shares. The foregoing calculations are to include as outstanding the Common Shares owned by Constellation as well as the Common Shares issuable upon conversion of Preferred Shares owned by Constellation.

Upon closing of the Transaction, Jay H. Shidler will remain as Chairman and Clay W. Hamlin, III will remain as Chief Executive Officer of the Company. Randall M. Griffin, President of Constellation Real Estate Group, Inc. ("CREG"), will become President and Chief Operating Officer of the Company. In addition, Roger A. Waesche, Jr., Senior Vice President of Finance of CRE and John H. Gurley, Vice President and General Counsel of CRE, as well as certain other officers of Constellation, are expected to assume positions with the Company similar to those held by them with Constellation.

Mr. Griffin has served as President of CREG since May 24, 1993. From 1990 through March 1993, Mr. Griffin worked as Vice President-Development for EuroDisney Development in Paris, France. During the period 1976 to 1990, Mr. Griffin progressed to Executive Vice President and Chief Operating Officer with Linclay Corporation, a St. Louis based real estate development, management and investment company. Mr. Griffin holds a Master of Business Administration from Harvard Graduate School of Business Administration and a Bachelor of Arts from Ohio Wesleyan University. Mr. Griffin remains active in several civic organizations, including serving on the Board of Trustees of The National Aquarium as its Vice Chairman and Columbia Festival of the Arts. He is a member of the Maryland Economic Development Commission, and serves on its Executive Committee. In addition, Mr. Griffin obtained the rank of 1st Lieutenant Infantry in the United States Army during his service from 1966 through 1969.

Edward A. Crooke is currently Vice Chairman of BGE. Prior to May 1998, he held the position of President and Chief Operating Officer of BGE from 1992 to 1998. Mr. Crooke presently serves as Chairman of the Board, President and Chief Executive Officer of Constellation Enterprises, Inc., a wholly owned direct subsidiary of BGE. Throughout his thirty-year career with BGE, Mr. Crooke advanced through the utility from Vice-President-Finance & Accounting and Secretary during the period 1978 through 1987 to President-Utility Operations from 1988 to 1992. Mr. Crooke is a member of BGE's Board of Directors, a role he has performed since 1988. Active in various civic and professional

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organizations, Mr. Crooke serves as a director on First Maryland Bancorp, First National Bank of Maryland, Goucher College and Baltimore Equitable Insurance. Mr. Crooke possesses a Master of Business Administration in Finance from Loyola College and a Bachelor's degree in Economics from the University of Maryland. Prior to his employment with BGE, Mr. Crooke participated in the United States

Army Reserve from 1954 through 1964.

Steven D. Kesler is the Chief Executive Officer and President of Constellation Investments, Inc., and a Vice President of CREG, both wholly owned indirect subsidiaries of BGE. In these roles, Mr. Kesler manages a corporate investment entity, BGE's pension plan, BGE's nuclear decommissioning trust and a portfolio of real estate assets. Mr. Kesler is currently a Director of publicly traded insurance company and had previously served on the Board of another insurance company. During his thirteen years with Constellation, Mr. Kesler had also served as Treasurer and Assistant Secretary of Constellation Holdings, Inc., the wholly owned indirect subsidiary of BGE. Prior to employment with Constellation, Mr. Kesler was Controller of Westinghouse-Hittman Nuclear, Inc. and Manager of budgets, planning and analysis with Maryland National Corporation. Mr. Kesler participates in several civic and professional organizations. He possesses a Master of Business Administration from the Wharton Graduate School, University of Pennsylvania, a Bachelor of Science from New York University and is a Certified Public Accountant in Maryland.

Roger A. Waesche, Jr. has been responsible for all financial operations of CRE including treasury, accounting, budgeting and financial planning. Mr. Waesche also has had primary responsibility for CRE's asset investment and disposition activities. Since 1984, Mr. Waesche has managed the financial relationships of the CRE and has sourced over \$500 million of project debt. Prior to joining CRE, Mr. Waesche was a practicing Certified Public Accountant with Coopers & Lybrand L.L.P. Mr. Waesche has an undergraduate degree in Accounting and a Master of Business Administration in Finance from Loyola College.

John H. Gurley has served as Vice President and General Counsel of CRE with responsibility for all legal matters. In this role, Mr. Gurley has managed lease negotiations for more than 2.0 million square feet of office and retail space and has handled all land purchases and sales, as well as financing and related matters. Prior to his employment with CRE, Mr. Gurley spent 17 years with The Rouse Company in which he worked eight years as Assistant General Counsel. Before that he worked in a private practice for five years with Semmes, Bowen & Semmes where he provided a broad spectrum of real estate related services to various clients. He graduated from Georgetown University with honors and earned his Juris Doctorate from University of Maryland School of Law also with honors. He was an editor of the Maryland Law Review and clerked for the Chief Judge of the Maryland Court of Appeals for one year after graduation. He participates in the American Bar Association, the Maryland Bar Association and the Baltimore City Bar Association.

Following closing of the Transaction, the Company's headquarters will remain in Philadelphia, and acquisition, capital markets and financing activities will be conducted out of the Philadelphia office. The Company will occupy a portion of the space currently occupied by Constellation in Columbia, Maryland (in a building which is one of the Constellation Properties), where the CRE personnel who are to become Company employees will perform the Company's property management, development, construction and accounting functions.

CERTAIN EFFECTS OF THE TRANSACTION

Share Ownership

As the holder of approximately 41.5% of the outstanding Common Shares, Constellation will have significant influence on the Company. 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 Company's Declaration of Trust provides for approval by a majority of the votes cast 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 Company 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 Company 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 Company (which requires the affirmative vote of the holders of two-thirds of the outstanding shares of beneficial interest entitled to vote on the matter), (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 termination of the Company (which requires the affirmative vote of two-thirds of the outstanding shares of beneficial interest entitled to be cast on the matter). As allowed under the Maryland REIT Law, the 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 Company, 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 Company has authority to issue.

Major Tenants

As of June 1, 1998, one major tenant accounted for approximately 23.2% of the Company's total annualized revenue. Two major tenants accounted for approximately 42.4% of the total annualized revenue derived from the Constellation Properties as of June 1, 1998. One of those tenants is the federal government which leases space for the Department of Defense and the Department of Treasury in two of the Constellation Properties pursuant to two leases. The Department of Defense lease, which accounts for approximately 24.4% of the total annualized revenue of the operating Constellation Properties, is for an entire 240,336 square foot building, and extends through 2007, but may be terminated by the tenant with one year's notice and payment of a penalty. Following the acquisition of the Constellation Properties, two major tenants will account for approximately 32.5% of the Company's total annualized revenue as of June 1, 1998 on a pro forma basis, one of which is the federal government as described above. In the event one or more of these tenants experience financial difficulties, or default on their obligation to make rental payments to the Company, or if the Department of Defense elects to terminate its lease and the space cannot be re-let on satisfactory terms, the Company's financial performance and ability to make expected distributions to shareholders would be materially adversely affected. For a tabular presentation of the Company's pro forma significant tenants, see "The Constellation Properties and Constellation Service Companies--The Constellation Properties."

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Financing of Transaction

The Transaction will be consummated at several closings, as detailed elsewhere in this Proxy Statement. The closings for substantially all the properties and assets to be acquired other than the Development Properties are expected to be completed within 30 to 75 days after the Special Meeting. The closing for each of the Development Properties is contingent upon the achievement of certain net operating income levels by July 1, 1999, and neither closing is expected to occur in any event prior to the first quarter of 1999. As of the date of this Proxy Statement, the Company has borrowed \$23.8 million under its recently obtained \$100 million revolving credit facility. To complete the Transaction, exclusive of the Development Properties, the Company will require a total of approximately \$73.1 million in cash, which, if other financing is not obtained, is expected to be funded from the revolving credit facility. The aggregate purchase price for the Development Properties is approximately \$25.6 million. Assuming that closings occur as to both Development Properties, the Company will require financing commitments in addition to those currently available. Management is confident it will be able to obtain such financing, on reasonable terms, as may be necessary to close on the Development Properties. The Company and Constellation are currently seeking to finance certain of the Constellation Properties simultaneous with the initial closing of the Transaction. Although management believes appropriate financing will be available to the Company to complete the Transaction, there can be no assurance that such financing will be available on acceptable terms, if at all.

Other

For a discussion of certain issues regarding the qualification of the Company as a REIT, see "The Company--Federal Income Tax Matters" below.

ACCOUNTING TREATMENT OF THE TRANSACTION

The Transaction will be accounted for as a purchase. See the Company's pro forma financial statements included elsewhere in this Proxy Statement.

FEDERAL INCOME TAX MATTERS

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 Internal Revenue Code of 1986, as amended (the "Code") and 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 certain federal income tax considerations that may be relevant to the Company and its shareholders in connection with the Transaction, including the continued treatment of the Company as a REIT for federal income tax purposes. For purposes of this discussion of "FEDERAL INCOME TAX MATTERS" the term "Company" refers only to Corporate Office Properties Trust and not to any other affiliated entities.

The following discussion is based on the law existing and in effect on the date hereof and the Company's qualification and taxation as a REIT will depend on compliance with such law and with any future amendments or modifications to such law. The qualification and taxation as a REIT will further depend upon the ability to meet, on a continuing basis through actual operating results, the various qualification tests imposed under the Code discussed below. No assurance can be given that the Company will satisfy such tests on a continuing basis.

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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.

Treatment of the Transaction

In general, the Transaction will be treated as a taxable purchase of assets from Constellation, but will not cause the Company to recognize taxable gain or loss. The Company will have an initial tax basis in the assets acquired from Constellation equal to the sum of (i) the fair market value of the Common and Preferred Shares issued to Constellation, (ii) the amount of any cash paid to Constellation, and (iii) the principal amount of any indebtedness assumed by the Company. This aggregate initial tax basis will be allocated among the assets acquired from Constellation in accordance with their relative fair market values, as determined by the Company. There can be no assurance that the Internal Revenue Service (the "Service") will accept the allocation of basis made by the Company.

The Company will immediately contribute the assets and interests acquired from Constellation, subject to indebtedness, to the Operating Partnership in exchange for Partnership Units and Preferred Units equivalent to the Common and Preferred Shares issued to Constellation. This contribution will be tax-free to the Company, and the Company's tax basis in the assets will carry over to the Operating Partnership.

Taxation of the Company

General. In any year in which the Company 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 Company 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 Company also may be subject to taxation in certain other circumstances. If the Company 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 Company fails either the 75% or the 95% test, multiplied by a fraction intended to reflect the Company's profitability. The Company will also be subject to a tax of 100% on net income from any "prohibited transaction" (as described below), and if the Company 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 Company should fail to distribute during each calendar year at least the sum of (i) 85% of its REIT ordinary income for such

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year, (ii) 95% of its REIT capital gain net income for such year and (iii) any undistributed taxable income from prior years, the Company would be subject to a 4% excise tax on the excess of such required distribution over the amounts actually distributed. The Company also may be subject to the corporate alternative minimum tax, as well as to tax in certain situations not presently contemplated. The Company will use the calendar year both for federal income tax purposes, as is required of a REIT, and for financial reporting purposes.

Failure to Qualify. If the Company fails to qualify for taxation as a REIT in any taxable year and the relief provisions do not apply, the Company 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 Company fails to qualify as a REIT will not be deductible by the Company, 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 Company also will be disqualified from re-electing taxation as a REIT for the four taxable years following the year during which qualification was lost.

REIT Qualification Requirements

In order to qualify as a REIT, the Company must meet the following

requirements, among others:

Share Ownership Tests. The Company's shares of beneficial interest (which term, in the case of the Company, 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 Company may be owned, directly or indirectly and taking into account the effects of certain constructive ownership rules, by five or fewer individuals, which for this purpose includes certain tax-exempt entities (the "50% Limitation"). 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 addition, for purposes of the 50% Limitation, shares of beneficial interest owned, directly or indirectly, by a corporation will be considered as being owned proportionately by its shareholders.

In order to attempt to ensure compliance with the foregoing share ownership tests, the Company's Declaration of Trust places 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 Company to maintain records which disclose the actual ownership of its outstanding shares of beneficial interest. In fulfilling its obligations to maintain records, the Company 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 Company's records. A shareholder failing or refusing to comply with the Company's written demand must submit with his tax return a similar statement disclosing the actual ownership of Company shares of beneficial interest and certain other information.

As a result of the Transaction, BGE will directly or through its wholly owned subsidiaries own approximately 41.5% of the Common Shares to be outstanding, and will own approximately 969,900 Preferred Shares

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convertible, two years after closing of the Transaction, into approximately 1,818,300 Common Shares. Under the Company's Declaration of Trust a person is generally prohibited from owning more than 9.8% of the aggregate outstanding Common Shares or more than 9.8% in value of the aggregate outstanding shares of beneficial interest unless such person makes certain representations to the Board of Trustees and the Board of Trustees ascertains that ownership of a greater percentage of shares will not cause the Company to violate either the 50% Limitation or the gross income tests described below. The Board of Trustees has exempted BGE from the 9.8% limitation set forth in the Declaration of Trust and has determined that BGE may hold up to that number of Common Shares and Preferred Shares to be issued in the Transaction. The Board of Trustees has determined, based upon representations made by BGE, that this will not result in a violation of the 50% Limitation or otherwise adversely affect the Company's ability to qualify as a REIT for federal income tax purposes.

Asset Tests. At the close of each quarter of the Company's taxable year, the Company 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 Company'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 Company'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 Company'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 Company 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. Accordingly, the Company's investment in real properties through its interests in the Operating Partnership (which itself holds real properties through other partnerships) will constitute an investment in qualified assets for purposes of the 75% asset test.

Certain of the assets to be acquired from Constellation as part of the Transaction, such as the interest in CRM, will not constitute qualified assets for purposes of the 75% asset test. The Company intends to transfer the interest in CRM, as well as other management assets acquired from Constellation, to the Operating Partnership in exchange for Partnership Units and Preferred Units. The Operating Partnership will, in turn, transfer the interest in CRM and all or a portion of the other management assets to a newly formed corporation to be named Corporate Office Management, Inc. ("COMI") in exchange for indebtedness and 95% of the capital stock to be issued by COMI. Although the Operating Partnership will acquire all of the non-voting common stock to be issued by COMI, it will only acquire 1% of the voting common stock to be issued by COMI. The Company has determined that the acquisition of management assets from Constellation, the transfer of such assets to COMI and the acquisition of indebtedness and common stock in COMI will not cause the Company to violate the Voting Stock Test, the Value Test or the 75% asset test.

Gross Income Tests. There are two separate percentage tests relating to the

sources of the Company's gross income which must be satisfied for each taxable year. For purposes of these tests, where the Company invests in a partnership, the Company 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 Company as it has in the hands of the partnership. The two tests are described below.

The 75% Test. At least 75% of the Company'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

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than gain from property held primarily for sale to customers in the ordinary course of the Company'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) abatement 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 Company, or an owner of 10% or more of the Company, 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 Company generally must not operate or manage the property or furnish or render services to customers, other than through an "independent contractor" from whom the Company derives no income, except that the "independent contractor" requirement does not apply to the extent that the services provided by the Company 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 Company may directly perform a de minimis amount of non-customary services.

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 Company intends to monitor closely its non-qualifying income and anticipates that non-qualifying income from its other activities will not result in the Company failing to satisfy either the 75% or 95% gross income test.

For purposes of determining whether the Company 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.

Even if the Company 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 Company's failure to comply is due to reasonable cause and not to willful neglect; (ii) the Company 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 Company will nonetheless be subject to a 100% tax on the greater of the amount by which it

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

Compliance with Income Tests. For the year following the closing of the Transaction, BGE or affiliates in which BGE has a 10% or greater interest are obligated as tenants to pay rent of approximately \$1,020,000 with respect to

properties held by the Company through the Operating Partnership. Rental income paid by such affiliates will not constitute qualifying rental income for purposes of the 75% and 95% gross income tests. Constellation has represented to the Company that the remainder of the rental income payable under the existing leases on the properties it is transferring to the Company will constitute qualifying income for purposes of the 75% and 95% gross income tests.

The Company expects, based on current rent levels, as per the Pro Forma Schedule of Lease Expirations, that its annual gross income following the Transaction will be at least \$52,500,000. Accordingly, the Company estimates that it can earn up to \$2,625,000 of non-qualifying income per year without violating the 95% gross income test. Aside from the rental income to be paid by affiliates of BGE, the Company does not expect that it will earn material amounts of non-qualifying income from either the Constellation Properties or its existing properties. Based on the foregoing, the Company has determined that it will continue to satisfy the 75% and 95% gross income tests following the Transaction. The fact that affiliates of BGE will be paying substantial amounts of non-qualifying income may, however, restrict the ability of the Company and the Operating Partnership to acquire additional properties that generate non-qualifying income.

As described above under "The Transaction--Terms of the Transaction," Constellation has agreed to pay fees to the Company (or its affiliates) aggregating \$2,000,000 for certain consulting and project management services to be rendered over the 18 month period following closing of the Transaction. Constellation is also selling the Company its 75% interest in CRM, a limited liability company which earns management fees. To avoid a violation of the 95% gross income test as a result of the fees paid by BGE or earned through CRM, the 75% interest in CRM and all or a portion of the other management assets to be acquired from Constellation will be transferred to COMI, a new corporation to be formed by the Operating Partnership and certain officers of the Company and COMI. The Operating Partnership will hold indebtedness issued by COMI and 95% of the aggregate amount of voting and non-voting common stock to be issued by COMI, but will only hold 1% of the aggregate amount of voting common stock to be issued by COMI. As discussed above, to satisfy the Voting Stock Test the Company may not directly or indirectly hold 10% or more of the voting stock of COMI. In addition to holding the 75% interest in CRM, COMI will, either directly or through subsidiaries, provide management and development services to BGE, the Operating Partnership and potentially unrelated parties.

The management fee income earned by COMI as a result of its ownership interest in CRM, or as a result of management or development services performed by COMI or its subsidiaries, will not be treated as non-qualifying income earned by the Company for purposes of the 95% or 75% gross income tests. Any interest or dividends paid or distributed by COMI to the Operating Partnership will be considered as qualifying income for purposes of the 95% test, but will not be considered qualifying income for purposes of the 75% gross income test. To the extent that COMI earns net taxable income from its activities, it will be required to pay federal and state income taxes, which will reduce the amount of dividends it is able to pay to the Operating Partnership and its other Shareholders.

The Company intends to monitor its operations in the context of these standards so as to continue to satisfy the 75% and 95% gross income tests. The Operating Partnership or its affiliate will provide certain services at the properties in which the Company owns interests and possibly at any newly

acquired properties. The Company 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 Company intends that services that cannot be provided directly by the Operating Partnership or other agents will be performed by independent contractors.

Annual Distribution Requirements. In order to qualify as a REIT, the Company 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 Company's REIT taxable income (computed without regard to the dividends received deduction and the Company'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 Company 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 Company 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 Company 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 Operating Partnership Agreement authorizes the Company 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 Company to meet the distribution requirements. It is possible that the Company 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 Company's REIT taxable income on the other hand; or for other reasons. The Company 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 Company fails to meet the 95% distribution requirement as a result of an adjustment to the Company's tax return by the Service, the Company may retroactively cure the failure by paying a "deficiency dividend" (plus applicable penalties and interest) within a specified period.

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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 owns interests in 24 suburban office buildings in Maryland, Pennsylvania and New Jersey containing approximately 2.6 million rentable square feet and seven retail properties located in the Midwest containing approximately 370,000 rentable square feet. As of June 1, 1998, the Company's properties were over 97% leased. In addition, the Company has options to purchase 44.27 acres of land owned by related parties contiguous to certain of the office properties.

The Company was formed in 1988 as Royale Investments, Inc. to own and acquire net lease 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, relocated its headquarters from Minneapolis to Philadelphia and became self-administered. At that time, Jay H. Shidler became the Company's Chairman of the Board and Clay W. Hamlin, III became the Company's President and Chief Executive Officer.

On January 1, 1998, the Company changed its name to Corporate Office Properties Trust, Inc. On March 16, 1998, the Company was reformed as a Maryland real estate investment trust and changed its name to Corporate Office Properties Trust. The Company has operated and will continue to operate as a REIT under Sections 856 through 860 of the 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.

RECENT DEVELOPMENTS

On April 27, 1998, the Company completed a public offering which generated \$74.4 million of net proceeds from the issuance of 7,500,000 Common Shares (the "1998 Offering"). The Company contributed all of the net proceeds to the Operating Partnership in exchange for additional Partnership Units. These 7,500,000 additional Partnership Units increased the Company's interest in the Operating Partnership to approximately 75.8%.

On April 30, 1998, the Company acquired nine multistory office buildings and three office/flex buildings known as Airport Square, for approximately \$72 million of the proceeds from the 1998 Offering. The properties, totaling approximately 813,000 square feet, are located in the Baltimore/Washington corridor in Anne Arundel County, Maryland. Acquisition of the Airport Square properties was accounted for as a purchase. This purchase was accomplished through a combination of (i) the purchase of the debt encumbering these properties from the former mortgage lender, and (ii) the purchase of all the partnership interests in the partnership that previously owned the Airport Square properties. The Airport Square properties were 97% leased as of June 1, 1998.

On May 28, 1998, COPLP acquired two properties in Fairfield, New Jersey for a total purchase price of \$28.8 million, including the assumption of approximately \$6.47 million in existing debt collateralized by one of the properties. The properties consist of two multistory office buildings totaling approximately 263,000 square feet. The properties were 84% leased as of June 1, 1998.

In May 1998, the Company obtained a \$100 million Senior Secured Revolving Credit Facility

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(the "Revolving Credit Facility") from lenders led by Bankers Trust Company ("BT"). BT is also the lead lender of the Company's \$100 million Senior Secured Term Credit Facility (the "Term Credit Facility") obtained in October 1997.

The Revolving Credit Facility is a two year facility to be used to refinance

existing indebtedness, to fund acquisitions and new development projects and for general working capital purposes, including capital expenditures and tenant improvements. Maximum borrowings under the Revolving Credit Facility are the lesser of \$100 million or 65% of the appraised values of the office properties in the borrowing base. COPLP is the borrower and the Company is the guarantor of all advances under the Revolving Credit Facility, and borrowings will be cross-collateralized with the Term Credit Facility. The Revolving Credit Facility bears interest at LIBOR plus 175 basis points, payable interest only on a monthly basis. A 25 basis point fee per annum on the unused portion of the Revolving Credit Facility is payable quarterly in arrears. As of the date of this Proxy Statement, borrowings outstanding under the Revolving Credit Facility were approximately \$23.8 million.

The Company is engaged in an active acquisition program, and is presently identifying, negotiating and seeking to consummate acquisitions of entities, portfolios and individual properties.

Additional information concerning the Company is included in the documents incorporated by reference in this Proxy Statement. See "Incorporation of Certain Documents by Reference."

CAPITALIZATION

The following table sets forth the capitalization of the Company on a historical basis and a pro forma basis assuming the following as of March 31, 1998: (i) the issuance of 7.5 million Common Shares in a public offering completed on April 27, 1998, including the application of the net proceeds thereof, (ii) the acquisition of the Airport Square properties in Maryland, (iii) the acquisition of two properties in Fairfield, New Jersey, (iv) the consummation of the Company's \$100 million Revolving Credit Facility, and (v) the closing of the Transaction. For further information about each of items (i)-(v), see "The Company--Recent Developments." The information set forth in the following table should be read in conjunction with the following: (i) the consolidated financial statements of the Company and the notes thereto incorporated by reference in this Proxy Statement, (ii) the consolidated financial statements and the notes thereto of the Constellation Service Companies included elsewhere in this Proxy Statement, (iii) the combined statement of revenue and certain expenses for the year ended December 31, 1997 and the notes thereto for the real property being acquired by the Company in the Transaction (the "Constellation Properties") included elsewhere in this Proxy Statement, (iv) the pro forma financial information of the Company and the notes and management assumptions thereto which appear elsewhere in this Proxy Statement, and (v) other financial information included elsewhere in this Proxy Statement.

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<TABLE>
<CAPTION>

	As of March 31, 1998 (In Thousands)	
	Historical	Pro Forma
<S>	<C>	<C>
Debt:		
Mortgage notes payable.....	\$ 114,301	\$ 230,649
Minority Interest - Preferred Units (1).....	52,500	52,500
Minority Interest - Partnership Units (1).....	12,111	12,111
Shareholders' equity:		
Preferred Shares, \$.01 par value per share, 5,000,000 shares authorized. No shares issued and outstanding on an historical basis. 969,900 shares of Series A Convertible Preferred Shares, \$25.00 liquidation preference per share, 5.5% annual dividend issued and outstanding as of March 31, 1998, on a pro forma basis.....	-0-	10
Common Shares, \$0.01 par value per share, 45,000,000 shares authorized, 2,271,083 issued and outstanding on an historical basis as of March 31, 1998 and 16,699,083 shares issued and outstanding on a pro forma basis as of March 31, 1998 (1).....	23	167
Additional paid-in capital.....	16,647	185,656
Accumulated deficit.....	(5,819)	(5,819)
Total shareholders' equity.....	10,851	180,014

Total capitalization.....	\$ 189,763	\$ 475,274
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- (1) Does not include the effects of 10,196,758 Common Shares that may be issued upon conversion or redemption of certain Partnership Units and certain Preferred Units of COPLP partnership interest or upon exercise of options under the Company's Option Plan. Such conversion will also eliminate Minority Interest.

THE CONSTELLATION PROPERTIES AND CONSTELLATION SERVICE COMPANIES

Constellation has been an active participant in the real estate industry since 1981. Based in Columbia, Maryland, the Constellation entities comprise a full-service diversified real estate company. In addition to property management, Constellation specializes in the planning and development of multi-use business parks and the construction, leasing and sale of office buildings and retail centers. Through investment, development and acquisition/disposition, Constellation has assembled a real estate portfolio of approximately 1.8 million square feet, consisting of high quality suburban office (77%) and retail (23%) properties located in an area spanning from Baltimore to Northern Virginia.

THE CONSTELLATION PROPERTIES

The Constellation Properties comprise 18 properties: ten operating office properties, two operating retail properties, one of which is based on an interest in a mortgage (Tred Avon), two office properties under construction which are expected to be completed by the end of 1998 (135 National Business Parkway and Woodlands One), two office properties on which construction has recently commenced (134 National Business Parkway and Woodlands Two), and two retail properties under construction which are expected to be completed early in 1999 (Piney Orchard Marketplace and Springfield Commons), if certain conditions are met. The total square footage of the Constellation Properties is approximately 1.8 million square feet.

The operating office properties comprise a total of approximately one million rentable square feet, ranging from approximately 38,513 to 240,336 rentable square feet. The two operating retail properties contain approximately 241,749 rentable square feet. As of June 1, 1998, the operating Constellation Properties had a weighted average occupancy rate of approximately 92% and were leased to 126 tenants. As of June 1, 1998, only one tenant, occupying 100% of one operating property with approximately 240,336 net rentable square feet, represented more than 10% of the aggregate contractual annualized base rent of the operating Constellation Properties. The two office properties which have been under construction since September 1997 comprise approximately 193,110 rentable square feet. A tenant is committed to occupy 100% of one of the office properties under construction, with approximately 106,278 net rentable square feet, and will likely represent more than 10% of the aggregate contractual annual base rent of the Constellation Properties.

The Constellation Properties are located in Maryland and Northern Virginia, with a concentration of properties in Anne Arundel County (five operating properties comprising approximately 524,000 square feet and two properties under construction consisting of approximately 177,000 square feet and one development property comprising 53,000 square feet); Prince George's County (three operating properties comprising approximately 322,000 square feet); and Howard County (one operating property comprising approximately 54,000 square feet and two properties under construction comprising approximately 212,000 square feet). Generally, each property has landscaped sites, common areas, and on-site parking. The Constellation Properties are managed by CRM.

The Constellation Properties are leased to a variety of U.S. government entities, service sector employers, high tech firms as well as a large number of professional firms and national and international firms. Major office tenants include, among others, the U.S. Department of Defense, e.spire Communications, U.S. Department of Treasury, Stanford Telecommunications, Lockheed Martin Technical, TASC, Inc. and JHPIEGO Corporation. Major retail tenants include Giant Food, Staples, Inc., Acme Markets and Rite-Aid.

Leases for the operating properties are typically structured with terms ranging from one to five years, with the major exception of one lease representing 24.4% of the aggregate contractual annualized rent which contains automatic annual renewal options for the remaining ten years of its fifteen year term, unless terminated at the option of the tenant, the U.S. Department of Defense, upon 12 months notice and payment of a penalty. Generally all leases provide for annual contractual rent escalations over the lease term. A typical lease requires (i) payment of base rent, (ii) payment of the tenant's proportionate share of real estate taxes, utilities and common area and other

40,000							
Total Howard County Perimeter	98	3,543,629	177,099	36,509	5.00%	292,749	292,749
40,000							
Howard County Town Center							
"A" Tier	5	641,254	12,338	(3,570)	1.92%	0	0
"B" Tier	23	1,285,138	77,782	22,405	6.05%	0	0
Total Howard County Town Center	28	1,926,392	90,120	18,835	4.68%	0	0
Total Howard County	126	5,470,021	267,219	55,344	4.89%	292,749	292,749
40,000							
Suburban West							
"A" Tier	11	1,190,979	15,737	(2,723)	1.32%	158,100	111,416
"B" Tier	84	2,765,214	380,354	251,748	13.75%	65,000	180,000
Total Suburban West	95	3,956,193	396,091	249,025	10.01%	223,100	291,416

Market Totals							
Downtown	100	13,653,421	2,301,064	69,267	16.85%	342,748	177,130
"A" Tier	25	7,129,303	799,816	164,451	11.22%	42,710	0
"B" Tier	75	6,524,118	1,501,248	(95,184)	23.01%	300,038	177,130
Suburban Markets	430	22,984,694	2,128,044	439,331	9.26%	990,855	736,965
"A" Tier	74	7,945,143	668,534	(127,092)	8.41%	613,491	404,165
"B" Tier	356	15,039,551	1,459,510	566,423	9.70%	377,364	332,800
Metropolitan Area	530	36,638,115	4,429,108	508,598	12.09%	1,333,603	914,095
"A" Tier	99	15,074,446	1,468,350	37,359	9.74%	656,201	404,165
"B" Tier	431	21,563,669	2,960,758	471,239	13.73%	677,402	509,930

</TABLE>

- * Source: Colliers Pinkard, 1997 Office and Industrial Market Review.
 * Future Available includes under Construction square footage and indicates space not currently vacant, but becoming available after December 31, 1997.

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Suburban South Market: As of December 1997, the Suburban South Market contained approximately 3.6 million square feet of office space. The submarket stretches from the Baltimore/Washington International Airport ("BWI") to Maryland Route 32. Absorption of office space in this submarket in the last year was almost 268,000 square feet of space. Rental rates have increased by 10% to 20% over the last year and a half. Class A renewals are achieving \$18.75 per square foot, full service, with new office space being offered at \$21.00 per square foot. Office space greater than 10,000 square feet is limited. Speculative office development has commenced in the BWI/Anne Arundel section of this submarket. Seven of the Constellation Properties are located in this submarket, six of which are located in Annapolis Junction, Maryland.

<TABLE>
 <CAPTION>

	Years Ended December 31,		
	1997	1996	1995
	-----	-----	----
<S>	<C>	<C>	<C>
Total Buildings	55	56	57
Total Square Feet	3,607,904	3,595,699	3,802,845
"A" Tier Vacancy Rate	3.40%	5.72%	11.67%
"B" Tier Vacancy Rate	11.94%	17.90%	18.61%
Market Vacancy Rate.....	9.67%	14.65%	16.86%
Net Absorption	267,968	24,894	88,627
Under Construction	130,800	90,000	277,233

</TABLE>

Source: Colliers Pinkard, 1997 Office and Industrial Market Review, 1996 Office and Industrial Market Review, and 1995 Office and Industrial Market

Review.

The National Business Park: The National Business Park (the "Park"), a 175-acre business park, is located at the crossroads of the Baltimore/Washington Parkway and Maryland Route 32 at the mid-point of the Baltimore/Washington corridor. The Park is owned by affiliates of CREG, a Constellation entity, and contains a mixture of mid-rise office buildings with low-rise tech buildings. The Park also contains 85 acres of undeveloped land on which the Company will hold, after closing of the Transaction, purchase options and rights of first refusal. As of June 1, 1998, approximately 485,196 square feet of office space has been constructed in the Park:

<TABLE>
<CAPTION>

Name ----	Square Feet -----	Number of Stories -----	Date of Construction -----
<S> One National Business Park	<C> 240,336	<C> 12	<C> 1990
131 National Business Parkway	69,230	2	1990
141 National Business Parkway	86,964	2	1990
133 National Business Parkway	88,666	3	1997
135 National Business Parkway	86,832	3	Scheduled for completion by September 1998
134 National Business Parkway	90,000	4	Commenced Summer 1998

</TABLE>

33

One National Business Park is 100% leased by the U.S. Department of Defense through September 30, 2008. The tenant has the right to terminate this lease with one year's notice and payment of a penalty. 135 National Business Parkway is 81.75% pre-leased to Credit Management Solutions, Inc. ("CMSI") for 70,982 square feet. Other tenants in the Park include Lockheed Martin Technical, Electronic Data Systems Corporation, General Dynamics, Intel Corporation, Harris Data Services Corp., and TASC, Inc.

Brandon I: Brandon I is a 38,513 square foot flex building located in Brandon Woods Business Park, in Riviera Beach, Maryland. It is multi-tenanted flex building with an office to warehouse ratio of approximately one to one. This property is located near I-695 and adjacent to major parts of the Baltimore metropolitan region.

Howard County Suburban Market: As of December 1997, the Howard County Suburban Market contained 5,470,000 square feet of office space with the lowest vacancy rate in the entire Baltimore metropolitan region equal to 4.89%. As the submarket has tightened, office rental rates have exceeded \$20 per square foot for Class A space, supporting new construction. Three of the Constellation Properties are located in this submarket.

<TABLE>
<CAPTION>

	Years Ended December 31,		
	1997 -----	1996 -----	1995 -----
<S>	<C>	<C>	<C>
Total Buildings	98	96	90
Total Square Feet	3,543,629	3,467,049	3,324,586
"A" Tier Vacancy Rate	3.48%	3.45%	9.67%
"B" Tier Vacancy Rate	5.37%	7.29%	9.03%
Market Vacancy Rate.....	5.00%	6.51%	9.17%
Net Absorption	36,509	207,703	152,754
Under Construction	292,749	-0-	-0-

</TABLE>

Source: Colliers Pinkard, 1997 Office and Industrial Market Review, 1996 Office and Industrial Market Review, and 1995 Office and Industrial Market Review.

Three Centre Park: Three Centre Park is a four-story office building located in the Columbia North submarket between Maryland Routes 108 and 100, in Columbia, Maryland. Three Centre Park contains 53,669 square feet of office space and is Constellation's headquarters building.

Woodlands One: Woodlands One is a four-story, 106,278 square foot Class A office building, located Columbia Gateway Corporate Center at the intersection of Maryland Route 175 and Interstate 95 in Columbia, Maryland. Construction on Woodlands One began in September 1997 and is expected to be completed and occupied by August 1998. It has been 100% pre-leased to Green Spring Health

Services, Inc. for its national headquarters.

Woodlands Two: This property, to be located adjacent to Woodlands One, is planned as a four-story, 106,000 square foot office building. Construction commenced in June 1998.

Northern Prince George's County Market, Laurel Submarket: As of December 1997, the Laurel submarket within the Northern Prince George's County Market, contained 22 buildings and 1,450,000 square feet of office space and experienced an 11.18% vacancy rate which was lower than the 14.8% overall Northern Prince George's County Market. Rents are increasing, but at a slower rate than adjacent market areas, with rental rates ranging from \$15 to \$22 per square foot. Two of the Constellation Properties are located in this market.

<TABLE>
<CAPTION>

	Years Ended December 31,		
	1997	1996	1995
	-----	-----	----
<S>	<C>	<C>	<C>
Total Buildings	22	22	21
Total Square Feet	1,450,600	1,448,473	1,418,116
"A" Tier Vacancy Rate57%	.46%	1.90%
"B" Tier Vacancy Rate	18.46%	22.61%	35.53%
Market Vacancy Rate.....	11.18%	13.58%	21.53%
Net Absorption	34,539	282,094	(137,445)
Under Construction	-0-	-0-	-0-

</TABLE>

Source: Colliers Pinkard, 1997 Office and Industrial Market Review, 1996 Office and Industrial Market Review, and 1995 Office and Industrial Market Review.

Lakeview at the Greens I & II: Lakeview at the Greens I & II are twin, five-story office buildings, with a total of 141,062 square feet, located minutes from the Baltimore/Washington Parkway in Laurel, Maryland.

Southern Prince George's County Suburban Market: The Southern Prince George's County Suburban Market contains approximately 2,530,000 square feet of office space within 45 buildings. The vacancy rate for the first quarter of 1998 was 15.2%. Options for office space over 10,000 square feet are limited. The overall market absorption during the first quarter of 1998 was a negative 2,300 square feet. Rental rates have been stable over the last 18 months despite the availability of space and a lack of net absorption in the market. Rental rates average \$19 per square foot for Class A buildings and \$15 per square foot for Class B buildings. One of the Constellation Properties is located in this submarket.

<TABLE>
<CAPTION>

	Years Ended December 31,		
	1997	1996	1995
	-----	-----	----
<S>	<C>	<C>	<C>
Total Buildings	45	46	44
Total Square Feet	2,531,712	2,728,729	2,418,646
"A" Tier Vacancy Rate	10.2%	2.7%	1.8%
"B" Tier Vacancy Rate	8.8%	9.6%	11.0%
Market Vacancy Rate.....	15.1%	13.3%	15.3%
Net Absorption	(48,941)	41,851	8,378
Under Construction	-0-	-0-	-0-

</TABLE>

Source: Grubb & Ellis Research Services, Suburban Maryland Office Market Statistics, Fourth Quarter 1997; Fourth Quarter 1996, and Fourth Quarter 1995.

One Constellation Centre: One Constellation Centre is comprised of 178,198 square foot, Class A office building with a two-story atrium lobby and a three-story covered parking deck and a 3,038 square foot, free standing building occupied by a bank. The Centre is within view of the Potomac River at Exit 4 off of the Capital Beltway (Maryland Route 495) in Prince George's County, Maryland.

Fells Point, Baltimore, Maryland: Although statistically part of the downtown Baltimore market, the Brown's Wharf property is located near the Inner Harbor in the historic Fells Point section of Baltimore, Maryland which has a reputation for its entertainment and amenities. The following table presents information relating to the downtown Baltimore market.

<TABLE>

<CAPTION>

	Years Ended December 31,		
	1997	1996	1995
	-----	-----	-----
<S>	<C>	<C>	<C>
Total Buildings	100	98	100
Total Square Feet	13,653,421	13,545,785	13,892,017
"A" Tier Vacancy Rate	11.22%	13.80%	17.49%
"B" Tier Vacancy Rate	23.01%	27.32%	24.10%
Market Vacancy Rate.....	16.85%	20.24%	20.78%
Net Absorption	69,267	145,284	(157,337)
Under Construction	177,130	-0-	-0-

</TABLE>

Source: Colliers Pinkard, 1997 Office and Industrial Market Review, 1996 Office and Industrial Market Review, and 1995 Office and Industrial Market Review.

Brown's Wharf: Brown's Wharf combines 75,998 square feet of office space with 27,672 square feet of retail space. The lead office tenant is JHPIEGO Corporation, an affiliate of The Johns Hopkins University. The property had an occupancy rate of 100% as of June 1, 1998.

The Retail Properties

Westminster, Maryland Retail Market: An upward trend in housing starts and economic growth has caused the Westminster, Maryland Retail Market to demand additional retail development while simultaneously keeping overall market vacancy rates below 5% with steadily increasing rental rates. Estimates of the county's population will exceed 200,000 by the year 2000. This represents an annual 12% growth rate. One of the Constellation Properties is located in this market.

Cranberry Square: Cranberry Square contains 112,609 square feet of retail space, comprised of a 56,139 square foot Giant Food store, a Staples store, Toy Works and small shops, and 27,000 square feet of retail space under construction which will allow for the expansion of the Staples store and the addition of Factory Card Outlet and Pier One Imports. Regionally located contiguous to Cranberry Mall at Maryland Routes 27 and 140 in Westminster, Cranberry Square is 100% leased and serves more than 93,000 people located within a ten mile radius of the square. In 1997, the number of households within a ten mile radius of this property totaled 33,917 with an average household income of \$60,499.

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Easton, Maryland Retail Market: Growth in the Easton, Maryland Retail Market remains stable in all sectors of commercial development. Residential growth continues to occur at a steady 3% annual rate. Vacancy rates are 3-4% with gradually increasing rental rates. Easton includes major employers such as Black and Decker, Cadmus, Journal Services, Allen Family Foods and The Memorial Hospital, all of which provide basic employment to this market. One of the Constellation Properties is located in this market.

Tred Avon: Tred Avon is a 129,140 square foot shopping center, located at the heart of the Central Shopping District at Maryland Route 322 and Marlboro Road in Easton, Maryland. This shopping center contains four anchor stores, consisting of Acme Markets, Peebles, Rite-Aid and JoAnn Fabrics, and 19 other tenants. An extensive refurbishment of the exterior has recently been completed to update the design of the shopping center. In addition, Acme Markets is planning a 21,000 square foot expansion. Constellation holds an interest in the mortgage on this property. In 1996, the number of households within a ten mile radius of this property totaled 15,324 with an average household income of \$55,838.

The Development Properties

The Company has agreed to acquire the Development Properties for cash, as to each such property upon the earlier of the achievement of certain net operating income levels or July 1, 1999. Notwithstanding the foregoing, if certain minimum net operating income levels are not achieved by July 1, 1999, either the Company or Constellation has the right to terminate the agreement to purchase such property.

Piney Orchard Marketplace: Located within the 2,000-acre planned unit development of Piney Orchard in Odenton, Maryland, Piney Orchard Marketplace will be a 52,781 square foot retail center. Construction on this property commenced in April 1998 and is expected to be completed by November 1998. Piney Orchard Marketplace will contain a mixture of convenience retail stores, anchored by Food Lion, Inc. service retail, and restaurants on 8.77 acres. As of June 1, 1998, 42,781 square feet, or approximately 81%, was pre-leased, the primary amount of which has been pre-leased to Food Lion, Inc. In 1996, the number of households within a five mile radius of this property totaled 22,387 with an average household income of \$60,385.

Springfield Commons: Springfield Commons will be a 119,099 square foot regional shopping center located at Fairfax County Parkway and Frontier Drive in Springfield, Virginia. Construction commenced on this retail center in April 1998 and is anticipated to be completed before the end of 1998. Springfield

Commons was 66.85% pre-leased as of June 1, 1998 to Borders, Inc., Staples, Inc., Pier One Imports and other tenants. Constellation holds a 60% interest in this property with the remaining 40% held by Fried Companies, Inc., an unaffiliated entity. In 1997, the number of households within a five mile radius of this property totaled 122,308 with an average household income of \$83,969.

THE CONSTELLATION PROPERTIES

The following tables set forth certain historical information relating to each of the Constellation Properties as of June 1, 1998.

<TABLE>
<CAPTION>

Property Locations	Year Built Renovated	Rentable Sq. Ft.	Percentage Leased or Pre-Leased as of June 1, 1998 (1)	Total Rental Revenue (2)
<hr/>				
<S>	<C>	<C>	<C>	<C>
OFFICE PROPERTIES				
1. One National Business Park (5)	1990	240,336	100.00%	\$4,523,256
2. 131 National Business Parkway	1990	69,230	99.52%	1,178,776
3. 133 National Business Parkway	1996	88,666	90.60%	1,683,725
4. 141 National Business Parkway	1990	86,964	98.42%	1,434,318
5. One Constellation Centre	1988/1989	181,236	69.27%	2,420,901
6. Lakeview at the Greens I	1986	69,192	73.40%	841,261
7. Lakeview at the Greens II	1988	71,870	95.94%	1,128,521

</TABLE>

<TABLE>
<CAPTION>

PROPERTY LOCATIONS	Percentage of Total Rental Revenue of Occupied Space (3)	Total Rental Revenue per Occupied Sq. Ft. (4)	Major Tenants (10% or more Rental Sq. Ft.)
<hr/>			
<S>	<C>	<C>	<C>
OFFICE PROPERTIES			
1. One National Business Park (5)	24.40%	\$18.82	U.S. Department of Defense (100%)
2. 131 National Business Parkway	6.36%	17.11	e.spire Communications (35%) TASC, Inc. (28%) Lockheed Martin Technical (23%) Intel Corporation (13%)
3. 133 National Business Parkway	9.08%	20.96	e.spire Communications (67%) Applied Signal Technology (24%)
4. 141 National Business Parkway	7.74%	16.76	Stanford Telecommunications (35%) J.G. Van Dyke & Associates (20%) Harris Data Services Corp. (14%) (6) E.D.S. (10%)
5. One Constellation Centre	13.05%	19.28	U.S. Department of Treasury (47%) NRL Federal Credit Union (10%)
6. Lakeview at the Greens I	4.54%	16.56	Great West Life & Annuity (17%) Laurel Consulting Group (15%) Moore USA, Inc. (11%)
7. Lakeview at the Greens II	6.09%	16.37	Sky Alland Research, Inc. (22%) Greeman-Pedersen, Inc. (15%) Metcalf & Eddy (11%)

</TABLE>

<TABLE>
<CAPTION>

Property Locations	Year Built Renovated	Rentable Sq. Ft.	Percentage Leased or Pre-Leased as of June 1, 1998 (1)	Total Rental Revenue (2)
<S>	<C>	<C>	<C>	<C>
8. Three Centre Park	1987	53,669	95.65%	\$ 899,873
9. Brandon I	1982	38,513	94.49%	208,297
10. Brown's Wharf (7)	1989	103,670	100.00%	1,603,168
TOTAL OFFICE PROPERTIES		1,003,346	90.89%	\$15,922,096
RETAIL PROPERTIES				
11. Cranberry Square	1991	112,609	100.00%	\$ 1,871,836
12. Tred Avon	1977/1997	129,140	92.09%	747,325
TOTAL RETAIL PROPERTIES		241,749	95.77%	\$ 2,619,161
TOTAL/OPERATING AVERAGE PORTFOLIO PROPERTIES (8)		1,245,095	91.83%	\$18,541,257

</TABLE>

<TABLE>
<CAPTION>

Property Locations	Percentage of Total Rental Revenue of Occupied Space (3)	Total Rental Revenue per Occupied Sq. Ft. (4)	Major Tenants (10% or more Rental Sq. Ft.)
<S>	<C>	<C>	<C>
8. Three Centre Park	4.85%	\$17.53	CRE/CRM (34%) N.A.C.M. (20%) Reap/REMAX, Inc. 16%) H.C. Copeland Associates, Inc. (11%)
9. Brandon I	1.12%	5.72	Rapid Response (50%) BGE Environmental (19%)
10. Brown's Wharf (7)	8.65%	15.46	JHIEPGO Corporation (27%) Lista's (10%)
TOTAL OFFICE PROPERTIES	85.88%	\$17.46	
RETAIL PROPERTIES			
11. Cranberry Square	10.10%	\$16.62	Giant Food (50%) Staples, Inc. (15%) Toy Works (11%)
12. Tred Avon	4.02%	6.28	Peebles (27%) Acme Markets (22%)
TOTAL RETAIL PROPERTIES	14.12%	\$11.31	
TOTAL/OPERATING AVERAGE PORTFOLIO PROPERTIES (8)	100.00%	\$16.22	

</TABLE>

<TABLE>
<CAPTION>

Year Built	Rentable	Percentage Leased or Pre-Leased as of	Total Rental
------------	----------	---------------------------------------	--------------

Property Locations	Renovated	Sq. Ft.	June 1, 1998 (1)	Revenue (2)
<S>	<C>	<C>	<C>	<C>
PROPERTIES UNDER CONSTRUCTION				
13. 135 National Business Parkway	1998	86,832	81.75%	\$ 1,277,676
14. Woodlands One	1998	106,278	100.00%	2,168,071
15. 134 National Business Parkway (10)	N/A	90,000	0%	0
16. Woodlands Two (10)	N/A	106,000	0%	0
DEVELOPMENT PROPERTIES				
17. Piney Orchard Marketplace (11)	N/A	52,781	81.05%	265,000 (12)
18. Springfield Commons (11)	N/A	119,099	66.85%	1,750,363 (12)
TOTAL OF 18 PROPERTIES		1,806,085	78.61%	\$ 24,002,367

</TABLE>

<TABLE>
<CAPTION>

Property Locations	Percentage of Total Rental Revenue of Occupied Space (3)	Total Rental Revenue per Occupied Sq. Ft. (4)	Major Tenants (10% or more Rental Sq. Ft.)
<S>	<C>	<C>	<C>
PROPERTIES UNDER CONSTRUCTION			
13. 135 National Business Parkway	N/A	\$ 18.00	CMSI (81.75%) (9)
14. Woodlands One	N/A	20.40	Green Spring Health Services, Inc. (100%) (9)
15. 134 National Business Parkway (10)	N/A	N/A	N/A
16. Woodlands Two (10)	N/A	N/A	N/A
DEVELOPMENT PROPERTIES			
17. Piney Orchard Marketplace (11)	N/A	6.19	Food Lion, Inc. (72%)
18. Springfield Commons (11)	N/A	21.99	Borders, Inc. (23%) and Staples, Inc. (20%)
TOTAL OF 18 PROPERTIES	---	\$16.91	

</TABLE>

- (1) The percentage is based upon all leases signed as of June 1, 1998.
- (2) Total Rental Revenue is the monthly contractual base rent as of June 1, 1998 multiplied by 12 plus the estimated annualized expense reimbursements under existing leases.
- (3) The percentage is based on the property's rental revenue to Constellation Properties' Total Rental Revenue excluding properties numbered 13-18 listed on the table above.
- (4) This represents the property's annualized base rent divided by the respective property's leased square feet as of June 1, 1998.
- (5) This property is triple net leased. The tenant reimburses Constellation for \$1,090,452 of annualized operating expenses included in rental revenue noted.
- (6) Harris Data Services Corp. is a subtenant for GTE Government Systems.
- (7) This property contains 75,998 square feet of office space and 27,672 feet of retail space.
- (8) Total Rental Revenue per rentable square foot excludes the Development Properties' square feet and the four properties under construction.
- (9) CMSI has pre-leased 70,982 square feet for \$18.00 per square foot (net of electric cost) upon occupancy. Green Springs Health Services, Inc. has pre-leased 106,278 square feet for \$20.40

- - - - -

- per square foot upon occupancy.
 - (10) The Company exercised its options for these two properties on May 28, 1998. These properties commenced in Summer 1998 and no pre-leasing activity has occurred. The Rentable Square Foot figures are estimates as of June 1, 1998 as a result of their development stages.
 - (11) The purchase commitment by the Company is the earlier of achievement of certain operating results or July 1, 1999. The Rentable Square Foot figures are estimates as of June 1, 1998 as a result of their development stages.
 - (12) Total Rental Revenue does not include pro rata operating expenses since these expense reimbursements have not yet been determined.
- N/A Not applicable as property not operational as of June 1, 1998.

CONSTELLATION'S SIGNIFICANT TENANTS

The following table sets forth a schedule of Constellation's ten largest tenants, for the twelve operating properties, as of June 1, 1998, based upon annualized contractual base rents for the month of June 1998 plus annualized operating expense reimbursements. This schedule excludes \$350,695 of rental revenue for 21,502 square feet in two different buildings which were occupied by CRE/CRM as of June 1, 1998.

<TABLE>
<CAPTION>

Name	Exp. Date	Number Of Leases	Remaining Lease Term (months)	Total Rent Revenue (1)
<S>	<C>	<C>	<C>	<C>
OFFICE TENANTS:				
U.S. Department of Defense (2)	September 2008	1	124	\$ 4,523,256
e.spire Communications (3)	-	2	-	1,763,769
U.S. Department of Treasury	April 2003	1	58	1,564,362
Stanford Telecommunications	August 2003	1	63	640,690
JHPIEGO Corporation	October 2008	1	125	385,574
NRL Federal Credit Union	December 2003	1	67	343,305
Applied Signal Technology	May 2004	1	71	332,054
TASC, Inc.	April 2001	1	35	327,188
Lockheed Martin Technical	July 2008	1	2	286,532
RETAIL TENANTS:				
Giant Food	April 2016	1	215	768,573
TOTALS:		11	--	\$10,935,302

</TABLE>

<TABLE>
<CAPTION>

Name	Percentage of Total Revenue	Aggregate Leased Sq. Ft.	Percentage of Aggregate Leased Sq. Ft.
<S>	<C>	<C>	<C>
OFFICE TENANTS:			
U.S. Department of Defense (2)	24.40%	240,336	21.02%
e.spire Communications (3)	9.51%	83,800	7.33%
U.S. Department of Treasury	8.44%	85,253	7.46%
Stanford Telecommunications	3.46%	39,880	3.49%
JHPIEGO Corporation	2.08%	27,541	2.41%
NRL Federal Credit Union	1.85%	17,901	1.57%
Applied Signal Technology	1.79%	20,783	1.82%
TASC, Inc.	1.76%	19,550	1.71%
Lockheed Martin Technical	1.55%	15,807	1.38%
RETAIL TENANTS:			
Giant Food	4.15%	56,139	4.91%
TOTALS:	58.98%	606,990	53.09%

</TABLE>

- (1) Total Rental Revenue is the monthly contractual base rent as of June 1, 1998 multiplied by 12 plus the estimated annualized expense reimbursements under existing leases.
- (2) Property occupied under a triple net lease agreement, pursuant to which the tenant reimburses Constellation for all building operating expenses. Lease provides tenant with annual automatic renewal options which commenced in October 1994.
- (3) e.spire Communications occupies space in two different buildings with

59,545 square feet expiring in March 2003 and 24,255 square feet expiring in January 2005.

Constellation has pre-leased properties under construction to the following significant tenants. Green Spring Health Services, Inc. has pre-leased 106,278 square feet of Woodlands One for a five year term, which will generate \$2,168,071 of annual rental revenue upon occupancy. In 135 National Business Parkway, CMSI has leased 70,982 square feet under a seven year lease which will generate \$1,277,676 of annual rental revenue upon occupancy. Food Lion, Inc. has leased 37,981 square feet for a twenty year term, which will generate \$184,000 of annual rental revenue upon occupancy for the Piney Orchard Marketplace property. Springfield Commons has been pre-leased to Borders, Inc. for 27,608 square feet for a twenty-year term and Staples, Inc. for 24,000 square feet for a fifteen-year term, which will generate \$604,891 and \$432,000 of annual rental revenue on occupancy, respectively.

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CONSTELLATION PROPERTIES
SCHEDULE OF LEASE EXPIRATIONS

The following table sets forth a schedule of the lease expirations for the operating Constellation Properties beginning June 1, 1998 and annually thereafter, assuming that none of the tenants exercises renewal options:

<TABLE>

<CAPTION>

Year of Expiration	Number of Leases Expiring	Square Footage of Leases Expiring (1)	Percentage of Total Leased Square Feet	Total Rental Revenue of Expiring Leases (2)	Total Rental Revenue of Expiring Leases Per Rentable Square Feet (2)	Percentage of Total Rental Revenue Expiring (2)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
June 1, 1998-						
December 31, 1998	15	58,021	5.07%	\$ 778,393	\$ 13.42	4.20%
1999	29	75,222	6.58%	1,107,648	14.73	5.97%
2000	21	99,453	8.70%	1,418,525	14.26	7.65%
2001	19	152,959	13.38%	2,262,091	14.79	12.20%
2002	9	65,466	5.73%	684,858	10.46	3.70%
2003	20	267,031	23.35%	4,899,731	18.35	26.43%
2004	6	59,447	5.20%	928,196	15.61	5.01%
2005	1	24,255	2.12%	412,097	16.99	2.22%
2006	1	12,330	1.08%	150,601	12.21	.81%
2007	0	0	0.00%	0	0.00	0.00%
2008	2	267,877 (1)	23.43%	4,908,830	18.32	26.48%
2009 and thereafter	3	61,311	5.36%	990,287	16.15	5.33%
TOTALS:	126	1,143,372	100.00%	\$18,541,257	\$ 16.22	100.00%

</TABLE>

- (1) One tenant occupying 240,336 square feet and remitting \$4,523,256 of annualized June 1, 1998 total rental revenue leases space under a one year lease with 14 consecutive automatic one year renewals. The lease has been reflected as expiring in the year 2008 in the above table.
- (2) Total Rental Revenue is the monthly contractual base rent as of June 1, 1998 multiplied by 12 plus the estimated annualized expense reimbursements under existing leases.

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PRO FORMA SIGNIFICANT TENANTS

The following table sets forth a pro forma schedule of the Company's ten largest tenants, including the 12 operating Constellation Properties and the Company (including the Airport Square properties and the properties in Fairfield, New Jersey) based upon annualized contractual rents as of June 1, 1998 plus annualized operating expense reimbursements.

<TABLE>

<CAPTION>

Name	Exp. Date	Number Of Leases	Remaining Lease Term (months)	Total Rent Revenue (1)	Percentage of Total Revenue
<S>	<C>	<C>	<C>	<C>	<C>
OFFICE TENANTS:					
Unisys(2)	July 2009	4	133	\$ 8,943,060	17.03%
U.S. Department of Defense(3)	September 2008	7		6,580,059	12.53%

IBM(4)	March 2002	1	46	3,255,778	6.20%
Teleport Communications(5)		2		2,603,324	4.96%
Ciena Corporation(6)		3		1,987,569	3.78%
e.spire Communications(7)		2		1,763,769	3.35%
U.S. Department of Treasury	April 2003	1	58	1,564,362	2.98%
First Annapolis Consulting	August 2005	1	74	766,413	1.46%
RETAIL TENANTS:					
Giant Food	April 2016	1	215	768,573	1.46%
Fleming Companies, Inc.(8)		3		729,621	1.39%

TOTALS:		24		\$28,962,528	55.14%

</TABLE>

<TABLE>
<CAPTION>

Name	Percentage of Aggregate Leased Sq. Ft.	Aggregate Leased Sq. Ft.

<S>	<C>	<C>
OFFICE TENANTS:	954,937	23.86%
Unisys(2)	450,041	11.24%
U.S. Department of Defense(3)	170,000	4.25%
IBM(4)	172,385	4.30%
Teleport Communications(5)	182,183	4.55%
Ciena Corporation(6)	83,800	2.09%
e.spire Communications(7)	85,253	2.13%
U.S. Department of Treasury	49,446	1.23%
First Annapolis Consulting		
RETAIL TENANTS:	56,139	1.40%
Giant Food	128,320	3.21%
Fleming Companies, Inc.(8)		

TOTALS:	2,332,504	58.26%

</TABLE>

- (1) Total Rental Revenue is the monthly contractual base rent as of June 1, 1998 multiplied by 12 plus the estimated annualized expense reimbursements under existing leases.
- (2) Merck subleases 109,109 square feet and has exercised its option to lease an additional 109,109 square feet commencing January 1, 1999.
- (3) U.S. Department of Defense occupies space in seven different buildings with 240,336 square feet expiring September 2008; 96,636 square feet expiring September 1998; 73,572 square feet expiring May 1999; 12,333 square feet expiring June 2005; 15,776 square feet expiring June 1999; 10,308 square feet expiring September 1998; and 1,080 square feet expiring October 1998.
- (4) Teleport Communications recently signed a ten year lease with the Company for 143,072 square feet to be phased in over the next nine months. Teleport Communications will sublease this space through March 31, 2002.
- (5) Teleport Communications leases 142,385 square feet which expires June 2008 and 30,000 square feet which expires December 2006. The 30,000 square feet space is subleased from IBM through March 2002.
- (6) Ciena Corporation leases 57,140 square feet which expires August 2002; 67,903 square feet which expires February 2008; and 57,140 square feet which expires June 2002.
- (7) e.spire Communications leases 59,545 square feet which expires March 2003 and 24,255 square feet which expires January 2005.
- (8) Fleming Companies, Inc. has three leases consisting of 36,248 square feet expiring October 2010; 39,272 square feet expiring May 2014; and 52,800 square feet expiring November 2014.

PRO FORMA SCHEDULE OF LEASE EXPIRATIONS

The following table sets forth a pro forma schedule of the lease expirations for the 12 operating Constellation Properties and the Company (including the Airport Square properties and the properties in Fairfield, New Jersey) as of June 1, 1998:

<TABLE>

<CAPTION>

Year of Expiration	Number of Leases Expiring	Square Footage of Leases Expiring (1)	Percentage of Total Leased Square Feet	Total Rental Revenue of Expiring Leases (2)	Total Rental Revenue of Expiring Leases Per Rentable Square Feet (2)	Percentage of Total Rental Revenue Expiring(2)
June 1, 1998 - December 31, 1998	23	183,456	4.58%	\$2,029,497	\$11.06	3.86%
1999	39	307,219	7.68%	4,280,784	13.93	8.15%
2000	32	156,000	3.90%	2,310,740	14.81	4.40%
2001	35	384,304	9.60%	5,972,535	15.54	11.37%
2002	27	496,461	12.40%	6,770,929	13.64	12.89%
2003	24	284,368	7.10%	5,213,900	18.34	9.93%
2004	8	86,481	2.16%	1,407,075	16.27	2.68%
2005	3	86,034	2.15%	1,379,369	16.03	2.63%
2006	3	109,840	2.74%	1,256,281	11.44	2.39%
2007	3	53,812	1.34%	984,083	18.29	1.87%
2008	12	838,241(1)	20.94%	10,980,417	13.10	20.91%
2009 and thereafter	7	1,016,248	25.41%	9,933,334	9.77	18.92%
TOTALS:	216	4,002,464	100%	\$52,518,944	\$13.12	100%

</TABLE>

- (1) One tenant occupying 240,336 square feet and remitting \$4,523,256 of annualized June 1, 1998 total rental revenue leases space under a one year lease with 14 consecutive automatic one year renewals. The lease has been reflected as expiring in the year 2008 in the above table.
- (2) Total Rental Revenue is the monthly contractual base rent as of June 1, 1998 multiplied by 12 plus the estimated annualized expense reimbursements under existing leases.

THE CONSTELLATION SERVICE COMPANIES

The Constellation Service Companies consist of certain assets and personnel of CRE and a 75 percent interest in CRM.

Constellation Real Estate, Inc.

CRE provides comprehensive design/build, construction, development and asset management service to entities affiliated with Constellation. Most of Constellation's activities in the real estate business have been conducted on its behalf by CRE and its employees. CRE's strategy in the office property business has been to develop or acquire high quality office properties in suburban markets where it is, or can become, a prominent market force, or in markets where it identifies specific real estate investment opportunities

CRE management includes: Randall M. Griffin, President; Roger A. Waesche, Jr., Senior Vice President of Finance; John H. Gurley, Vice President and General Counsel; Stanley A. Link, Senior Vice President of Construction; and Dwight S. Taylor, Senior Vice President of Marketing and Leasing. These individuals manage the operations including development, construction, leasing, asset management, acquisition and disposition of the company owned, and affiliated entities' properties. Each of them is expected to join the Company in a senior management position following closing of the Transaction.

Constellation Realty Management, LLC

CRM is engaged in management of income producing real estate and corporate facilities management. Approximately 47% of CRM's revenues for the year ended December 31,1997 were derived from Constellation Properties and other affiliates of Constellation, and the balance of its income was derived from unaffiliated third parties. As of June 1, 1998, CRM managed approximately 14.8 million square feet of real estate, comprising more than 146 properties. Of these totals, approximately 1.8 million square feet in 16 properties were owned by entities affiliated with Constellation, including BGE. The balance, 13.0 million square feet in over 130 properties, were owned by unaffiliated clients of CRM.

CRM is active in all facets of commercial real estate, including commercial, office, industrial, retail and corporate facilities projects. CRM's list of clients includes pension fund managers, Fortune 500 companies, financial institutions and partnerships and individuals. Its clients include:

- - LaSalle Advisors
- - Westmark Realty Advisers
- - GE Capital Investment Advisers
- ERE Yarmouth
- AMB Institutional Realty Advisers

CRM maintains its headquarters at Three Centre Park in Columbia, Maryland,

with offices in Towson, Maryland, Woodlawn, Maryland, Annapolis Junction, Maryland, Calverton, Maryland, Columbia, Maryland, Linthicum, Maryland, and Wilmington, Delaware. CRE owns 75% of the outstanding membership interests of CRM, which was formed on April 1, 1996. The remaining 25% interest is held by KLNB, Inc., an unaffiliated entity. CRM is operated under the direction of Michael D. Kaiser, President and Steven J. Willats, Vice President. CRM employs 66 people, 30 of whom are building engineers, 19 are property managers, five are lease administrators, nine are engaged in accounting and three are involved in corporate activities.

The 75% interest in CRM and other management assets to be acquired by the Company from

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Constellation will be transferred by the Company to the Operating Partnership, which will, in turn, transfer such assets to COMI. In exchange for such assets, the Operating Partnership will receive (i) indebtedness issued by COMI in the principal amount of \$2,005,000, (ii) cash of approximately \$24,750, (iii) 18,800 shares of non-voting common stock, representing all of the non-voting common stock to be issued by COMI and (iv) 10 shares of voting common stock, representing 1% of the voting common stock to be issued by COMI. Individual shareholders, including Jay H. Shidler, Clay W. Hamlin, III, executive officers of COMI and perhaps others, will purchase 990 shares of voting common stock (representing 99% of the outstanding voting stock and 5% of the aggregate outstanding stock) in exchange for a cash capital contribution of \$24,750. Due to federal income tax requirements, the REIT may not directly or indirectly own 10% or more of the outstanding voting securities of COMI.

LEGAL PROCEEDINGS RELATED TO CONSTELLATION

To the Company's knowledge, there are no material legal proceedings pending or threatened against Constellation, any of the Constellation Properties or the Constellation Service Companies, other than routine litigation arising out of the ordinary course of business, and which are covered by liability insurance.

SELECTED FINANCIAL DATA OF
CONSTELLATION SERVICE COMPANIES

The following selected financial data of the Constellation Service Companies as of and for the three months ended March 31, 1998 and 1997; and as of December 31, 1995, 1994 and 1993 and for the years ended December 31, 1994 and 1993, have been derived from the Constellation Service Company's unaudited financial statements, which in the opinion of management, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the unaudited periods. The selected financial data of Constellation Service Companies as of December 31, 1997 and 1996 and for the years ended December 31, 1997, 1996 and 1995 has been derived from and should be read in conjunction with the Constellation Service Companies' audited financial statements and notes thereto for those periods included elsewhere in this Proxy Statement. This information should also be read in conjunction with "Management's Discussion and Analysis of Constellation Service Companies' Financial Condition and Results of Operations" included elsewhere in this Proxy Statement.

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<TABLE>
<CAPTION>

SELECTED FINANCIAL DATA OF CONSTELLATION SERVICE COMPANIES
(Dollars in Thousands)

	Three Months Ended March 31, Year Ended December 31,		Year Ended December 31,	
	1998	1997	1997	1996
<S>	<C>	<C>	<C>	<C>
Operating Data:				
Total revenue.....	\$ 3,717	\$ 3,314	\$ 11,226	\$ 15,412
Total expenses.....	3,755	3,043	10,485	14,708
Minority interest.....	26	47	117	96
Income tax expense (benefit).....	(23)	91	256	251
Net Income (loss).....	\$ (41)	\$ 133	\$ 368	\$ 357

Balance Sheet Data:				
Cash and cash equivalents.....	\$ 5,944	\$ 5,733	\$ 4,732	\$ 5,191
Due from affiliates.....	-	-	-	-
Other assets.....	4,151	5,886	3,378	5,341
Total assets.....	\$ 10,095	\$ 11,619	\$ 8,110	\$ 10,532
Due to affiliates.....	\$ 6,051	\$ 7,529	\$ 4,423	\$ 4,925
Other liabilities.....	1,193	1,433	821	3,130
Total liabilities.....	\$ 7,244	\$ 8,962	5,244	\$ 8,055
Minority interest.....	\$ 162	\$ 162	\$ 136	\$ 115
Stockholder's equity.....	2,689	2,495	2,730	2,362
Total liabilities and stockholder's equity..	\$ 10,095	\$ 11,619	\$ 8,110	\$ 10,532
Square Feet under Management.....	13,576,000	11,278,000	14,203,000	10,863,000

</TABLE>

<TABLE>
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	Year Ended December 31,		
	1995	1994	1993
<S>			
<C>			
Operating Data:			
Total revenue.....	\$ 7,096	\$ 3,467	\$ 3,308
Total expenses.....	7,088	3,401	3,769
Minority interest.....	--	--	--
Income tax expense (benefit).....	14	26	(189)
Net Income (loss).....	\$ (6)	\$ 40	\$ (272)
Balance Sheet Data:			
Cash and cash equivalents.....	\$ (554)	\$ (423)	\$ (1,113)
Due from affiliates.....	1,484	1,448	2,637
Other assets.....	3,284	1,395	992
Total assets.....	\$ 4,214	\$ 2,420	\$ 2,516
Due to affiliates.....	\$ --	\$ --	\$ --
Other liabilities.....	2,209	409	545
Total liabilities.....	\$ 2,209	\$ 409	\$ 545
Minority interest.....	--	--	--
Stockholder's equity.....	2,005	2,011	1,971
Total liabilities and stockholder's equity..	\$ 4,214	\$ 2,420	\$ 2,516
Square Feet under Management.....	2,245,000	1,594,000	1,372,000

</TABLE>

MANAGEMENT'S DISCUSSION AND ANALYSIS OF CONSTELLATION SERVICE
COMPANIES' FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following should be read in conjunction with the consolidated financial statements of Constellation Service Companies and the notes thereto, appearing elsewhere in this Proxy Statement.

THREE MONTHS ENDED MARCH 31, 1998 COMPARED TO MARCH 31, 1997

Net Income: Net income decreased by \$174,000 from \$133,000 to a \$41,000 loss for the three month period ended March 31, 1998 as compared to the same period in 1997. This change resulted from reduction in CRM's profit by 44.7% from \$188,000 in 1997 to \$104,000 in 1998 as expenses increased 12.5% from \$827,000 to \$930,000 but the property management fees only increased 1.9% from \$1,015,000 in 1997 to \$1,034,000 in 1998 for the three month period ended March 31, 1998 compared to the same period in 1997. The remaining decrease of \$120,000 resulted from the reduction in profit recognized on the construction contract services due to the increase in related party transactions for which no profit was realized.

Revenues: Total revenues increased by 12.3% or \$.4 million from \$3.3 million to \$3.7 million for the three months ended March 31, 1998 compared to the same period in 1997. This increase resulted principally from commencement of certain construction contract services during the first quarter of 1998 which represented new services, causing a 12.9% or \$.2 million increase from \$1.7 million to \$1.9 million for the first quarter of 1998 compared to 1997. The remaining \$.2 million increase in revenues was generated from increased construction, development, marketing, asset management and finance fees.

Operating Expenses: Total operating expenses increased by \$.7 million or 23.4% from \$3.0 million to \$3.7 million for the three months ended March 31, 1998 and 1997, respectively. Construction contract costs increased by \$.3 million or 22.2% from \$1.5 million to \$1.8 million from 1997 to 1998 as a result of the commencement of new construction contract services. Another \$.3 million or 27.0% increase from \$1.0 million to \$1.3 million in salaries and related expenses was caused by the hiring of new employees to service the growth in the property management business coupled with normal wage increases to the existing employees.

YEAR ENDED DECEMBER 31, 1997 COMPARED TO YEAR ENDED DECEMBER 31, 1996

Net Income: Net income was relatively unchanged level for the year ended December 31, 1997 compared to the same period in 1996 due to the offsetting effects of decreases in revenues and decreases in operating expenses.

Revenues: Total revenues decreased by 27.6% or \$4.2 million from \$15.3 to \$11.1 million for the years ended December 31, 1996 and 1997, respectively. This decrease resulted principally from reduced levels of certain construction contract services from 1996 to 1997, causing a \$5.4 million decrease. Property management fees increased \$.7 million and 21.0% due to higher volume of square feet managed. Construction, development, marketing, asset management fees and finance fees increased by 21.8% or \$.5 million from \$2.6 million in 1996 to \$3.1 million in 1997, primarily due to increased marketing fees associated with new projects of \$.4 million.

Operating Expenses: Total operating expenses decreased by \$4.2 million or 15.2% from \$14.7 to \$10.5 million for the year ended December 31, 1997 compared to the same period in 1996. This decrease, similar to the decline in revenues, principally resulted from completion of certain construction

contract services during 1996 which represented non-recurring services in 1997 or a \$5.4 million decrease. An increase of \$.7 million and 17.7% in salaries and related expenses resulted from the hiring of ten new employees due to CRM's growth coupled with wage increases for existing employees. Other expenses increased by 52.8% or \$.5 million and 52.8% over the prior year and consist primarily of \$.3 million in consulting advisory services and \$.1 million of additional rental expense due to the overall growth in the business.

YEAR ENDED DECEMBER 31, 1996 COMPARED TO YEAR ENDED DECEMBER 31, 1995

Net Income: Net income increased by \$.4 million from a breakeven in 1995 to a \$.4 million profit in 1996 due to the \$.3 million pre-tax improvement in construction contract profit. The growth of \$1.3 million in property management fees due to additional square feet under management coupled with the \$1.1 increase in construction, development, marketing, asset management and finance fees offset the additional \$1.5 million in salaried expenses required to service this growth.

Revenues: Total revenues increased by \$8.3 million or 119.3% from \$7.0 million to \$15.3 million for the year ended December 31, 1996 compared to the same period in 1995. This increase resulted principally from growth in certain construction contract services during 1996 which did not exist in 1995, causing a \$5.9 million increase. Property management fees increased by 72.3% or \$1.3 million from \$1.8 million to \$3.1 million as a result of the purchase of a 75% member interest in CRM by CRE, effective in April 1996. Construction, development, marketing, asset management fees and finance fees increased by 70.4% or \$1.1 million from \$1.5 million to \$2.6 million in 1995 and 1996, respectively, due to the increased leasing commissions and increased fees

associated with the growth in the construction contract services.

Operating Expenses: Total operating expenses increased by 107.0% or \$7.6 million from \$7.1 million to \$14.7 million for the year ended December 31, 1996 compared to the same period in 1995. This increase, similar to the increased operating revenues, principally resulted from growth in certain construction contract services during 1996 which did not exist in 1995, causing a \$5.6 million increase. An increase of 67.3% or \$1.5 million in salaries and related expenses primarily resulted from the purchase of the 75% member interest in CRM in which approximately 19 new employees were hired. Overhead costs of related party increased 41.5% or \$255,000 over the prior year because the total allocable costs from related party comprised a larger portion of the related party's business as compared to other lines of business in 1996. Other expenses increased 32.6% or \$.2 million from \$.7 million in 1995 to \$.9 million in 1996 as rent and depreciation expense increased from new CRM satellite offices.

Minority Interest: Minority interest expense increased by \$96,000 as a result of the formation of CRM in April 1996. KLNB, Inc., the minority interest holder, shares in 25% of the earnings from CRM.

LIQUIDITY AND CAPITAL RESOURCES

Generally, cash provided from operations represents the primary source of liquidity to fund operating expenses. To the extent necessary, borrowings from affiliates and lending institutions provide other sources of liquidity. The Constellation Service Companies have generated cash from operations to fund distributions to the minority interest holder, as required, and from all sources to satisfy its debt service obligations.

The Constellation Service Companies use a centralized cash management system for Constellation affiliates owned by CREG. As a result, if historical cash flows from operating activities

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were insufficient to fund operating expenses and costs, the Constellation Service Companies received advances from its affiliates. These advances are then repaid from available cash flow.

Working capital as of March 31, 1998 was \$406,000 as compared to \$1,460,000 as of March 31, 1997. This decrease of \$1,054,000 was principally caused by a \$2,954,000 reduction in accounts receivable offset by a \$1,478,000 reduction in due to affiliates. Cash flows from operating activities increased by \$1,591,000 from \$650,000 for the three-month period March 31, 1997 to \$2,241,000 for the three-month period March 31, 1998 principally as a result of a \$2,208,000 increase in accounts payable and accrued expenses offset by the \$976,000 reduction in borrowings from affiliates. Cash flows from investing activities decreased by \$950,000 due to the \$1,000,000 escrowed deposit related to a contract to acquire loans collateralized by the Airport Square properties. Cash flows from (used in) financing activities increased by \$29,000 from a \$1,000 deficit for the three-month period March 31, 1998 to \$28,000 for the three-month period March 31, 1997.

Working capital as of December 31, 1997 was \$1,400,000 as compared to \$1,300,000 as of December 31, 1996. The \$100,000 increase was principally caused by the \$2,464,000 reduction in the outstanding accounts receivable balances partially offset by the \$2,164,000 reduction in accounts payable.

Cash flows from (used in) operating activities for the years ended December 31, 1997, 1996 and 1995 were \$124,000, \$6,290,000, and \$(91,000), respectively. Although net income realized for the year ended December 31, 1997 remained level compared to 1996, cash flows from operating activities decreased by \$745,000 from \$6,290,000 in 1996 to \$124,000 in 1997 principally as a result of the operating advances from affiliates. In 1997, the Constellation Service Companies repaid \$502,000 of advances from affiliates as compared to the \$6,409,000 borrowed from affiliates in 1996. In 1996, although net income improved by \$363,000 as compared to 1995, cash flows from (used in) operating activities increased by \$6,381,000 from \$(91,000) in 1995 to \$6,290,000 in 1996 principally as a result of \$6,409,000 advanced from affiliates. This advance provided cash to fund operations as liquidity was strained by the \$1,982,000 increase in accounts receivable from 1995 to 1996 coupled with a \$2,182,000 increase in accounts payable from 1995 to 1996. Net cash used in operating activities for the year ended December 31, 1995 was \$(91,000) caused primarily by the \$(6,000) net loss combined with a net decrease of \$200,000 in current assets and liabilities from 1994 to 1995.

Cash flows used in investing activities, which primarily relate to investment in fixed assets, for the years ended December 31, 1997, 1996 and 1995 were \$(445,000), \$(731,000), and \$(59,000), respectively. In 1996, cash flows from investing activities included the \$414,000 acquisition of the 75% member interest in CRM.

Cash flows from (used in) financing activities, which include the annual principal repayments to KLNB, Inc. on the outstanding note payable and any distribution or contributions to CRM's minority interest holder, for the years ended December 31, 1997, 1996 and 1995 were \$(138,000), \$186,000, and \$19,000. Annual scheduled principal payments of \$40,000 were paid to KLNB from the \$200,000 promissory note assumed in 1996 upon the acquisition of the 75% member interest in CRM in 1996. A \$96,000 distribution was provided to the minority interest holder in 1997. In 1996, the minority interest holder

INFLATION

Inflation has generally not significantly impacted the periods presented for the Constellation Service Companies due to the relatively low inflation rates in their market. In addition, average salaries and related expenses historically have not exceeded 10% annually in the same market.

SELECTED FINANCIAL DATA OF THE COMPANY

The following tables set forth certain financial data on a consolidated historical and pro forma basis for the Company. The financial data should be read in conjunction with the Company's financial statements and the notes thereto incorporated by reference in this Proxy Statement, Constellation Properties' combined statement of revenue and certain expenses for the year ended December 31, 1997 and the notes thereto, and the Constellation Service Companies' consolidated financial statements and the notes thereto included elsewhere in this Proxy Statement. The consolidated historical financial data of the Company as of and for the fiscal years ended December 31, 1993 through 1997 have been derived from and should be read in conjunction with the audited financial statements for those years. The financial data of the Company as of and for the three months ended March 31, 1998 and 1997 have been derived from unaudited financial statements, which, in the opinion of management, include all adjustments, necessary for a fair statement of the results for the unaudited interim periods. This information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" of the Company incorporated by reference in this Proxy Statement.

The unaudited pro forma financial and operating data for the three months ended March 31, 1998 and for the year ended December 31, 1997, is presented as if the completion of the Transaction, the Airport Square property acquisition, the acquisition of properties in Fairfield, New Jersey, and the 1998 Offering, all occurred as of January 1, 1998 for the March 31, 1998 pro forma data and as of January 1, 1997 for the December 31, 1997 pro forma data. The acquisition of the Shidler Group's Mid-Atlantic operations is reflected in the Company's historical consolidated balance sheet at December 31, 1997 and March 31, 1997 and is included in the pro forma condensed consolidating statements of operations as if it occurred on January 1, 1997. The unaudited pro forma balance sheet as of March 31, 1998 is presented as if the foregoing, except for the Shidler transaction, occurred as of March 31, 1998.

The pro forma information is based upon certain assumptions that are included in the notes to the pro forma financial statements included elsewhere in this Proxy Statement. The pro forma information is unaudited and is not necessarily indicative of what the financial position and results of operations of the Company would have been as of and for the periods indicated, nor does it purport to represent the future financial position and results of operations for future periods.

<TABLE>
<CAPTION>

SELECTED CONSOLIDATED HISTORICAL AND PRO FORMA FINANCIAL DATA OF THE COMPANY
(Dollars in thousands, except per share amounts)

	Three Months Ended March 31,			Year Ended December 31,		
	Pro Forma	Historical		Pro Forma		
	1998	1998	1997	1997	1997	1996
	(unaudited)	(unaudited)		(unaudited)		
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Operating Data:						
Revenue:						
Rental Income.....	\$12,109	\$4,919	\$626	\$44,007	\$6,122	
\$2,477						
Tenant recoveries and other income.....	1,260	606	7	5,619	496	
32						

Total revenue.....	13,369	5,525	633	49,626	6,618	
2,509						

---	-----	-----	-----	-----	-----	-----
Expenses:						
Interest.....	4,281	2,159	308	17,226	2,855	
1,246						
Depreciation and amortization.....	2,484	1,041	142	9,907	1,331	
567						
Property expenses.....	3,460	899	79	14,743	728	
31						
General and administrative.....	465	299	13	1,358	533	
372						
Reformation costs (1)..	--	637	--	--		
Termination of Advisory Agreement (2).....	--	--	--	--	1,353	
--						
-----	-----	-----	-----	-----	-----	-----
Total expenses.....	10,690	5,035	542	43,234	6,800	
2,216						
-----	-----	-----	-----	-----	-----	-----
Equity in income of management company.....	(159)	--	--	55	--	
--						
-----	-----	-----	-----	-----	-----	-----
Income (loss) before minority interests.....	2,520	490	91	6,447	(182)	
293						
Income allocated to minority interests.....	(1,033)	(989)	--	(3,608)	(785)	
-						
Preferred Share distributions.....	(333)	--	--	(1,334)	--	
--						
-----	-----	-----	-----	-----	-----	-----
Net income (loss).....	\$1,154	\$(499)	\$91	\$1,505	\$(967)	
\$293						
-----	-----	-----	-----	-----	-----	-----
-----	-----	-----	-----	-----	-----	-----
Net income (loss) per common share.....	\$0.07	\$(0.22)	\$0.06	\$0.09	\$(0.60)	
\$0.21						
-----	-----	-----	-----	-----	-----	-----
-----	-----	-----	-----	-----	-----	-----
Cash dividends/ distributions declared.		\$1,276	\$177		\$816	
\$710						
-----	-----	-----	-----	-----	-----	-----
Cash dividends/ distributions per share		\$.15	\$.12		\$0.50	
\$0.50						
-----	-----	-----	-----	-----	-----	-----
-----	-----	-----	-----	-----	-----	-----

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----- Historical -----		
1995	1994	1993
-----	-----	-----

<S>	<C>	<C>	<C>
Operating Data:			
Revenue:			
Rental Income.....	\$2,436	\$2,038	1,073

Tenant recoveries and other income.....	48	217	70
Total revenue.....	2,484	2,255	1,143
Expenses:			
Interest.....	1,267	1,098	461
Depreciation and amortization.....	567	476	256
Property expenses.....	42	43	63
General and administrative.....	336	337	183
Reformation costs (1)..			
Termination of Advisory Agreement (2).....	--	--	--
Total expenses.....	2,212	1,954	963
Equity in income of management company.....	--	--	--
Income (loss) before minority interests.....	272	301	180
Income allocated to minority interests.....	--	--	--
Preferred Share distributions.....	--	--	--
Net income (loss).....	\$272	\$301	\$180
Net income (loss) per common share.....	\$0.19	\$0.21	\$0.17
Cash dividends/distributions declared.	\$710	\$1,207	\$923
Cash dividends/distributions per share	\$0.50	\$0.85	\$0.88

</TABLE>

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	Three Months Ended March 31,			Year Ended December 31,		
	Pro Forma	Historical		Pro Forma	Historical	
	1998	1998	1997	1997	1997	1996
	(unaudited)	(unaudited)		(unaudited)		
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balance Sheet Data (as of period end):						
Real estate investments, net of accumulated depreciation.....	469,850	\$187,730	\$22,931	\$188,625		
\$23,070						
Total assets.....	478,167	192,656	24,044	193,534		
24,197						
Mortgages payable.....	230,649	114,301	14,579	114,375		
14,658						
Total liabilities.....	233,542	117,194	14,959	117,008		
15,026						

Minority interests.....	64,611	64,611	--		64,862
Shareholders' equity.....	180,014	10,851	9,085		11,664
9,171					
Other Data:					
Cash flows provided					
(used in):.....					
Operating activities...	(3)	\$956	\$223	(3)	\$3,216
\$840					
Investing activities...	(3)	(682)	0	(3)	973
127					
Financing activities...	(3)	(1,323)	(256)	(3)	(1,052)
(967)					
Funds from					
operations (4).....		1,246	232		1,718
847					
Weighted average shares					
outstanding (in					
thousands).....	16,699	2,268	1,420	16,699	1,601
1,420					
Property Data (as of					
period end):					
Number of properties					
owned.....	49	17	7	49	17
7					
Total rentable square feet					
owned (in thousands)...	4,734	1,852	370	4,734	1,852
370					

</TABLE>

<TABLE>
<CAPTION>

	Historical		
	1995	1994	1993
<S>	<C>	<C>	<C>
Balance Sheet Data			
(as of period end):			
Real estate investments,			
net of accumulated			
depreciation.....	\$23,624	\$24,179	\$15,110
Total assets.....	24,779	25,647	18,882
Mortgages payable.....	14,916	15,153	7,450
Total liabilities.....	15,191	15,620	7,950
Minority interests.....			
Shareholders' equity.....	9,588	10,026	10,932
Other Data:			
Cash flows provided			
(used in):.....			
Operating activities...	\$678	\$690	\$358
Investing activities...	(551)	(9,511)	(5,461)
Financing activities...	(1,001)	6,357	7,829
Funds from			
operations (4).....	827	768	437
Weighted average shares			
outstanding (in			
thousands).....	1,420	1,420	1,065
Property Data (as of			
period end):			
Number of properties			
owned.....	7	7	4
Total rentable square feet			
owned (in thousands)...	370	370	215

</TABLE>

-
- (1) Reflects a nonrecurring expense of \$637 associated with the reformation of the Company on March 16, 1998.
 - (2) Reflects a nonrecurring expense of \$1,353 associated with the termination of the Advisory Agreement on October 14, 1997, which was paid in the form of Common Stock.
 - (3) Pro forma information relating to cash flows from operating, investing and financing activities has not been included because management believes that the information would not be meaningful due to the number

of assumptions required in order to calculate this information.

- (4) The White Paper on Funds from Operations approved by the Board of Governors of NAREIT in March 1995 defines FFO as net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from debt restructuring and sales of properties, plus real estate related depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures. The Company believes

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that FFO is helpful to investors as a measure of the financial performance of an equity REIT because, along with cash flow from operating activities, financing activities and investing activities, it provides investors with an indication of the ability of the Company to incur and service debt, to make capital expenditures and to fund other cash needs. The Company computes FFO in accordance with standards established by NAREIT which may not be comparable to FFO reported by other REITs that do not define the term in accordance with the current NAREIT definition or that interpret the current NAREIT definition differently than the Company. FFO does not represent cash generated from operating activities determined in accordance with GAAP and should not be considered as an alternative to net income (determined in accordance with GAAP) as an indication of the Company's financial performance or to cash flow from operating activities (determined in accordance with GAAP) as a measure of the Company's liquidity, nor is it indicative of funds available to fund the Company's cash needs, including its ability to make cash distributions.

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MANAGEMENT

EXECUTIVE OFFICERS AND TRUSTEES

Set forth below is certain information as of the date of this Proxy Statement for (i) the Trustees of the Company, (ii) the executive officers of the Company and (iii) the Trustees and executive officers of the Company as a group.

<TABLE>
<CAPTION>

Name	Age	Office	Class
Jay H. Shidler	52	Chairman of the Board of Trustees	III
Clay W. Hamlin, III	53	Chief Executive Officer and Trustee	III
Vernon R. Beck	56	Vice President and Vice Chairman of the Board of Trustees	I
Kenneth D. Wethe	56	Trustee	II
Allen C. Gehrke	63	Trustee	I
William H. Walton	45	Trustee	II
Kenneth S. Sweet, Jr.	65	Trustee	III
Thomas D. Cassel	39	Vice President, Finance and Treasurer	
John D. Parsinen	55	Secretary	

</TABLE>

*Upon closing of the Transaction, Mr. Griffin will become President of the Company and Messrs. Crooke and Kesler will become Trustees of the Company. In addition, Messrs. Waesche and Gurley will become executive officers of the Company. For biographies of each of the five aforementioned persons, see the "The Transaction--Changes in Operations and Additions to Management."

Jay H. Shidler has been Chairman of the Board of Trustees since October 1997. 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 totaling over \$4 billion in aggregate value. Mr. Shidler is a founder and current Chairman of the Board of Trustees of First Industrial Realty Trust, Inc. and is a founder and former director and Co-Chairman of TriNet Corporate Realty Trust, Inc. Mr. Shidler is also founder and Chairman of the Board of Trustees 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 has been a Trustee and President and Chief

Executive Officer of the Company since October 1997. Upon consummation of the Transaction, Mr. Hamlin will relinquish the role of President to Randall M. Griffin. See "The Transaction -- Changes in Operations and Additions to Management." Mr. Hamlin joined The Shidler Group in May 1989, as Managing Partner of The Shidler Group's Mid-Atlantic regional office and acquired, managed and leased over four 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 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

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Corporate Realty Trust, Inc. and First Industrial Realty Trust, Inc. His professional affiliations include the Urban Land Institute, NAREIT, the American Institute of CPAs and the American Bar Association.

Vernon R. Beck is Vice Chairman of the Board of Trustees and a Vice President of the Company. Mr. Beck was elected a Trustee of the Company in January 1990. 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.

Kenneth D. Wethe has been a Trustee of the Company since January 1990. 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 has been a Trustee of the Company since 1995. 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, Inc., 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 has been a Trustee of the Company since October 1997. Mr. Walton is a Managing Principal of Westbrook Partners, LLC ("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. has been a Trustee of the Company since October 1997. 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 partnerships with assets of over \$300 million, Mr. Sweet has over 37 years of experience in real estate investments, 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.

Thomas D. Cassel has been Vice President, Finance and Treasurer of the Company since

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October 1997. Mr. Cassel is a Certified Public Accountant with 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 real

estate investment trusts. Mr. Cassel 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.

John Parsinen has been Secretary of the Company since January 1990. Mr. 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, Minnesota. 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.

CERTAIN INFORMATION REGARDING THE BOARD OF TRUSTEES AND COMMITTEES

The Board of Trustees. The business and affairs of the Company are 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 for a term expiring at the annual meeting of shareholders to be held in 1999, Class II will hold office for a term expiring at the annual meeting of shareholders to be held in 2000, and Class III will hold office for a term expiring at the annual meeting of shareholders to be held in 2001. At each annual meeting of shareholders of the Company, 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. Upon closing of the Transaction, the Board of Trustees will be expanded from seven to nine members, as discussed under "The Transaction--Changes in Operation and Additions to Management."

Committees. The Board of Trustees has Audit, Compensation and Investment Committees. The Audit Committee, which currently consists of Messrs. Wethe, Gehrke and Beck, reviews, recommends and reports to the Board of Trustees on (1) the engagement of independent auditors and range of audit fees, (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. The Compensation Committee, which currently consists of Messrs. Sweet and Walton, determines all executive compensation, administers stock option plans and other incentive plans and approves employment contracts. The Investment Committee, which consists of Messrs. Shidler, Sweet and Wethe, must approve all investments and acquisitions. Investments of less than \$25 million may be made with Investment Committee approval only, and investments in excess of that amount must also be approved by the Board of Trustees. The Board of Trustees presently acts as its own Nominating Committee.

Compensation of Trustees. Independent Trustees (Messrs. Gehrke, Sweet, Walton and Wethe)

each receive an annual fee of \$15,000. Trustees incurring travel expenses in connection with their duties as Trustees of the Company are reimbursed in full. Each Trustee is eligible to participate in the Incentive Plan. The Compensation Committee intends to grant to each Trustee who is not an employee of the Company, upon initial election or appointment, an option to purchase 5,000 Common Shares, at the then fair market value of the Common Shares.

SECURITY OWNERSHIP OF MANAGEMENT AND OTHERS

The following table contains certain information as of June 1, 1998 regarding the beneficial ownership of Common Shares by (i) each person known by the Company to own beneficially more than 5% of the Common Shares, (ii) each current Trustee and executive officer of the Company, and (iii) the current Trustees and executive officers as a group. 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 Shares owned by the option or warrant holder but are not deemed to be outstanding for the purpose of computing the percentage of Common Shares 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>

	Number of Common Shares Beneficially Owned(1)	Percent of All Common Shares
	-----	-----
<S>	<C>	<C>
Jay H. Shidler	300,000	3.1%
Clay W. Hamlin, III	300,000	3.1

Vernon R. Beck	151,793 (2)	1.6
John Parsinen	151,965 (3)	1.6
Allen C. Gehrke	7,750 (4)	*
Kenneth S. Sweet, Jr	10,000	*
William H. Walton	0	0
Kenneth D. Wethe	12,724 (2)	*
Thomas D. Cassel	660	*
All Trustees and Executive Officers as a Group (9 persons)	934,892 (5)	9.4%

</TABLE>

* 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 Shares within 60 days.
- (2) Includes 12,500 Common Shares issuable upon exercise of presently exercisable options.
- (3) Includes 10,000 Common Shares issuable upon exercise of presently exercisable options. Includes 3,000 shares owned by Mr. Parsinen's wife.
- (4) Includes 7,500 Common Shares issuable upon exercise of presently exercisable options.
- (5) Includes 42,500 Common Shares issuable upon exercise of presently exercisable options.

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INDEPENDENT ACCOUNTANTS

Representatives of Coopers & Lybrand L.L.P. are expected to be present at the Special Meeting to respond to questions from shareholders and to make a statement if they so desire.

OTHER MATTERS

As of the date of this Proxy Statement, neither the Board of Trustees nor management knows of other matters which will be presented for consideration at the Special Meeting. However, if any other business should properly come before the Special Meeting, the persons named in the enclosed proxy (or their substitutes) will have discretionary authority to take such action as shall be in accordance with their best judgment.

EXPERTS

The consolidated financial statements of the Constellation Services Companies as of December 31, 1997 and 1996 and for each of the years in the three-year period ended December 31, 1997 and the combined statement of revenues and certain expenses of the Constellation Properties for the year ended December 31, 1997 have 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.

The consolidated financial statements of the Company as of December 31, 1997 and 1996 and for each of the years in the three-year period ended December 31, 1997, incorporated by reference in this Proxy 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.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents, filed by the Company with the Commission pursuant to Section 13 of the Securities Exchange Act of 1934 (the "Exchange Act") (File No.1-13274), are incorporated herein by reference: (i) the Annual Report on Form 10-K for the year ended December 31, 1997, (ii) the Quarterly Report on Form 10-Q for the quarter ended March 31, 1998, (iii) the Current Reports on Form 8-K filed May 14, 1998, May 29, 1998 and June 10, 1998, (iv) the Proxy Statement/Prospectus dated February 11, 1998, and (v) the Prospectus dated April 22, 1998.

All documents filed by the Company pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of this Proxy Statement and prior to the date of the Special Meeting shall be deemed to be incorporated by reference herein from the date of filing such documents.

Any statement contained herein or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Proxy Statement to the extent that a statement

contained herein or in any subsequently filed document which also is or is deemed to be 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.

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Also incorporated by reference herein are the Transaction Agreements, copies of which have been filed with the Securities and Exchange Commission as Exhibits to this Proxy Statement.

TO THE EXTENT THAT THIS PROXY STATEMENT INCORPORATES DOCUMENTS BY REFERENCE WHICH ARE NOT PRESENTED HEREIN OR DELIVERED HERewith. THESE DOCUMENTS, EXCEPT THE EXHIBITS TO SUCH DOCUMENTS (UNLESS SUCH EXHIBITS ARE SPECIFICALLY INCORPORATED BY REFERENCE IN SUCH DOCUMENTS), ARE AVAILABLE ON REQUEST. REQUESTS FOR SUCH COPIES SHOULD BE DIRECTED TO DENISE LISZEWSKI, ONE LOGAN SQUARE, SUITE 1105, PHILADELPHIA, PA 19103 OR BY TELEPHONE AT (215) 567-1800. IN ORDER TO ENSURE TIMELY DELIVERY OF THE DOCUMENTS, ANY REQUEST SHOULD BE MADE BY _____.

By order of the Board of Trustees,

/s/ JOHN D. PARSINEN

JOHN D. PARSINEN
SECRETARY

Date: _____, 1998
_____,
Philadelphia, Pennsylvania

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<CAPTION>

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</TABLE>

CORPORATE OFFICE PROPERTIES TRUST
PRO FORMA CONDENSED CONSOLIDATING FINANCIAL INFORMATION

The following sets forth the unaudited pro forma condensed consolidating balance sheet of Corporate Office Properties Trust and its consolidated affiliates, including Corporate Office Properties, L.P. (the "Operating Partnership") as of March 31, 1998, and the unaudited pro forma condensed consolidating statements of operations for the year ended December 31, 1997 and the three-month period ended March 31, 1998 of the Company (as defined below). Corporate Office Properties Trust and its consolidated affiliates, including the Operating Partnership, are collectively referred to herein as the "Company."

In October 1997, the Operating Partnership acquired partnership interests in a portfolio of ten properties (the "Initial Office Properties"), representing the Mid-Atlantic suburban office operations of The Shidler Group, subject to \$100 million of indebtedness (the "Term Credit Facility"). At that time, the Company became the sole general partner of the Operating Partnership, which was formed to acquire and hold the Initial Office Properties. In connection with the acquisition of the Initial Office Properties, the Company issued 600,000 of its common shares of beneficial interest ("Common Shares") and the Operating Partnership issued (or committed to issue) 3,181,818 common partnership units ("Partnership Units") and 2.1 million preferred partnership units ("Preferred Units").

The acquisition of the Initial Office Properties is reflected in the Company's historical consolidated balance sheet as of December 31, 1997, and is included in the pro forma condensed consolidating statements of operations as if it occurred on January 1, 1997.

The pro forma condensed consolidating financial information is presented as if the following transactions had been consummated on March 31, 1998 for balance sheet purposes, and at the beginning of the period presented for purposes of the statements of operations:

- o The completion of a public offering (the "Offering") in which the Company issued 7,500,000 Common Shares at \$10.50 per share and contributed all of the net proceeds to the Operating Partnership in exchange for 7,500,000 Partnership Units.
- o The acquisition of nine multistory office buildings and three office/flex buildings (the "Airport Square Properties").
- o The acquisition of two office properties (the "Fairfield Properties").
- o The closing of a \$100 million, two-year-senior revolving credit facility (the "Revolving Credit Facility") and the borrowing of \$23,750,000 under the Revolving Credit Facility to pay a portion of the consideration for the Fairfield Properties.
- o The acquisition by the Company from various parties (collectively, "Constellation") of interests in (i) 14 office and 2 retail properties (the "Constellation Properties"); (ii) a 75% ownership interest in a real estate management services entity; and (iii) certain equipment, furniture and other assets related to management operations ((ii) and (iii) collectively, the "Constellation Service Companies") in exchange for: (a) issuance by the Company of 969,900 non-voting Series A Convertible Preferred Shares of Beneficial Interest, \$0.01 par value, \$25.00 liquidation preference ("Preferred Shares") and

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6,928,000 Common Shares; (b) the assumption of debt aggregating \$12,990,000; and (c) the payment of \$69,038,000 in cash. The foregoing is referred to herein as the "Transaction."

- o The borrowing of \$73,143,000 under the Revolving Credit Facility to pay for certain of the cash requirements of the Transaction.
- o The contribution by the Company of all the assets acquired in the Transaction to the Operating Partnership in exchange for Partnership Units and Preferred Units.

The accompanying pro forma condensed consolidating financial information does not include the effects of the acquisition of two retail properties (the "Development Properties"), as the Company's obligation to complete such acquisitions is contingent on the occurrence of certain events.

This pro forma condensed consolidating financial information should be read in conjunction with the historical financial statements of the Company and those of the Initial Office Properties, the Airport Square Properties, the Fairfield Properties, the Constellation Properties and the Constellation Service Companies, which are incorporated by reference or included elsewhere herein. In management's opinion, all adjustments necessary to reflect the effects of the transactions to be consummated have been made. This pro forma condensed consolidating financial information is unaudited and is not necessarily indicative of what the actual financial position would have been at March 31, 1998, nor does it purport to represent the future financial position and the results of operations of the Company.

Corporate Office Properties Trust
Pro Forma Condensed Consolidating Balance Sheet

As of March 31, 1998
(Unaudited)

(Dollars in thousands, except per share data)

<TABLE>
<CAPTION>

	Company Historical (A)	Offering, Airport Square and Fairfield Properties (B)	Pro Forma Adjustments (C)	Pro Forma Consolidated
<S>	<C>	<C>	<C>	<C>
Assets				
Net investments in real estate	\$ 187,730	\$ 102,073	\$ 180,047 (D)	\$ 469,850
Cash and cash equivalents	2,346	386	--	2,732
Deferred costs, net	793	505	--	1,298
Investment in management company	--	--	2,500 (D)	2,500
Other assets	1,787	--	--	1,787
Total assets	\$ 192,656	\$ 102,964	\$ 182,547	\$ 478,167
Liabilities and shareholders' equity				
Liabilities				
Mortgage loans payable	\$ 114,301	\$ 30,215	\$ 86,133 (E)	\$ 230,649
Other liabilities	2,893	--	--	2,893
Total liabilities	117,194	30,215	86,133	233,542
Minority interests				
Preferred Units	52,500	--	--	52,500
Partnership Units	12,111	--	--	12,111
Total minority interests	64,611	--	--	64,611
Shareholders' equity				
Preferred shares of beneficial interest	--	--	10 (F)	10
Common shares of beneficial interest	23	75	69 (G)	167
Additional paid in capital	16,647	72,674	96,335 (H)	185,656
Accumulated deficit	(5,819)	--	--	(5,819)
Total shareholders' equity	10,851	72,749	96,414	180,014
Total liabilities and shareholders' equity	\$ 192,656	\$ 102,964	\$ 182,547	\$ 478,167

</TABLE>

See accompanying notes and management's assumptions to pro forma financial statements

Corporate Office Properties Trust
Pro Forma Condensed Consolidating Statement of Operations

For the Year Ended December 31, 1997
(Unaudited)

(Dollars in thousands, except per share data)

<TABLE>
<CAPTION>

	Company Historical (A)	Offering, Initial Office, Airport Square and Fairfield Properties (B)	Pro Forma Adjustments (C)	Pro Forma Consolidated
<S>	<C>	<C>	<C>	<C>
Revenues:				
Base rents	\$ 6,122	\$ 23,129	\$ 14,756 (D)	\$ 44,007
Tenant reimbursements	434	2,795	2,095 (D)	5,324
Other	62	20	213 (D)	295
Total revenues	6,618	25,944	17,064	49,626
Expenses:				
Property operating	728	8,029	5,986 (D)	14,743

General and administrative	533	299	526 (D)	1,358
Interest expense	2,855	8,194	6,177 (D)	17,226
Depreciation and amortization	1,331	5,059	3,517 (D)	9,907
Termination of Advisory Agreement	1,353	--	(1,353) (E)	--
Total expenses	6,800	21,581	14,853	43,234
Equity in income of management company	--	--	55 (D)	55
Income (loss) before minority interests	(182)	4,363	2,266	6,447
Minority interests				
Preferred Units	(720)	--	(2,692) (F)	(3,412)
Partnership Units	(65)	--	(131) (F)	(196)
Net income (loss)	(967)	4,363	(557)	2,839
Preferred share distributions	--	--	(1,334) (F)	(1,334)
Net income (loss) available to Common Shareholders	\$ (967)	\$ 4,363	\$ (1,891)	\$ 1,505
Net income (loss) per share: Basic and diluted	\$ (0.60)			\$ 0.09
Weighted average number of shares	1,600,807			16,699,083

</TABLE>

See accompanying notes and management's assumptions to pro forma financial statements

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Corporate Office Properties Trust
Pro Forma Condensed Consolidating Statement of Operations

For the Three Month Period Ended March 31, 1998
(Unaudited)

(Dollars in thousands, except per share data)

<TABLE>

<CAPTION>

	Historical Consolidated (A)	Offering, Airport Square and Fairfield Properties (B)	Pro Forma Adjustments (C)	Pro Forma Consolidated
<S>	<C>	<C>	<C>	<C>
Revenues:				
Base rents	\$ 4,919	\$ 3,496	\$ 3,694 (D)	\$ 12,109
Tenant reimbursements	553	142	426 (D)	1,121
Other	53	4	82 (D)	139
Total revenues	5,525	3,642	4,202	13,369
Expenses:				
Property operating	899	1,088	1,473 (D)	3,460
General and administrative	299	29	137 (D)	465
Interest expense	2,159	579	1,543 (D)	4,281
Depreciation and amortization	1,041	564	879 (D)	2,484
Reformation costs	637	--	(637) (E)	--
Total expenses	5,035	2,260	3,395	10,690
Equity in income of management company	--	--	(159) (D)	(159)
Income (loss) before minority interests	490	1,382	648	2,520
Minority interests				
Preferred Units	(853)	--	-- (F)	(853)
Partnership Units	(136)	--	(44) (F)	(180)
Net income (loss)	(499)	1,382	604	1,487
Preferred share distributions	--	--	(333) (F)	(333)
Net income (loss) available to Common Shareholders	\$ (499)	\$ 1,382	\$ 271	\$ 1,154
Net income (loss) per share: Basic and diluted	\$ (0.22)			\$ 0.07
Weighted average number of shares	2,268,333			16,699,083

</TABLE>

CORPORATE OFFICE PROPERTIES TRUST
NOTES AND MANAGEMENT'S ASSUMPTIONS TO
PRO FORMA CONDENSED CONSOLIDATING

FINANCIAL INFORMATION

(Dollars in thousands, except share and per share amounts)

1. Basis of Presentation:

Corporate Office Properties Trust (the "Company") is a self-administered Maryland real estate investment trust. As of March 31, 1998, the Company's portfolio included 17 commercial real estate properties leased for office and retail purposes.

These pro forma condensed consolidating financial statements should be read in conjunction with the historical financial statements and notes thereto of the Company, the Initial Office Properties, the Airport Square Properties, the Fairfield Properties, the Constellation Properties and the Constellation Service Companies, incorporated by reference or included elsewhere herein. In management's opinion, all adjustments necessary to reflect the effects of the Offering and the acquisitions of the Initial Office Properties, the Airport Square Properties, the Fairfield Properties, the Constellation Properties and the Constellation Service Companies by the Company have been made.

2. Adjustments to Pro Forma Condensed Consolidating Balance Sheet:

(A) Reflects the historical consolidated balance sheet of the Company as of March 31, 1998.

(B) Reflects the effects of the Offering and the acquisitions of the Airport Square Properties and the Fairfield Properties.

<TABLE>
<CAPTION>

	Offering (i)	Airport Square Properties (ii)	Fairfield Properties (iii)	Combined
<S>	<C>	<C>	<C>	<C>
Assets				
Net investments in real estate	\$ --	\$ 72,668	\$ 29,405	\$102,073
Cash and cash equivalents	72,749	(72,668)	305	386
Deferred costs, net	--	--	505	505
Total assets	\$ 72,749	\$ --	\$ 30,215	\$102,964
Liabilities and shareholders' equity				
Liabilities				
Mortgage loans payable	\$ --	\$ --	\$ 30,215	\$ 30,215
Total liabilities	--	--	30,215	30,215
Shareholders' equity				
Common shares of beneficial interest	75	--	--	75
Additional paid in capital	72,674	--	--	72,674
Total shareholders' equity	72,749	--	--	72,749
Total liabilities and shareholders' equity	\$ 72,749	\$ --	\$ 30,215	\$102,964

</TABLE>

(i) Reflects the proceeds of the Offering of \$78,750 based upon an offering of 7,500,000 Common Shares at an offering price of \$10.50 per share, net of underwriting discounts and offering expenses of approximately \$6,001.

(ii) Reflects the Company's acquisition of the Airport Square Properties based upon the purchase price of \$71,479 plus closing costs of \$1,189 paid in cash.

(iii) Reflects the Company's acquisition of the Fairfield Properties based upon the purchase price of \$28,800 plus closing costs of \$605 paid through the Company's assumption of debt of \$6,465 and initial funding proceeds of \$23,750 from the Revolving Credit Facility, net of loan fees totaling \$505 in connection with the Revolving Credit Facility and the debt assumed.

(C) The accompanying pro forma condensed consolidating financial information does not include the effects of the acquisition of the Development Properties (estimated purchase price of \$25,594), as the Company's obligation to complete such acquisitions is contingent on the occurrence of certain events.

(D) Reflects the contribution of the Constellation Properties and Constellation Service Companies in exchange for: (i) issuance of 969,900 Preferred Shares at a value equal to a liquidation preference of \$25.00 per share (\$24,248); (ii) issuance of 6,928,000 Common Shares at a value of \$10.50 per share (\$72,744); (iii) assumption of debt aggregating \$12,990; and (iv) utilization of loan proceeds from the Revolving Credit Facility of \$72,565, including payment of \$3,527 of costs associated with the acquisition. The total contribution is recorded as follows:

<TABLE>

<S>		<C>
	o Net investments in real estate	\$ 180,047
	o Investment in management company	2,500

	Total investments from Transaction	\$ 182,547

</TABLE>

The Company will be acquiring from Constellation an interest in the Constellation Service Companies for \$2,500 which the Company will contribute to a newly formed company in exchange for indebtedness and stock. As this investment will be accounted for under the equity method of accounting, the pro forma adjustments reflect the income (loss) from this investment as equity in income of management company.

(E) Reflects the net increase in mortgage loans payable as follows:

<TABLE>

<S>		<C>
	o Net proceeds from the Revolving Credit Facility in connection with the Transaction	\$ 73,143
	o Assumption of mortgages in connection with the Transaction	12,990

	Net increase in mortgage loans payable	\$ 86,133

</TABLE>

(F) Reflects the issuance of 969,900 Preferred Shares,

<TABLE>

<S>		<C>
	\$0.01 par value	\$ 10

</TABLE>

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(G) Reflects the issuance of 6,928,000 Common Shares,

<TABLE>

<S>		<C>
	\$0.01 par value	\$ 69

</TABLE>

(H) Reflects increase in additional paid in capital as follows:

<TABLE>

<S>		<C>
	o Issuance of 969,900 Preferred Shares, excess of \$25.00 over par	\$ 24,238
	o Issuance of 6,928,000 Common Shares, excess of \$10.50 over par	72,675
	o Less: costs in connection with the Transaction	(578)

Net increase in additional paid in capital \$ 96,335

</TABLE>

3. Adjustments to Pro Forma Condensed Consolidating Statements of Operations:

(A) Reflects the historical consolidated operations of the Company.

(B) Reflects the effects of the combined adjusted historical operations of the Initial Office Properties, the Airport Square Properties and the Fairfield Properties which were acquired on October 14, 1997, April 30, 1998 and May 28, 1998, respectively.

For the Year Ended December 31, 1997

<TABLE>

<CAPTION>

	Initial Office Properties through 10/13/97	Airport Square Properties through 12/31/97	Fairfield Properties through 12/31/97	Pro Forma Adjustments	Combined
	<C>	<C>	<C>	<C>	<C>
--					
<S>					
Revenues					
Base rents	\$12,216	\$ 8,524	\$ 2,389	\$ --	\$23,129
Tenant reimbursements	1,282	275	1,238	--	2,795
Other	--	20	--	--	20
	-----	-----	-----	-----	-----
-					
Total revenues	13,498	8,819	3,627	--	25,944
	-----	-----	-----	-----	-----
-					
Expenses					
Property operating	2,731	3,367	1,931	--	8,029
General and administrative	174	41	84	--	299
Interest expense	7,388	--	--	806 (i)	8,194
Depreciation and amortization	2,580	--	--	2,479 (ii)	5,059
	-----	-----	-----	-----	-----
-					
Total expenses	12,873	3,408	2,015	3,285	21,581
	-----	-----	-----	-----	-----
-					
Income (loss) before minority interests	\$ 625	\$ 5,411	\$ 1,612	\$ (3,285)	\$ 4,363
	-----	-----	-----	-----	-----
-					
	-----	-----	-----	-----	-----

</TABLE>

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For the Three-Month Period Ended March 31, 1998

<TABLE>

<CAPTION>

	Initial Office Properties Historical	Airport Square Properties Historical through 3/31/98	Fairfield Properties Historical through 3/31/98	Pro Forma Adjustments	Combined
	<C>	<C>	<C>	<C>	<C>
--					
<S>					
Revenues					
Base rents	\$ --	\$ 2,528	\$ 968	\$ --	\$
3,496					
Tenant reimbursements	--	64	78	--	
142					
Other	--	4	--	--	
4					
	-----	-----	-----	-----	-----
--					
Total revenues	--	2,596	1,046	--	
3,642					
	-----	-----	-----	-----	-----
-					
Expenses					
Property operating	--	805	283	--	
1,088					
General and administrative	--	6	23	--	
29					

Interest expense	--	--	--	579(i)	
579 Depreciation and amortization	--	--	--	564(ii)	564
--	-----	-----	-----	-----	-----
Total expenses	--	811	306	1,143	
2,260	-----	-----	-----	-----	-----
--					
Income (loss) before minority interests	\$ --	\$ 1,785	\$ 740	\$ (1,143)	\$ 1,382
--	-----	-----	-----	-----	-----
--	-----	-----	-----	-----	-----

(i) Reflects the net increase in interest expense resulting from:

<TABLE>
<CAPTION>

	For the Year Ended December 31, 1997	For the Three Month Period Ended March 31, 1998
	-----	-----
<S>	<C>	<C>
o The Term Credit Facility, for the period January 1, 1997 through October 13, 1997, the date on which the loan originated, which debt bears interest at 7.5% per annum, net of historical interest expense of the Initial Office Properties	\$ (1,511)	\$ --
o The debt assumed in connection with the acquisition of the Fairfield Properties which debt bears interest at 8.29% per annum	536	134
o The borrowing on the Revolving Credit Facility of \$23,750 in connection with the acquisition of the Fairfield Properties (which debt bears interest at LIBOR plus 175 basis points) assuming a LIBOR rate of 5.75%	1,781	445
	-----	-----
	\$ 806	\$ 579
	-----	-----

</TABLE>

(ii) Reflects the net increase in depreciation and amortization expense resulting from:

<TABLE>
<CAPTION>

	For the Year Ended December 31, 1997	For the Three Month Period Ended March 31, 1998
	-----	-----
<S>	<C>	<C>
o Depreciation of buildings acquired over a 40-year useful life	\$ 2,588	\$ 511

</TABLE>

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<TABLE>
<CAPTION>

	For the Year Ended December 31, 1997	For the Three Month Period Ended March 31, 1998
	-----	-----
<S>	<C>	<C>
o Reduction in amortization of deferred financing fees related to loans held by previous owners of the Initial Office Properties (\$515), net of amortization of deferred financing debt related to Term Credit Facility held by the Company on Initial Office Properties (\$192)	(323)	-

o Amortization of deferred financing fees related to debt assumed in connection

o Amortization of deferred financing fees related to the Revolving Credit Facility	204	51
	-----	-----
	\$ 2,479	\$ 564
	-----	-----

</TABLE>

(C) Consistent with the pro forma condensed consolidating balance sheet, the pro forma statements of operations do not reflect the operations of the Development Properties.

(D) Reflects the effects of the combined adjusted historical operations of the Constellation Properties and Constellation Service Companies.

For the Year ended December 31, 1997

<TABLE>
<CAPTION>

	Constellation Properties Historical	Constellation Service Companies Historical	Pro Forma Constellation Adjustments	Combined
<S>	<C>	<C>	<C>	<C>
Revenues				
Base rents	\$ 14,756	\$ --	\$ --	\$ 14,756
Tenant reimbursements	2,095	--	--	2,095
Other	213	11,226	(11,226) (i)	213
	-----	-----	-----	-----
Total revenues	17,064	11,226	(11,226)	17,064
	-----	-----	-----	-----
Expenses				
Property operating	5,986	--	--	5,986
General and administrative	526	10,242	(10,242) (ii)	526
Interest expense	--	18	6,159 (iii)	6,177
Depreciation and amortization	--	225	3,292 (iv)	3,517
	-----	-----	-----	-----
Total expenses	6,512	10,485	(791)	16,206
	-----	-----	-----	-----
Equity in income of management company	--	--	55 (v)	55
	-----	-----	-----	-----
Income before income taxes and minority interests	\$ 10,552	\$ 741	\$ (10,380)	\$ 913
	-----	-----	-----	-----

</TABLE>

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For the Three-Month Period Ended March 31, 1998

<TABLE>
<CAPTION>

	Constellation Properties Historical	Constellation Service Companies Historical	Pro Forma Constellation Adjustments	Combined
<S>	<C>	<C>	<C>	<C>
Revenues				
Base rents	\$ 3,694	\$ --	\$ --	\$ 3,694
Tenant reimbursements	426	--	--	426
Other	82	3,717	(3,717) (i)	82
	-----	-----	-----	-----
Total revenues	4,202	3,717	(3,717)	4,202
	-----	-----	-----	-----
Expenses				
Property operating	1,473	--	--	1,473
General and administrative	137	3,685	(3,685) (ii)	137
Interest expense	--	3	1,540 (iii)	1,543
Depreciation and amortization	--	67	812 (iv)	879
	-----	-----	-----	-----
Total expenses	1,610	3,755	(1,333)	4,032
	-----	-----	-----	-----
Equity in income of management company	--	--	(159) (v)	(159)
	-----	-----	-----	-----
Income (loss) before income taxes and minority interests	\$ 2,592	\$ (38)	\$ (2,543)	\$ 11
	-----	-----	-----	-----

</TABLE>

<TABLE>
<CAPTION>

	For the Year Ended December 31, 1997	For the Three Month Period Ended March 31, 1998
<S>	<C>	<C>
(i)	Reflects the reclassification of Constellation Service Companies' historical revenue to equity in income of management company.	
	\$ (11,226)	\$ (3,717)
	-----	-----
(ii)	Reflects the reclassification of Constellation Service Companies' historical operating expenses to equity in income of management company.	
	\$ (10,242)	\$ (3,685)
	-----	-----
(iii)	Reflects the net changes in interest expense as follows:	
	o The borrowing on the Revolving Credit Facility of \$73,143 in connection with the Transaction (which debt bears interest at LIBOR plus 175 basis points) assuming a LIBOR rate of 5.75%, net of interest on \$4,217 in debt associated with properties under construction	
	\$ 5,168	\$ 1,291
	o The fee of 25 basis points per annum on the unused portion of the Revolving Credit Facility of \$3,107	
	8	2
	o The debt of \$9,581 assumed in connection with the acquisition of the Constellation Properties which debt bears interest at a fixed rate of 7.5% per annum	
	720	180
	o The debt of \$3,409 assumed in connection with the acquisition of the Constellation Properties which debt bears interest at a fixed rate of 8.25% per annum	
	281	70
	o Reclassification of Constellation Service Companies' historical interest expense to equity in income of management company	
	(18)	(3)
	-----	-----
	\$6,159	\$1,540
	-----	-----

</TABLE>

F-12

<TABLE>
<CAPTION>

	For the Year Ended December 31, 1997	For the Three Month Period Ended March 31, 1998
<S>	<C>	<C>
(iv)	Reflects the net change in depreciation and amortization expense as follows:	
	o Depreciation of buildings acquired from Constellation over a 40-year useful life	
	\$ 3,517	\$ 879
	o Reclassification of Constellation Service Companies' historical depreciation and amortization to equity in income of management company	
	(225)	(67)
	-----	-----
	\$ 3,292	\$ 812
	-----	-----
(v)	Reflects the net change in equity in income of management company as follows:	
	o Reclassification of Constellation Service Companies' historical income and expenses	
	\$ 741	(\$ 38)
	o Elimination of construction contract revenue earned by Constellation Service Companies in connection with operations that are not expected to have a continuing impact on the Company	
	(4,122)	(1,889)
	o Elimination of construction contract costs incurred by Constellation Service Companies in connection with operations that are not expected to have a continuing impact on the Company	
	3,768	1,852

o Addition of net overhead costs not included in historical costs and expected to have a continuing impact on the Company	(122)	(177)
o Depreciation expense on personal property of \$405 over a 5-year useful life	(81)	(20)
o Adjustment to Constellation Service Companies' historical depreciation and amortization	122	42
o To reflect income tax (expense) benefit at an assumed rate of 40%	(42)	111
o To reflect minority interest in management company	(124)	(19)
o To reflect adjustment for purchase price of management company to pro forma net income over 20 years	(85)	(21)
	-----	-----
	\$ 55	\$ (159)
	-----	-----

</TABLE>

- (E) Costs relating to termination of the advisory agreement and the reformation of the Company aggregating \$1,353 and \$637 for the year ended December 31, 1997 and the three-month period ended March 31, 1998, respectively, have been excluded since such costs are not expected to have a continuing impact on the Company.
- (F) Reflects the effects of contribution of the net assets received from the Offering and the Transaction to the Operating Partnership in exchange for 7,500,000 Partnership Units as a result of the Offering and for 969,900 Preferred Units and 6,928,000 Partnership Units as a result of the Transaction.

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The following table presents the calculation of the post closing percentage ownership of Partnership Units in the Operating Partnership (i.e. not including Preferred Units):

	Company	Others	Total
	-----	-----	-----
<S>	<C>	<C>	<C>
Partnership Units - pre closing	600,000	2,581,818	3,181,818
Offering	7,500,000	-	7,500,000
Transaction	6,928,000	-	6,928,000
	-----	-----	-----
Partnership Units - post closing	15,028,000	2,581,818	17,609,818
	-----	-----	-----
Percentage ownership	85.3%	14.7%	100.0%
	-----	-----	-----

</TABLE>

Minority interest in income (loss) has been reflected, on a pro forma basis, in accordance with the Operating Partnership Agreement. The holders of Preferred Units are allocated income up to 6.5% or 5.5% of their investment on a pari passu basis with remaining income, if any, or loss allocated between the Company (85.3%) and the remaining partners (14.7%). The adjustments to record the income (loss) effect of the minority interest share of income (loss) in the pro forma statements of operations were computed as follows:

	For the Year Ended December 31, 1997	For the Three Month Period Ended March 31, 1998
	-----	-----
<S>	<C>	<C>
Income before minority interests	\$ 6,447	\$ 2,520
Less: income from the retail properties directly owned by the Company	(368)	(104)
	-----	-----
Income before minority interest		
- Operating Partnership	6,079	2,416
Preferred Unitholders		
- \$52,500 @ 6.5%	3,412	853

Preferred Unitholders/Shareholders - \$24,248 @ 5.5%	1,334	333
	-----	-----
Remaining Operating Partnership allocation	1,333	1,230
	-----	-----
Pro forma minority share - Partnership Units (14.7%)	196	180
	-----	-----
Remaining Operating Partnership allocation (85.3%)	1,137	1,050
Add back: income from retail properties directly owned by the Company	368	104
	-----	-----
Net income allocated to Common Shareholders	\$ 1,505	\$ 1,154
	-----	-----

</TABLE>

F-14

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors of
Constellation Real Estate Group, Inc.

We have audited the accompanying combined historical statement of revenues and certain expenses of the Constellation Properties as described in Note 1 for the year ended December 31, 1997. This financial statement is the responsibility of the Constellation Properties' management. Our responsibility is to express an opinion on this financial statement based on 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 financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying combined historical statement of revenues and certain expenses as discussed in Note 1 was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission for inclusion in the proxy of Corporate Office Properties Trust and is not intended to be a complete presentation of the Constellation Properties' revenue and expenses.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues and certain expenses of the Constellation Properties for the year ended December 31, 1997 in conformity with generally accepted accounting principles.

/s/ COOPERS & LYBRAND L.L.P.

Baltimore, Maryland
May 8, 1998

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CONSTELLATION PROPERTIES

COMBINED HISTORICAL STATEMENT OF REVENUE AND CERTAIN EXPENSES
(in thousands)

<TABLE>
<CAPTION>

	For the Three Months Ended March 31, 1998	For the Year Ended December 31, 1997
	----- Unaudited -----	----- ----- -----
<S>	<C>	<C>
REVENUES		
Base Rents	\$ 3,694	\$14,756
Recoveries from Tenants	426	2,095
Other Income	82	213
	-----	-----
	4,202	17,064
	-----	-----

CERTAIN EXPENSES

Operating	1,229	5,071
Real Estate Taxes	244	915
General and Administrative	137	526
	---	---
	1,610	6,512
	-----	-----
REVENUE IN EXCESS OF CERTAIN EXPENSES	\$ 2,592	\$10,552
	-----	-----
	-----	-----

</TABLE>

The accompanying notes are an integral part of this statement.

F-16

Constellation Properties

Notes to Combined Historical Statement of Revenue and Certain Expenses
(dollars in thousands)

1. Organization and Basis of Presentation

Organization

The combined historical statement of revenue and certain expenses combines the results of operations of the following 12 properties (the "Properties") to be acquired from Constellation Properties, Inc. (CPI) by Corporate Office Properties Trust (COPT).

Browns Wharf L.P.

1600 Block of Thames Street, Baltimore, MD

Cranberry-140 L.P.

405 North Center Street, Westminster, MD

Laurel Tower Associates L.P.

14502 Greenview Drive, Laurel, MD
14504 Greenview Drive, Laurel, MD

NBP-I L.P.

2730 Hercules Road, Annapolis Junction, MD

NBP II L.P.

131 National Business Parkway, Annapolis Junction, MD
133 National Business Parkway, Annapolis Junction, MD
141 National Business Parkway, Annapolis Junction, MD

St. Barnabus L.P.

6009 and 6011 Oxon Hill Road, Oxon Hill, MD

Three Centre Park Associates L.P.

8815 Centre Park Drive, Columbia, MD

Constellation Properties, Inc.

7609 Energy Parkway, Baltimore, MD

Project T/A Tred Avon Square

210 Marlboro Avenue, Easton, MD

The Properties consist of 9 office properties, 2 retail properties and 1 flex office/warehouse property.

Tred Avon Square (TA) is a shopping center which has a participating mortgage payable to Tred Lightly, LLC (TL), an entity in which CPI has a controlling interest which is being acquired by COPT. Under the terms of the mortgage with TA, TL has virtually the same risks and rewards as those of an owner. Accordingly, TL is presented as if TL owns TA.

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Constellation Properties

Notes to Combined Historical Statement of Revenue and Certain Expenses
(dollars in thousands)

Basis of Presentation

The statement has been prepared on the accrual basis of accounting.

The statement is not representative of the actual operations for the periods presented, as certain expenses, which are not comparable to the expenses to be incurred in the future operations of the Properties, have been excluded. Expenses excluded include interest, depreciation, amortization of intangible costs, income taxes, and other costs not directly related to the future operations of the Properties. Management is not aware of any material factors relating to these properties which would cause the reported financial information not to be necessarily indicative of future operating results.

The combined historical statement of revenues and certain expenses and related notes for the three months ended March 31, 1998 are unaudited and reflect, in the opinion of management, all adjustments necessary for a fair presentation of the interim statement.

2. Summary of Significant Accounting Policies

Use of Estimates in the Preparation of Financial Statements

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

Revenue Recognition

The Properties recognize rental revenue from tenants on a straight-line basis under which contractual rent changes are recognized evenly over the lease term. Tenant recovery income includes payments from tenants for taxes, insurance and other property operating expenses and is recognized as revenues in the same period as the related expenses are incurred by the Properties.

Geographic Diversity

The Properties are geographically concentrated in the Baltimore/Washington metropolitan area.

Major Tenants

The United States Government is the sole tenant of an office property. Rental income from this lease represents approximately 23% and 24% of base rent and 46% and 55% of recoveries from tenants in the three months ended March 31, 1998 and the year ended December 31, 1997, respectively.

Minority Interest

CPI owns a 75% member interest in Tred Lightly, LLC (TL). Under the terms of TL's operating agreement, the interest owned by CPI is entitled to full allocation of TL's income up until that point in time when CPI recovers its investment in TL plus a 10% compounding preferred return. Since CPI had not recovered its investment and preferred return at March 31, 1998 and December 31, 1997, no income was allocated to minority interest.

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Constellation Properties

Notes to Combined Historical Statement of Revenue and Certain Expenses (dollars in thousands)

3. Leasing Activity

The Properties are leased to tenants under operating leases with expiration dates ranging from 1998 to 2015. Future contractual minimum rentals under noncancelable tenant leases in effect at December 31, 1997 are as follows:

<S>	<C>	<C>
1998		\$ 14,618
1999		13,970
2000		13,125
2001		11,584
2002		9,870
Thereafter		29,166

Total		\$ 92,333

The United States Government is the sole tenant of an office property. The tenant's lease is structured as a 1 year lease commencing in 1993, with 14 consecutive automatic 1 year renewals. The lease also carries a penalty should the tenant not renew for all 14 years. Base rent from this lease is included in future minimum rentals disclosed above.

4. Related Party Revenue and Expenses

The Properties are owned by CPI, which is a wholly owned subsidiary of

Constellation Real Estate Group, Inc. (CREG). CREG is a wholly owned subsidiary of Constellation Holdings, Inc., which is wholly owned by Baltimore Gas and Electric Company (BGE). Constellation Real Estate, Inc., Constellation Realty Management, LLC, Constellation Health Services, Inc., and Constellation Senior Services, Inc. are other affiliates of CREG. The Properties had transactions with these related parties as follows:

Rental Income

The Properties earned base rent and tenant recoveries on leases to the following related parties:

<TABLE>
<CAPTION>

	Three Months Ended March 31, 1998	Year Ended December 31, 1997
	-----	-----
<S>	<C>	<C>
Constellation Real Estate, Inc.	\$ 85	\$315
Baltimore Gas and Electric Co.	9	242
Constellation Senior Services, Inc.	34	59
Constellation Health Services, Inc.	--	6
	-	-
Total	\$128	\$622
	----	----
	----	----

</TABLE>

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Constellation Properties

Notes to Combined Historical Statement of Revenue and Certain Expenses
(dollars in thousands)

Property Management

The Properties incurred property management fees under contracts with Constellation Realty Management, LLC (CRM) totaling \$126 and \$518 in the three months ended March 31, 1998 and the year ended December 31, 1997, respectively.

General and Administrative

Constellation Real Estate, Inc. charged the Properties for finance, legal and corporate overhead costs totaling \$137 and \$526 in the three months ended March 31, 1998 and the year ended December 31, 1997, respectively.

Operating Expenses

The Properties incurred costs with BGE during the three months ended March 31, 1998 and the year ended December 31, 1997 totaling \$181 and \$638, respectively. These costs were primarily for utility services provided to the Properties.

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors of
Constellation Real Estate Group, Inc.

We have audited the accompanying consolidated balance sheets of Constellation Service Companies (as described in Note 1 to the accompanying financial statements) as of December 31, 1997 and 1996, and the related consolidated statements of operations, cash flows and equity for each of the three years in the period ended December 31, 1997. These financial statements are the responsibility of the Constellation Service Companies' management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Constellation Service Companies as of December 31, 1997 and 1996, and the consolidated results of their operations and their cash flows for each of the

three years in the period ended December 31, 1997 in conformity with generally accepted accounting principles.

/s/ COOPERS & LYBRAND L.L.P.

Baltimore, Maryland
May 8, 1998

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CONSTELLATION SERVICE COMPANIES
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

<TABLE>
<CAPTION>

	March 31, 1998	December 31, 1997	December 31, 1996
	(Unaudited) <C>	<C>	<C>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 5,944	\$ 4,732	\$ 5,191
Accounts receivable	1,186	1,158	3,622
Costs and estimated profit in excess of billings on uncompleted contracts	265	449	215
Deferred tax asset	45	86	17
Other	95	126	176
Total current assets	7,535	6,551	9,221
Property and equipment			
Furniture, fixtures and equipment	1,935	1,878	1,514
Leasehold improvements	81	81	--
Accumulated depreciation	(1,310)	(1,257)	(1,089)
Total property and equipment	706	702	425
Goodwill, net of accumulated amortization	777	791	848
Deferred tax asset	77	66	38
Restricted cash	1,000	--	--
Total assets	\$ 10,095	\$ 8,110	\$ 10,532

LIABILITIES AND EQUITY

Current liabilities			
Current portion of note payable	\$ 40	\$ 40	\$ 40
Accounts payable and accrued expenses	502	241	2,508
Billings in excess of costs and estimated profit on uncompleted contracts	192	140	238
Accrued vacation costs	328	296	193
Due to affiliates	6,051	4,423	4,925
Other	16	17	22
Total current liabilities	7,129	5,157	7,926
Note payable, net of current portion	80	80	120
Other	35	7	9
Total liabilities	7,244	5,244	8,055
Minority interest	162	136	115
Commitments and contingencies			
Equity			
Divisional equity	2,689	2,730	2,362
Total liabilities and equity	\$ 10,095	\$ 8,110	\$ 10,532

</TABLE>

See accompanying notes to financial statements.

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CONSTELLATION SERVICE COMPANIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands)

<TABLE>
<CAPTION>

	For the Three Months Ended		For the Year Ended December 31,		
	March 31, 1998	1997	1997	1996	1995
	(Unaudited) <C>	(Unaudited) <C>	<C>	<C>	<C>

<S>					
Revenues					
Construction, development, marketing, asset management and finance fees - related parties	\$735	\$ 598	\$ 2,880	\$ 2,531	\$ 1,517
Construction, development, marketing, asset management and finance fees - other	33	--	273	58	2
Property management fees - related parties	442	571	1,845	1,789	1,728
Property management fees - other	592	444	1,952	1,348	93
Construction contract revenues - related parties	1,848	139	426	943	294
Construction contract revenues - other	41	1,534	3,696	8,617	3,335

6,969	3,691	3,286	11,072	15,286	

Operating expenses					
Construction contract costs	1,852	1,516	3,768	9,159	3,545
Salaries and related expenses	1,243	979	4,412	3,750	2,242
Overhead costs - related party	271	225	901	870	615
Other	386	320	1,386	907	
684					

8	3,752	3,040	10,467	14,686	7,086

Income from operations (117)	(61)	246	605	600	
Interest income	18	21	101	84	
66					
Other income	8	7	53	42	
61					
Interest expense (2)	(3)	(3)	(18)	(22)	
(2)					

Income before income taxes	(38)	271	741	704	
8					
Income tax expense (benefit)	(23)	91	256	251	14

Income before minority interest (6)	(15)	180	485	453	
(6)					
Minority interest	26	47	117	96	--

Net income (loss)	(\$41)	\$ 133	\$ 368	\$ 357	(\$ 6)

</TABLE>					

See accompanying notes to financial statements.

CONSTELLATION SERVICE COMPANIES
CONSOLIDATED STATEMENTS OF EQUITY
(Dollars in thousands)

<TABLE>
<CAPTION>

	Contributed Equity	Accumulated Earnings	Total
	-----	-----	-----
<S>	<C>	<C>	<C>
Balance, January 1, 1995	\$ 1,590	\$ 421	\$ 2,011
Net Loss	--	(6)	(6)
Balance, December 31, 1995	1,590	415	2,005
Net Income	--	357	357
Balance, December 31, 1996	1,590	772	2,362
Net Income	--	368	368
Balance, December 31, 1997	1,590	1,140	2,730
Net Loss	--	(41)	(41)
Balance, March 31, 1998 (Unaudited)	\$ 1,590	\$ 1,099	\$ 2,689

</TABLE>

See accompanying notes to financial statements.

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CONSTELLATION SERVICE COMPANIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

<TABLE>
<CAPTION>

	For the Three Months Ended, March 31,		For the Years Ended December 31,		
	1998	1997	1997	1996	1995
	-----	-----	-----	-----	-----
<S>	(Unaudited)	(Unaudited)	<C>	<C>	<C>
	<C>	<C>			
Cash flows from operating activities:					
Net income (loss)	(\$41)	\$ 133	\$ 368	\$ 357	(\$6)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	67	55	225	164	98
Minority interest expense	26	47	117	96	--
Provision for deferred income taxes	30	11	(97)	(62)	18
Changes in operating assets and liabilities:					
Accounts receivable	(28)	(518)	2,464	(1,982)	(1,056)
Accounts payable and accrued expenses	293	(1,915)	(2,164)	2,182	99
Due to affiliates	1,628	2,604	(502)	6,409	(36)
Uncompleted contract asset	184	(84)	(234)	697	(849)
Uncompleted contract liability	52	220	(98)	(1,426)	1,664
Other current assets and liabilities	30	97	45	(145)	(23)
Net cash provided by (used in) operating activities	2,241	650	124	6,290	(91)
Cash flows from investing activities:					
Increase in restricted cash	(1,000)	--	--	--	--
Purchases of property and equipment	(57)	(107)	(453)	(317)	(59)
Acquisition of business, net of cash acquired	--	--	--	(414)	--
Other	--	--	8	--	--
Net cash used in investing activities	(1,057)	(107)	(445)	(731)	(59)
Cash flows from financing activities:					
Proceeds from note payable	--	--	--	200	--
Note repayments	--	--	(40)	(40)	--
Minority interest (distribution) contribution	--	--	(96)	19	--
Other	28	(1)	(2)	7	19
Net cash provided by (used in) financing activities	28	(1)	(138)	186	19
Net increase (decrease) in cash and cash equivalents	1,212	542	(459)	5,745	(131)
Cash and cash equivalents, beginning of period	4,732	5,191	5,191	(554)	(423)

Cash and cash equivalents, end of period	\$ 5,944	\$ 5,733	\$ 4,732	\$ 5,191	(\$ 554)
	-----	-----	-----	-----	-----
	-----	-----	-----	-----	-----
Supplemental data:					
Cash paid during the period for:					
Interest	\$ 3	\$ 3	\$ 18	\$ 22	\$ 2
Income Taxes	\$ 16	--	\$ 88	\$ 1	\$ 25

</TABLE>

See accompanying notes to financial statements.

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Constellation Service Companies

Notes to Consolidated Financial Statements
(Dollars in thousands)

1. Organization and Basis of Presentation

Constellation Service Companies (not a legal entity) (the "Company") is a real estate company engaged in property and asset management and building construction and development services. The Company represents a carve-out of the aforementioned operations of the legal entity, Constellation Real Estate, Inc. (CRE), and its 75% owned subsidiary, Constellation Realty Management, LLC. (CRM).

CRE is a real estate company engaged in property and asset management, building construction and development and land development. CRE is a wholly owned subsidiary of Constellation Real Estate Group, Inc. ("CREG"), which is a wholly owned subsidiary of Constellation Holdings, Inc. (CHI), which is wholly owned by Baltimore Gas and Electric Company (BGE). In April 1996, CRE purchased a 75% member interest in CRM, an entity engaged in real estate property management. In May 1998, Corporate Office Properties Trust (COPT) entered into a contract to acquire the assets and employees of CRE associated with property and asset management and building construction and development services, as well as CRE's 75% member interest in CRM.

A significant amount of the Company's activity represents services provided to entities owned by CREG. The majority of these services are concentrated in the Baltimore/Washington metropolitan area.

Unaudited Financial Statements

The consolidated financial statements including the note disclosures included herein as of March 31, 1998 and 1997 and for the three months ended March 31, 1998 and 1997 are unaudited; however, in the opinion of management, all adjustments necessary for a fair presentation of the consolidated financial statements for this interim period have been included. The results of the interim period are not necessarily indicative of the results to be obtained for the full fiscal year.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of CRM and the CRE lines of business being acquired by COPT. All material intercompany accounts and transactions have been eliminated.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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Constellation Service Companies

Notes to Consolidated Financial Statements
(Dollars in thousands)

Revenue Recognition

Construction, development, marketing and financing fees predominantly represent fees charged to real estate projects owned by CREG. Most of these fees are recognized as revenue as labor time is incurred. Certain of these fees, however, are recognized upon the occurrence of an event at a real estate project, such as the signing of a tenant lease or the closing of a loan. Property management

fees, property management recovery items and asset management fees are recognized as earned.

The Company recognizes construction, development, marketing and financing fees charged to real estate projects owned by CREG at cost.

The Company recognizes construction contract revenues from third parties using the percentage-of-completion method based on contract costs incurred to date compared with total estimated contract costs. Because of inherent uncertainties in estimating costs, it is at least reasonably possible that estimates used will change within the near term. Changes to total estimated contract costs and losses, if any, are recognized in the period they become known. Amounts billed in advance of satisfying revenue recognition criteria are recorded in current liabilities as billings in excess of costs and estimated profit on uncompleted contracts. Costs and estimated profit in excess of amounts billed are recorded in current assets as costs and estimated profit in excess of billings on uncompleted contracts.

Income Taxes

Deferred income taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and credit carryforwards, and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets are reduced by a valuation allowance when it is probable that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Cash and Cash Equivalents

Cash and cash equivalents include all cash and liquid investments with an initial maturity of three months or less. The carrying amount approximates fair value due to the short maturity of these investments. The Company maintains its cash in bank deposit accounts which may exceed federally insured limits at times. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

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Constellation Service Companies

Notes to Consolidated Financial Statements (Dollars in thousands)

Property

Property is stated at original cost less accumulated depreciation. Furniture, fixtures and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, which is generally 3 to 5 years. Leasehold improvements are depreciated over the shorter of the lives of the respective leases or the useful lives of the assets. Depreciation expense totaled \$53, \$40, \$168, \$120 and \$83 for the three months ended March 31, 1998 and 1997 and the years ended December 31, 1997, 1996 and 1995, respectively.

Goodwill

Goodwill consists of \$590 relating to the 1988 acquisition of certain assets and employees and \$414 relating to the 1996 acquisition of CRM. The 1988 goodwill is being amortized over 40 years and the 1996 goodwill is being amortized over 10 years. Goodwill is reflected net of accumulated amortization, which totaled \$227, \$213 and \$156 at March 31, 1998 and December 31, 1997 and 1996, respectively.

Minority Interest

Minority interest represents the minority partner's proportionate share of the equity in CRM. Income is allocated to minority interest based on the minority partner's percentage ownership.

3. Note Payable

The Company obtained a \$200 unsecured note payable to KLNB, Inc. on April 16, 1996. The note matures on December 31, 2000 and bears interest at 8%. The outstanding balance of the note totaled \$120, \$120 and \$160 at March 31, 1998 and December 31, 1997 and 1996, respectively.

Interest expense incurred on the note totaled \$2, \$3, \$13 and \$11 during the three months ended March 31, 1998 and 1997 and the years ended December 31, 1997 and 1996, respectively. Debt maturities of the note outstanding at December 31, 1997 are as follows:

<TABLE>
<CAPTION>

<S>	<C>	<C>
1998		\$ 40
1999		40
2000		40

\$120

</TABLE>

4. Leases

The Company had several operating leases in place during the reporting periods, most of which are for office space. Rent expense totaled \$79, \$69, \$451, \$308 and \$219 during the three months ended March 31, 1998 and 1997 and the years ended December 31, 1997, 1996 and 1995, respectively.

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Constellation Service Companies

Notes to Consolidated Financial Statements
(Dollars in thousands)

Future minimum lease payments for non-cancelable operating leases at December 31, 1997 are as follows:

<TABLE>

<CAPTION>

<S>

	<C>
1998	\$ 429
1999	382
2000	372
2001	267

Total	\$1,450

</TABLE>

5. Related Party Transactions

The Company provided construction, development, marketing, asset management and finance services to entities owned by CREG. Fees earned from these services totaled \$714, \$598, \$2,686, \$2,531 and \$1,517 during the three months ended March 31, 1998 and 1997 and the years ended December 31, 1997, 1996 and 1995, respectively. The Company also earned marketing fees from a CREG affiliate totaling \$21 and \$194 during the three months ended March 31, 1998 and the year ended December 31, 1997, respectively.

The Company provided property management services to entities owned by CREG. Fees earned from these services were computed predominantly based on a fixed percentage of property income collections ranging from 3.5% to 5% and totaled \$315, \$284, \$1,272, \$1,197 and \$1,157 during the three months ended March 31, 1998 and 1997 and the years ended December 31, 1997, 1996 and 1995, respectively. The Company also earned property management fees from BGE totaling \$127, \$287, \$573, \$592 and \$571 during the three months ended March 31, 1998 and 1997 and the years ended December 31, 1997, 1996 and 1995, respectively. Fees were computed on the BGE management contracts based on a rate per square foot, subject to increases and decreases for the Company's performance in managing operating cost levels for individual projects.

The Company performed work under construction contracts with BGE, CHI and certain entities owned by CREG. Construction contract revenue recognized on contracts with BGE totaled \$132, \$200, \$932 and \$294 during the three months ended March 31, 1997 and the years ended December 31, 1997, 1996 and 1995, respectively. Construction contract revenue recognized on contracts with CHI totaled \$1,842 and \$178 during the three months ended March 31, 1998 and the year ended December 31, 1997, respectively. Construction contract revenue recognized on contracts with entities owned by CREG totaled \$6, \$7, \$48 and \$11 during the three months ended March 31, 1998 and 1997 and the years ended December 31, 1997 and 1996, respectively.

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Constellation Service Companies

Notes to Consolidated Financial Statements
(Dollars in thousands)

CREG allocates certain overhead costs to all of its subsidiaries. Overhead costs allocated from CREG to the Company totaled \$271, \$225, \$901, \$870 and \$615 during the three months ended March 31, 1998 and 1997 and the years ended December 31, 1997, 1996 and 1995, respectively.

The Company provides administrative, financial and legal support services to certain entities owned by CREG. During the three months ended March 31, 1998 and 1997 and the years ended December 31, 1997 and 1996, the Company received expense reimbursements for these services totaling \$89, \$55, \$318 and \$64, respectively.

The Company leased office space from entities owned by CREG. Expenses incurred

under these leases totaled \$78, \$62, \$301, \$240 and \$219 during the three months ended March 31, 1998 and 1997 and the years ended December 31, 1997, 1996 and 1995, respectively.

The Company also incurred other costs for various services provided by BGE and CHI, including electrical service, payroll processing, and computer training.

The Company had amounts due to affiliates at March 31, 1998 and December 31, 1997 and 1996 of \$6,051, \$4,423 and \$4,925, respectively. These payables represent primarily advances to the Company resulting from its participation in a centralized cash account used by entities owned by CREG. The Company's payables to affiliates are noninterest bearing and due on demand.

6. Pension and Other Post-Employment Benefits

Certain employees of the Company participate in the BGE noncontributory defined benefit pension plan (the "Plan"). BGE's policy is to fund annually the cost of the Plan as determined under the projected unit credit cost method. BGE charged the Company \$20, \$16, \$64 and \$80 during the three months ended March 31, 1998 and 1997 and the years ended December 31, 1997 and 1996, respectively. Certain key executives also are participants in BGE's supplemental pension plans, which provide enhanced retirement, disability and survivor benefits. Benefits under all of these plans are generally based on age, years of service and compensation levels. Prior service cost associated with retroactive plan amendments is amortized on a straight-line basis over the average remaining service period of active employees. Plan assets at December 31, 1997 consisted primarily of marketable equity and fixed income securities and group annuity contracts.

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Constellation Service Companies

Notes to Consolidated Financial Statements (Dollars in thousands)

Pension plan valuations are only available for CHI. The following table sets forth CHI's combined funded status of the plans and the composition of total pension cost:

<TABLE>
<CAPTION>

	December 31,	
	1997	1996
	-----	-----
<S>	<C>	<C>
Vested benefit obligation	\$5,104	\$4,296
Nonvested benefit obligation	291	111
	-----	-----
Accumulated benefit obligation	5,395	4,407
Projected benefits related to increase in future compensation levels	2,096	769
	-----	-----
Projected benefit obligation	7,491	5,176
Plan assets at fair value	(5,871)	(3,535)
	-----	-----
Projected benefit obligation less plan assets	1,620	1,641
Unrecognized prior service cost	(446)	(290)
Unrecognized net gain	1,091	934
Unamortized net liability from adoption of FASB Statement No. 87	(168)	(443)
	-----	-----
Accrued Pension Liability	\$2,097	\$1,842
	-----	-----

</TABLE>

<TABLE>
<CAPTION>

	1997	1996	1995
	-----	-----	-----
<S>	<C>	<C>	<C>
Components of net pension cost			
Service cost-benefits earned during the period	\$ 296	\$ 321	\$ 188
Interest cost on projected benefit obligation	1,149	1,179	509
Actual return on plan assets	(468)	(207)	(542)
Net amortization and deferral	(315)	(481)	552
	-----	-----	-----
Total net pension cost	\$ 662	\$ 812	\$ 707
	-----	-----	-----

</TABLE>

Other Postemployment Benefits

In addition to providing pension benefits, the Company provides certain health care and life insurance benefits for retired employees. The Company also provides certain pay continuation payments to employees who are determined to be disabled under the Company's Long-Term Disability Plan. The Company did not recognize any liability at March 31, 1998 and 1997 and December 31, 1997 and 1996 since there were no employees determined to be disabled.

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Constellation Service Companies

Notes to Consolidated Financial Statements
(Dollars in thousands)

7. Income Taxes

Income tax expense (benefit) consists of the following:

<TABLE>
<CAPTION>

	Three Months Ended March 31,		Year Ended December 31,		
	1998	1997	1997	1996	1995
<S>	<C>	<C>	<C>	<C>	<C>
Federal					
Current	(\$ 44)	\$ 67	\$ 290	\$ 258	(\$ 3)
Deferred	25	8	(80)	(51)	15
	-----	-----	-----	-----	-----
	(19)	75	210	207	12
	-----	-----	-----	-----	-----
State					
Current	(9)	14	63	55	(1)
Deferred	5	2	(17)	(11)	3
	-----	-----	-----	-----	-----
	(4)	16	46	44	2
	-----	-----	-----	-----	-----
	(\$ 23)	\$ 91	\$ 256	\$ 251	\$ 14
	-----	-----	-----	-----	-----
	-----	-----	-----	-----	-----

</TABLE>

The following is a reconciliation, stated as a percentage of pre-tax income, of the U.S. statutory federal income tax rate to the Company's effective tax rate on income from operations:

<TABLE>
<CAPTION>

	Three Months Ended March 31,		Year Ended December 31,		
	1998	1997	1997	1996	1995
<S>	<C>	<C>	<C>	<C>	<C>
Federal Statutory Rate	(35.0%)	35.0%	35.0%	35.0%	35.0%
Permanent Differences, Including Goodwill and Meals and Entertainment	3.6	1.1	1.6	1.7	135.5
State Taxes, Net of Federal Benefit	(4.5)	4.5	4.5	4.5	4.5
	-----	-----	-----	-----	-----
Effective Tax Rate	(35.9%)	40.6%	41.1%	41.2%	175.0%
	-----	-----	-----	-----	-----
	-----	-----	-----	-----	-----

</TABLE>

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Constellation Service Companies

Notes to Consolidated Financial Statements
(Dollars in thousands)

Deferred income taxes consist of the following:

<TABLE>
<CAPTION>

	Three Months Ended March 31,		Year Ended December 31,		
	1998	1997	1997	1996	1995
<S>	<C>	<C>	<C>	<C>	<C>

	1998	1997	1996
<S>	<C>	<C>	<C>
Bonus and Deferred Compensation	\$ 146	\$ 174	\$ 63
Depreciation	(24)	(22)	(8)
Net Deferred Asset	\$ 122	\$ 152	\$ 55

</TABLE>

8. Commitments and Contingencies

Contract to Acquire Loans

In March 1998, the Company entered into a contract to acquire loans collateralized by 12 commercial real estate properties from Aetna Life Insurance Company for \$65,300. In connection with the contract, the Company had \$1,000 in escrow as a deposit on the contract at March 31, 1998. In April 1998, the Company assigned its rights under the contract to COPT in exchange for a fee.

Legal

The Company is subject to various legal proceedings and claims that arise in the ordinary course of business. Management believes that the final outcome of such matters will not have a material effect on the financial position, results of operations or liquidity of the Company.

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APPENDIX

PROXY

PROXY

CORPORATE OFFICE PROPERTIES TRUST
SPECIAL MEETING OF SHAREHOLDERS
_____, 1998

THIS PROXY IS SOLICITED ON BEHALF OF
THE COMPANY'S BOARD OF TRUSTEES

The undersigned hereby (i) acknowledges receipt of the Notice of Special Meeting of Shareholders (the "Special Meeting") of Corporate Office Properties Trust (the "Company") and the accompanying Proxy Statement dated _____, 1998 (the "Proxy Statement"), and (ii) appoints _____ and _____, and each of them individually, lawful attorneys-in-fact and proxies of the undersigned, with full power of substitution for and in the name, place, and stead of the undersigned, to vote upon and act with respect to all of the Common Shares of Beneficial Interest of the Company standing in the name of the undersigned, or with respect to which the undersigned is entitled to vote and act, at the Special Meeting and at any adjournments or postponements thereof.

The Company's Board of Trustees recommends a vote "for" item 1 set forth on the reverse side of this proxy card. The shares represented by this proxy card will be voted as specified on the reverse side. IF NO DIRECTION IS GIVEN IN THE SPACE PROVIDED ON THE REVERSE SIDE, THIS PROXY WILL BE VOTED "FOR" ITEM 1.

[REVERSE SIDE OF CARD]

The undersigned directs that this proxy be voted as follows:

- To consider and vote upon a proposal for the Company to enter into and perform the transaction with certain partnerships and other entities affiliated with Constellation Real Estate Group, Inc. (collectively, "Constellation"), pursuant to which the Company will acquire from Constellation interests in entities, an interest in a mortgage, title to certain real property (the foregoing collectively representing up to 18 properties) and certain other assets in exchange for a combination of cash, the assumption of debt by the Company, and Common Shares and non-voting Series A Convertible Preferred Shares Of Beneficial Interest to be issued by the Company, all as more particularly described in the Proxy Statement.

FOR // // AGAINST // // ABSTAIN // //

- In their discretion, the Proxies are authorized to vote upon such other business as may properly come before the meeting or any adjournment thereof and matters incident to the conduct of the meeting.

The undersigned hereby revokes any proxy heretofore given to vote or act with

respect to the Common Stock and hereby ratifies and confirms all that the proxies, their substitutes, or any of them may lawfully do by virtue hereof.

Please sign exactly as the name appears hereon. When shares are held by joint tenants, both should sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such. If a corporation, please sign in full corporate name by President or other authorized officer and affix corporate seal. If a partnership, please sign in partnership name by general partner.

Date: _____

Signature

Signature

PLEASE MARK, SIGN, DATE AND RETURN THIS PROXY CARD PROMPTLY USING THE ENCLOSED ENVELOPE.

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the inclusion in this Proxy Statement of our reports dated May 8, 1998 on our audits of: (1) the consolidated financial statements of the Constellation Service Companies and (2) the combined statement of revenues and certain expenses of the Constellation Properties. We also consent to the reference to our firm under the caption "EXPERTS."

/s/ COOPERS & LYBRAND L.L.P.

Baltimore, MD
June 24, 1998

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in this Proxy Statement of our reports dated February 24, 1998 on our audits of the consolidated financial statements and financial statement schedules of Corporate Office Properties Trust. We also consent to the reference to our firm under the caption "EXPERTS."

/s/ COOPERS & LYBRAND L.L.P.

Philadelphia, PA
June 24, 1998

CONTRIBUTION AGREEMENT

Between

CORPORATE OFFICE PROPERTIES TRUST AND
CORPORATE OFFICE PROPERTIES, L.P.,
COLLECTIVELY, BUYER

and

THE SELLERS LISTED ON THE
SIGNATURE PAGE TO THIS AGREEMENT

(Constellation Real Estate Portfolio/
Completed Properties)

Dated as of May 14, 1998

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE SECURITIES REFERENCED HEREIN HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISK OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

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THIS CONTRIBUTION AGREEMENT is made and entered into as of this 14th day of May, 1998 (the "Contract Date"), by and between the entities listed on the signature page to this Agreement as Sellers and also identified on Exhibit "Sellers" attached hereto (collectively, the "Sellers" and each individually, a "Seller"), Corporate Office Properties, L.P., a Delaware limited partnership ("COPLP"). and Corporate Office Properties Trust, a Maryland real estate investment trust ("REIT") (COPLP and the REIT, hereinafter collectively the "Buyer").

Background

The Sellers, except for CPI (as defined below) only as to Tred Avon (as defined below), own one hundred percent (100%) of the Interests (the "Interests") of the entities and limited liability companies identified on Exhibit "Entities" (the "Entities"). Each Entity (except Tred Avon) is the record and beneficial owner of its respective Project or Projects (as defined below) identified on Exhibit "Projects", and CPI is the record and beneficial owner of fee simple title to the Project known as Brandon (defined below). Tred Avon is the record and beneficial owner of the Tred Avon Loan Documents (defined below). The Interest of each Seller (which is such Seller's full capital, profits, voting and other interest in the subject Entity) in each Entity is set forth on Exhibit "Sellers".

The Projects include the Land and those certain buildings (the "Buildings"), each containing that number of net rentable square feet, as specified on Exhibit "Projects" attached hereto. The Buildings are leased by the Entities (except Tred Avon) and CPI as to Brandon, to Tenants (as defined below) for office and retail purposes. Each of the Buildings is commonly known by the respective street address in the cities, counties and states described on Exhibit "Projects" attached hereto. For purposes of this Agreement the term, "Projects," shall be deemed to mean, on a collective basis with respect to each Entity or Seller, as applicable: (i) all of the parcels of land identified on Exhibit "Projects" attached hereto (collectively, the "Land"), together with all rights, easements and interests appurtenant thereto, including, but not limited to, any streets or other public ways adjacent to such Land and any water or mineral rights owned by, or leased to, such Entity or CPI as to Brandon; (ii) all improvements located on the Land, including, but not limited to, the Buildings, and all other structures, systems, and utilities associated with, and utilized by, such Entity, or CPI as to Brandon in the ownership and operation of the Buildings (all such improvements being collectively referred to herein as the "Improvements"), but excluding improvements, if any, owned by Tenants of such applicable Buildings; (iii) all personal property owned by such Seller or Entity, or CPI as to Brandon and either (A) located on or in the Land or Improvements, or (B) used in connection with the operation and maintenance of the Project (collectively, the "Personal Property"); (iv) all building materials, supplies, hardware, carpeting and other inventory owned by such

Entity or Seller, or CPI as to Brandon and maintained in connection with such Entity's or CPI's ownership and operation of the Land and/or Improvements (collectively, the "Inventory"); (v) all trademarks, tradenames, development rights and entitlements and other intangible property used or useful in connection with the foregoing (collectively, the "Intangible Personal Property"), except the right to use the name Constellation; and (vi) such Entity's interest, and CPI's interest as to Brandon, in all leases and

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other agreements to occupy all or any portion of the Land and/or Improvements in effect on the Contract Date or into which such Entity or CPI enters prior to the Closing (as defined below), but pursuant to the express terms of this Agreement (collectively, the "Leases").

The Sellers and Buyer desire to enter this Agreement relating to the sale by the Sellers to Buyer of Interests, and the sale by CPI to Buyer of Brandon, in exchange for cash, debt assumption, and Shares (as defined below) pursuant to the terms of this Agreement.

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound, the parties agree as follows:

1. DEFINITIONS.

All terms which are not otherwise defined in this Contribution Agreement shall have the meaning set forth in this Section 1.

1.1. "Accredited Investor" shall have the meaning set forth in Regulation D promulgated under the Securities Act of 1933, as amended.

1.2. "Additional Rent" shall have the meaning set forth in Section 15.1.5.

1.3. "Affiliate(s)" shall have the meaning set forth in Section 21.

1.4. "Assumed Indebtedness" shall mean (a) the outstanding principal balance of the indebtedness as of the Closing Date of those two (2) Entities identified on Exhibit "Assumed Indebtedness" with respect to those two (2) Projects identified on Exhibit "Assumed Indebtedness" as such indebtedness is described (including a statement of the outstanding principal balance as of the date of this Agreement) on Exhibit "Assumed Indebtedness" and (b) the outstanding principal balance as of the Closing Date of such portion of the Satisfied Indebtedness that Buyer, in its sole discretion, elects to assume. The Assumed Indebtedness identified in clause (a) of the preceding sentence is evidenced and secured by the Assumed Loan Documents described on Exhibit "Assumed Loan Documents". Buyer's right to assume the Assumed Indebtedness is subject to the provisions of Section 3.2.7.

1.5. "Assumed Loan Documents" shall mean the documents evidencing or securing the Assumed Indebtedness, as described on Exhibit "Assumed Loan Documents".

1.6. "Base Rent" shall have the meaning set forth in Section 15.1.5.

1.7. "Brandon" shall mean the Project located at 7609 Energy Parkway, Anne Arundel County, Maryland and identified as Brandon on Exhibit "Projects".

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1.8. "Buildings" shall have the meaning set forth in the recitals to this Agreement.

1.9. "Buyer" shall mean collectively the REIT (as defined below) and Corporate Office Properties, L.P., a Delaware limited partnership the sole general partner of which is the REIT.

1.10. "Buyer Indemnified Parties" shall have the meaning set forth in Section 13.3.

1.11. "Buyer's Closing Notice" shall have the meaning set forth in Section 6.1.

1.12. "Buyer's Request" shall have the meaning set forth in Section 6.3.

1.13. "Buyer's Conditions Precedent" shall mean all conditions precedent to Buyer's obligations to close as set forth in this Agreement.

1.14. "Buyer's Reasonable Costs" shall mean all out-of-pocket costs and expenses incurred by Buyer in connection with this Agreement and the Projects, including, but not limited to, legal fees, title company charges, engineering fees, environmental consultant's fees, architects' and surveyors' fees and other similar charges.

1.15. "CPI" shall mean Constellation Properties, Inc., a Maryland corporation.

1.16. "CPI Affiliates" shall mean entities controlled by CPI.

1.17. "Cash Component" shall have the meaning set forth in Section 3.

1.18. "Certification of Default" shall have the meaning set forth in Section 6.3.

1.19. "Closing" shall mean (a) the occurrence of the events described in Section 6.1 as to all Sellers, other than the NBP 135 Sellers and Woodlands Sellers, and defined in Section 6.1 as the First Closing, (b) the occurrence of the events described in Section 6.2.1 as to the NBP 135 Sellers and defined in Section 6.2.1 as the NBP 135 Closing, and (c) the occurrence of the events described in Section 6.2.2 as to Woodlands, and defined in Section 6.2.2 as the Woodlands Closing.

1.20. "Closing Date" shall mean (a) the date set forth in Section 6.1 as to all Sellers, other than the NBP 135 Sellers and the Woodlands Sellers, and defined in Section 6.1 as the First Closing Date, (b) the date set forth in Section 6.2.1 as to the NBP 135 Sellers and defined in Section 6.2.1 as the NBP 135 Closing Date, and (c) the date set forth in Section 6.2.2 as to the Woodlands Sellers and defined in Section 6.2.2 as the Woodlands Closing Date.

1.21. "Closing Statement" shall have the meaning set forth in Section 16.1.11.

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1.22. "Common Share Amount" shall have the meaning set forth in Section 3.2.3 below.

1.23. "Common Shares" means common shares of the REIT.

1.24. "Consideration" shall have the meaning set forth in Section 3.

1.25. "Constellation Lease" shall have the meaning set forth in Section 5.6.

1.26. "Contract Date" shall mean the date set forth in the first paragraph of this Agreement.

1.27. "Convertible Preferred Shares" shall mean convertible cumulative preferred shares of the REIT to be classified and issued by the REIT in accordance with the Amended and Restated Declaration of Trust of the REIT as amended. Each Convertible Preferred Share has a liquidation preference of \$25.00 and pays a cumulative dividend of 5.5% per year. The dividend shall have a preference over dividends payable on the Common Shares. Each Convertible Preferred Share is convertible into Common Shares at an initial conversion price of \$13.335 per Common Share (subject to anti-dilution adjustments) and otherwise subject to the terms of the Amended and Restated Declaration of Trust of the REIT, as may be further amended. Convertible Preferred Shares delivered to Sellers at Closing under this Agreement shall not be converted before two (2) years after the Closing Date and shall not be converted if such conversion would result in the Sellers owning, in the aggregate, more than forty-five percent (45%) in the aggregate of the outstanding Common Shares of the REIT. Notwithstanding the foregoing, if there is a change in control of the REIT, the two year prohibition against conversion shall be deemed to have terminated and the Convertible Preferred Shares may thereafter be converted into Common Shares (subject, however, to the 45% limitation and to the terms of the Amended and Restated Declaration of Trust of the REIT, as amended prior to such change in control).

1.28. "CREG" shall mean Constellation Real Estate Group, Inc., which is the one hundred percent (100%) direct owner of CPI and a guarantor under certain indebtedness of the Sellers.

1.29. "Damage" shall have the meaning set forth in Section 19.

1.30. "Delinquent Rents" shall have the meaning set forth in Section 17.9.

1.31. "Development Management Agreement" shall have the meaning set forth in Section 5.7.

1.32. "Development Projects Acquisition Agreements" shall have the meaning set forth in Section 5.4.

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1.33. "Disapproved Exception" shall have the meaning set forth in Section 9.2.

1.34. "Eminent Domain" shall have the meaning set forth in Section 19.

1.35. "Entities" shall mean the Entities identified on Exhibit "Entities".

1.36. "Environmental Law(s)" shall have the meaning set forth in Section 13.1.1.

1.37. "Environmental Permits" shall have the meaning set forth in Section 13.1.2.

1.38. "Escrowee" shall mean the Title Company.

1.39. "Estoppel Certificate" shall have the meaning set forth in Section 15.2 of this Agreement.

1.40. "Existing Loan Documents" shall mean the Assumed Loan Documents and the Satisfied Loan Documents.

1.41. "First Closing" shall have the meaning set forth in Section 6.1.

1.42. "First Closing Date" shall have the meaning set forth in Section 6.1.

1.43. "Governmental Authority/Authorities" shall mean any agency, commission, department or body of any municipal, township, county, local, state or Federal governmental or quasi-governmental regulatory unit, entity or authority having jurisdiction or authority over all or any portion of the Projects or the management, operation, use or improvement thereof.

1.44. "Hazardous Conditions" shall have the meaning set forth in Section 13.1.3.

1.45. "Hazardous Material(s)" shall have the meaning set forth in Section 13.1.4.

1.46. "Improvements" shall have the meaning set forth in the recitals to this Agreement.

1.47. "Informational Materials" shall have the meaning set forth in Section 11.1.8 below.

1.48. "Intangible Personal Property" shall have the meaning set forth in the recitals to this Agreement.

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1.49. "Interests" shall have the meaning set forth in the recitals to this Agreement.

1.50. "Inventory" shall have the meaning set forth in the recitals to this Agreement.

1.51. "Investor Materials" shall have the meaning set forth in Section 4.1.3.

1.52. "Land" shall have the meaning set forth in the recitals to this Agreement.

1.53. "Leases" shall have the meaning set forth in the recitals to this Agreement.

1.54. "Lenders' Approvals" shall have the meaning set forth in Section 14.1.5.

1.55. "Letter of Credit" shall have the meaning set forth in Section 6.3.

1.56. "Losses" shall have the meaning set forth in Section 13.3.

1.57. "NBP 135" shall mean the Entity identified as NBP 135 on Exhibit "Entities" which owns the Project identified as 135 National Business Park on Exhibit "Projects".

1.58. "NBP 135 Gross Value" shall have the meaning set forth in Section 3.1.

1.59. "NBP 135 Sellers" shall mean those Sellers who are selling all of the Interests in NBP 135.

1.60. "NBP 135 Lease Achievement Date" shall have the meaning set forth in Section 6.2.1 of this Agreement.

1.61. "NBP 135/Woodlands Closing" shall have the meaning set forth in Section 6.2.

1.62. "NBP 135/Woodlands Closing Date" shall have the meaning set forth in Section 6.2.

1.63. "Net Asset Value" shall have the meaning set forth in Section 3.1.

1.64. "Net Value Percentage Allocation" shall mean the percentage assigned to each Project on Exhibit "Net Value Percentage Allocation", the total percentage of which is one hundred percent (100%). Shares shall be allocated among the Projects by multiplying the Net Asset Value by the Net Value Percentage Allocation of each Project.

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1.65. "NOI" shall have the meaning set forth in Section 3.2.

1.66. "Notice of Dispute" shall have the meaning set forth in Section 6.3.

1.67. "Notice of Objection" shall have the meaning set forth at Section 6.3.

1.68. "Option Projects" shall have the meaning set forth in Section 5.5.

1.69. "Option/ROFR Agreements" shall have the meaning set forth in Section 5.5.

1.70. "Permitted Exceptions" shall have the meaning set forth in Section 9.2.

1.71. "Personal Property" shall have the meaning set forth in the recitals to this Agreement.

1.72. "Post-Closing Seller" shall have the meaning set forth in Section 13.3.

1.73. "Preferred Share Amount" shall have the meaning set forth in Section 3.2.2.

1.74. "Projects" shall have the meaning set forth in the recitals to this Agreement.

1.75. "Proxy Statement" shall have the meaning set forth in Section 4.5.

1.76. "Records" shall mean all books, records, tax returns, correspondence, financial data, leases, and all other documents and matters, public or private, maintained by the Entities, the Sellers or its or their agents, relating to receipts and expenditures pertaining to all of the Projects for the three most recent full calendar years and the current calendar year and all contracts, rental agreements and all other documents and matters, public or private, maintained by the Entities, the Sellers or its or their agents, relating to operations of the Projects.

1.77. "Registration Rights Agreement" shall mean the Registration Rights Agreement in favor of the Sellers to be entered into by the REIT at Closing in the form attached hereto as Exhibit "Registration Rights Agreement".

1.78. "Regulatory Violation Notice" shall have the meaning set forth in Section 4.1.3.

1.79. "REIT" means Corporate Office Properties Trust, a Maryland real estate investment trust, which is the sole general partner of Corporate Office Properties, L.P.

1.80. "Release" shall have the meaning set forth in Section 13.1.5.

1.81. "Remedial Action" shall have the meaning set forth in Section 13.1.6.

1.82. "Remedial Costs" shall have the meaning set forth in Section 13.1.7.

1.83. "Satisfied Indebtedness" shall mean the outstanding principal balance as of the Closing Date of the indebtedness of those Entities identified on Exhibit "Satisfied Indebtedness" with respect to those Projects identified on Exhibit "Satisfied Indebtedness" as such indebtedness is described (including a statement of the outstanding principal balance as of the date of this Agreement) on Exhibit "Satisfied Indebtedness". The Satisfied Indebtedness is evidenced and secured by the Satisfied Loan Documents described on Exhibit "Satisfied Loan Documents". Buyer, in Buyer's sole discretion, shall have the right to assume any portion of the Satisfied Indebtedness, provided, however, that as to any such assumed portion, the Entities, Sellers and CREG, as applicable, obligated under such assumed portion are released from all obligations under such assumed portion. If Buyer, in Buyer's sole discretion, elects to assume any portion of the Satisfied Indebtedness, such portion shall become part of the Assumed Indebtedness, and the amount of Satisfied Indebtedness shall be reduced by an amount equal to the amount of the outstanding principal of such assumed portion as of the Closing Date.

1.84. "Satisfied Loan Documents" shall mean the documents evidencing or securing the Satisfied Indebtedness.

1.85. "SEC" shall mean the Securities and Exchange Commission.

1.86. "Securities Act" shall mean the Securities Act of 1933, as amended.

1.87. "Sellers" shall mean those persons and entities listed as Sellers on the signature page to this Agreement and listed on Exhibit "Sellers" .

1.88. "Sellers' Condition Precedent" shall mean all conditions precedent to Seller's obligations to close as set forth in this Agreement.

1.89. "Seller Indemnified Parties" shall have the meaning set forth in Section 20.4 of this Agreement.

1.90. "Service Company Agreement" shall have the meaning set forth at Section 5.3.

1.91. "Shares" shall mean collectively Common Shares and Convertible Preferred Shares.

1.92. "Tank(s)" shall have the meaning set forth in Section 13.1.9.

1.93. "Taxes" shall have the meaning set forth in Section 11.1.4(b).

1.94. "Tax Returns" shall have the meaning set forth in Section 11.1.4(b).

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1.95. "Tenants" shall have the meaning set forth in Section 15.1.

1.96. "TIF Agreement" shall have the meaning set forth in Section 5.8.

1.97. "Title Company" shall mean Commonwealth Land Title Insurance Company.

1.98. "Title Reports" shall have the meaning set forth in Section 9.2.

1.99. "Tred Avon" shall mean Tred Lightly Limited Liability Company, a Maryland limited liability company, which is the holder of the Tred Avon Loan Documents.

1.100. "Tred Avon Loan Documents" shall mean the notes, deeds of trust encumbering the Project identified as Tred Avon on Exhibit "Projects", and other loan documents described on Exhibit "Tred Avon Loan Documents" evidencing and securing first and second deed of trust loans in the aggregate original principal amount of \$10,000,000.00 from TA Associates Limited Partnership, a Maryland limited partnership, the owner of Tred Avon, to Tred Avon.

1.101. "Woodlands" shall mean the Entity identified as Woodlands on Exhibit "Entities" which owns the Project identified as Woodlands I on Exhibit "Projects".

1.102. "Woodlands Gross Value" shall have the meaning set forth in Section 3.1.

1.103. "Woodlands Lease Achievement Date" should have the meaning set forth in Section 6.2.2.

1.104. "Woodlands Sellers" shall mean those Sellers who are selling all of the Interests in Woodlands.

2. ASSIGNMENT AND TRANSFER OF INTERESTS.

2.1. At Closing, each Seller agrees to assign and transfer to Buyer, and Buyer agrees to accept and take from each Seller, on the terms and conditions set forth in this Agreement, all of such Seller's right, title and interest in the Interests, and CPI agrees to convey to Buyer and Buyer agrees to accept, CPI's fee simple title interest in Brandon.

3. CONSIDERATION.

Calculations under this Section 3 shall be computed separately for the First Closing with all Sellers, other than the NBP 135 Sellers and the Woodlands Sellers under Section 6.1, and for the NBP 135/Woodlands Closing with the Woodlands Sellers and NBP 135 Sellers under

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Section 6.2 and, with respect to each such Closing, shall relate only to those Sellers, Interests, and Projects which are the subject of such Closing.

In consideration of the assignment of the Interests to Buyer and conveyance of Brandon to Buyer, and subject to the terms of this Agreement, at Closing, the Buyer shall (a) pay to Sellers an amount equal to the Satisfied Indebtedness (the "Cash Component"), (b) acquire the Interests and Brandon under and subject to the Assumed Indebtedness and (c) deliver to the Sellers, Shares (consisting of Seventy-Five percent (75%) Common Shares and Twenty-Five percent (25%) Convertible Preferred Shares, as more particularly described in Section 3.2 below) having an aggregate value equal to the Net Asset Value (defined below) of the Projects. Such consideration shall be referred to in this Agreement as the "Consideration." The Shares issued to the Sellers at Closing shall be issued to the respective Sellers in the same proportion as the respective Sellers assign and convey Brandon and the Interests (subject to appropriate rounding to eliminate fractional Shares), as more particularly described on Exhibit "Share Schedule", as such allocation may be adjusted on the updated Exhibit Share Schedule to be prepared by Buyer and to be mutually and reasonably approved by Sellers and the Buyer at the Closing (the "Updated Exhibit Share Schedule" or the "Share Schedule").

3.1. The "Net Asset Value" of the Projects (excluding NBP 135 and Woodlands) equals \$142,550,000.00 [and as to NBP 135, \$12,150,000.00 (the "NBP 135 Gross Value"), and as to Woodlands, \$17,600,000.00 (the "Woodlands Gross Value"), both subject to adjustment as set forth in Section 3.2.5] less the Cash Component, less the Assumed Indebtedness with respect to all Projects (as such amount is reflected in the Exhibit "Assumed Indebtedness" on the Closing Date). The Net Asset Value shall be further adjusted by the positive or negative adjustments and prorations described in Section 17 below, all of which shall be adjusted as of the Closing Date. The Net Asset Value is allocated among the Projects in accordance with Exhibit "Net Value Percentage Allocation".

3.2. The Consideration shall be determined, allocated and paid by the Buyer to the Sellers at Closing as follows:

3.2.1. The Cash Component shall be allocated among, and paid to the Sellers, in accordance with Exhibit "Cash Component Allocation".

3.2.2. Buyer shall acquire the Interests and Brandon subject to the Assumed Indebtedness at the time of the Closing. Sellers acknowledge and agree that the Sellers shall be solely responsible for any and all assumption fees, transfer fees and other costs associated with the Buyer's acquisition of the Interests subject to the Assumed Indebtedness and, in the event that the holder of any existing financing on the Projects is unwilling to consent to the transfer of the Interests, and Buyer elects to proceed to Closing, Sellers shall be solely responsible for any prepayment penalties in connection the payment of any such indebtedness.

3.2.3. Buyer shall deliver to Sellers Convertible Preferred Shares (\$25 par value per unit) having an aggregate value equal to Twenty-Five percent (25%) of the Net Asset Value of the Projects. This value expressed in dollars shall be referred to as the

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"Preferred Share Amount." Divide the Preferred Share Amount by \$25 (the par

value of the Convertible Preferred Shares) to determine the number of Convertible Preferred Shares to be delivered. If this calculation would result in a fractional number of Convertible Preferred Shares to be delivered to Sellers, the Buyer shall round that fraction up or down, as the case may be, to the nearest whole number of Convertible Preferred Shares. The Share Schedule shall establish the allocation of Convertible Preferred Shares to each Seller.

3.2.4. Buyer shall deliver Common Shares having an aggregate value equal to Seventy-Five percent (75%) of the Net Asset Value of the Projects. This value expressed in dollars shall be referred to as the "Common Share Amount". Divide the Common Share Amount by \$10.50 to arrive at the number of Common Shares to be delivered. If this calculation would result in a fractional number of Common Shares to be delivered to Seller, the Buyer shall round that fraction up or down, as the case may be, to the nearest whole number of Common Shares. The Share Schedule shall establish the allocation of Common Shares to each Seller.

3.2.5. The NBP 135 Gross Value shall be decreased if the NOI (defined below) of NBP 135 at the time of the NBP 135/Woodlands Closing is less than \$1,071,807. The Woodlands Gross Value shall be decreased if the NOI for Woodlands at the time of the NBP 135/Woodlands Closing is less than \$1,364,531. If the NOI of NBP 135 is less than \$1,071,807 at the time of the NBP 135/Woodlands Closing, the NBP 135 Gross Value shall equal the NOI of NBP 135 at the time of the NBP 135/Woodlands Closing divided by a capitalization rate of 8.82%. If the NOI of Woodlands is less than \$1,364,531 at the time of the NBP 135/Woodlands Closing, the Woodlands Gross Value shall equal the NOI of Woodlands at the time of the NBP 135/Woodlands Closing divided by the capitalization rate of 7.75%. "NOI" means the net operating income for a Project determined as customarily calculated in the commercial real estate industry for Projects similar to the Project for which the determination is being made, based on the annualized operating revenues to be received from the Project from Leases in effect (with Tenants paying rent) ten (10) days before the NBP 135/Woodlands Closing Date less the estimated annual operating expenses, including, without limitation, a management fee of three and one-half percent (3.5%) of revenues, a structural reserve equal to \$.20 per square foot of the Project, and a vacancy reserve of five percent (5%) of the number of square feet of the Project times the anticipated average rent per square foot for the Project.

3.2.6. The number of Common Shares at any time held by the Sellers, in the aggregate, shall not exceed forty-five percent (45%) of the outstanding Common Shares of the REIT.

3.2.7. Buyer's right to assume the Assumed Indebtedness is subject to the condition that the Sellers and CREG, as applicable, are released from their obligations under the Assumed Indebtedness. If, despite Buyer's commercially reasonable efforts to have the Sellers and CREG released from their obligations under the Assumed Indebtedness, Buyer is unable to obtain such release as to Assumed Indebtedness relating to a specific Project, Buyer shall indemnify the Sellers and CREG, as applicable, obligated on the subject Assumed Indebtedness

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with respect to the deleted Project, and Sellers and CREG, as applicable, shall accept such indemnification by Buyer in lieu of a release.

4. SHARES; INVESTOR MATERIALS; PROXY STATEMENT.

4.1.1. Investor Materials. Each Seller, on or before ten (10) days after the date of this Agreement, shall complete a questionnaire (in substantially the form set forth in Exhibit "Investor Materials" attached hereto, the "Investor Materials") providing, among other things, information concerning each Seller's status as an Accredited Investor, and shall provide or cause to be provided to Buyer, or to any other party designated by Buyer, such other information and documentation as may reasonably be requested by Buyer in furtherance of the issuance of the Shares as contemplated hereby. Notwithstanding anything contained in this Agreement to the contrary, in the event that, in the reasonable opinion of Buyer, based on advice of its securities counsel, (x) any such person or entity providing Investor Materials is not considered an Accredited Investor, (y) the proposed delivery of Shares hereunder might not qualify for the exemption from the registration requirements of Section 5 of the Securities Act, or (z) the proposed delivery of Shares hereunder would violate any applicable federal or state securities laws, rules or regulations, or agreements to which the REIT or the Buyer is a party, or any tax related or other legal rules, agreements or constraints applicable to Buyer or the REIT, Buyer shall so advise Seller, in writing (the "Regulatory Violation Notice") within five (5) business days after such determination is made. In the event a Regulatory Violation Notice is delivered, this Agreement shall terminate and no party shall have any further liability hereunder except (i) as otherwise expressly set forth in this Agreement and (ii) to the extent a breach of this Agreement gives rise to, or becomes the basis for, the Regulatory Violation Notice.

4.2. Certain Informational Materials. Sellers have been furnished with the informational materials listed on Exhibit "Informational Materials"). Sellers have read, reviewed and understand the Informational Materials, and have been afforded the opportunity to ask questions of those persons it considers appropriate and to obtain any additional information it desires in respect of the Shares and the business, operations, conditions (financial and otherwise) and current prospects of the COPLP and the REIT. Sellers consulted their own financial, legal and tax advisors with respect to the economic, legal and tax consequences of delivery of the Shares and have not relied on the Informational Materials, COPLP, the REIT or any of their officers, directors, affiliates or professional advisors for such advice as to such consequences. Notwithstanding anything to the contrary contained in this Section 4.2, the effect of any representations or warranties expressly made by COPLP and the REIT in this Agreement shall not be diminished, abrogated or compromised by this Section 4.2.

4.3. Transfer Requirements. Sellers may only sell, transfer, assign, pledge or encumber, or otherwise convey any or all of the Shares, in strict compliance with the charter documents of the REIT, the registration and other provisions of the Securities Act (and the rules promulgated thereunder), any state securities laws, and the Registration Rights Agreement, in each case as may be applicable. The provisions of this Section 4.3 shall survive the Closing.

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4.4. Registration Rights. At the Closing, the REIT shall execute and deliver the Registration Rights Agreement to the Sellers.

4.5. Proxy Statement. As promptly as practicable after the execution of this Agreement, the REIT shall prepare and file with the SEC a Proxy Statement (the "Proxy Statement") which shall solicit the votes of the REIT's shareholders with respect to the transactions contemplated hereby. The Proxy Statement shall include the recommendation of the REIT's Board of Trustees in favor of this Agreement and the transactions contemplated hereby; provided, however, that the Board of Trustees may modify or withdraw such recommendation if it believes in good faith after consultation with legal counsel that the modification or withdrawal of such recommendation is necessary for the Board to comply with its fiduciary obligations under applicable law.

5. REIT BOARD OF TRUSTEES; CERTAIN REIT OPERATIONS; RELATED TRANSACTIONS.

5.1. Composition of REIT Board of Trustees. The REIT hereby agrees that the Proxy Statement will include, as a part of the transaction recommended to, and to be voted upon by the REIT's shareholders, an arrangement reasonably satisfactory to Sellers and the REIT whereby immediately following Closing, Sellers shall have the right to have two representatives of the Sellers (each, a "Seller Representative") serve as members of the Board of Trustees of the REIT (the "Board") for as long as Sellers are the owners, in the aggregate, of more than thirty percent (30%) of the REIT's outstanding Common Shares, and to have one Seller Representative serve as a member of the Board for as long as Sellers are the owners, in the aggregate, of less than thirty percent (30%) but more than fifteen percent (15%) of the REIT's outstanding Common Shares. The initial Seller Representatives shall be designated by Sellers to the REIT prior to the filing of the Proxy Statement. The principal terms of the arrangement shall be as follows. At Closing, the number of members of the Board shall be increased by two pursuant to Article III, Section 2 of the Bylaws of the REIT, and the two initial Seller Representatives shall be appointed to the Board pursuant to Article III, Section 10 of the Bylaws of the REIT. One Seller Representative shall be appointed for a three-year term, and the other Seller Representative shall be appointed for a two-year term. Such Seller Representatives shall serve the foregoing terms without regard to the percentage of Common Shares owned by Sellers, notwithstanding the first sentence of Section 5.1. One Seller Representative shall be appointed to the Investment Committee of the Board and each Seller Representative shall be eligible for appointment to other committees of the Board. Appropriate provision shall be made to assure that Sellers shall have the right to designate a replacement for a Seller Representative in the event of the death, resignation or removal of such person, and for a change in the number of Board members or otherwise to assure continued representation on the Board by the Seller Representative(s) in the event a Seller Representative who has been nominated for election is not re-elected at a time when the Sellers are entitled to have the Board representation described herein. For purposes of calculating the percentages of Common Shares outstanding and owned by the Sellers, it shall be assumed that any Convertible Preferred Shares then owned by the Sellers have been converted into Common Shares and that such Common Shares are outstanding and owned by the Sellers.

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5.2. REIT Offices. From and after Closing, the REIT shall maintain offices in Columbia, Maryland and in the Philadelphia, Pennsylvania vicinity at such locations as the officers of the REIT shall elect. Initially, general real estate operations shall be headquartered in the Columbia, Maryland office of the

REIT, and capital markets and acquisitions activities of the REIT shall be headquartered in the Philadelphia, Pennsylvania office of the REIT.

5.3. Service Company Agreement. Concurrently with the execution of this Agreement, Buyer and Constellation Real Estate, Inc. ("CREI"), an affiliate of the Sellers, are entering into an agreement for the acquisition by Buyer, or its Affiliate, of certain of the assets of CREI, including, without limitation, tangible and intangible assets, and the Seventy-Five percent (75%) interest of CREI in Constellation Realty Management LLC (the "Service Company Agreement") for a purchase price of \$2,500,000 payable in Shares. Closing under the Service Company Agreement is to occur immediately after and on the same day as Closing under this Agreement. The obligations of Sellers and Buyer to complete Closing under this Agreement are subject to the completion of closing under the Service Company Agreement.

5.4. Development Projects. Promptly following the execution of this Agreement, Buyer and affiliates of the Sellers and other entities shall negotiate in good faith to enter into two (2) acquisition agreements (the "Development Projects Acquisition Agreements") for the acquisition by Buyer of Interests in entities owning development projects in Maryland and Virginia as will be more particularly described in the Development Projects Acquisition Agreements. The Development Projects Acquisition Agreements will provide, among other things, that they shall become effective among the parties thereto upon the completion of Closing under Section 6.1 of this Agreement.

5.5. Option Projects. Concurrently with the execution of this Agreement, Buyer and affiliates of the Sellers are entering into two (2) option agreements with respect to the properties known as Lot 11 of the National Business Park and Woodlands Two. At Closing, Buyer and the entities owning one hundred percent (100%) of the interests (except as to the Option Project identified as "Annapolis Exchange" on Exhibit "Option Projects") in the owners of the Projects listed on Exhibit "Option Projects" (the "Option Projects"), as the case may be, are entering into option agreements or option and right of first refusal agreements (the "Option/ROFR Agreements"), granting to Buyer the option to acquire one hundred percent (100%) of the interests in the entities owing such Option Projects and fifty percent (50%) of the interests in Annapolis Exchange.

5.6. Constellation Lease. At Closing, St. Barnabas Limited Partnership, a Maryland limited partnership, the Entity owing the Project identified as One Constellation Centre on Exhibit "Projects" and CPI shall enter into a lease for CPI's leasing of approximately 48,863 square feet in One Constellation Centre at a rent of \$18.50 per square foot for two (2) years in accordance with the terms of Exhibit "Constellation Lease" ("Constellation Lease").

5.7. Development Management Agreement. At Closing, Buyer or an Affiliate of Buyer, as Buyer shall elect, and CPI shall enter into a management services

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agreement pursuant to which Buyer, or Buyer's Affiliate, shall provide management services to CPI with respect to CPI's post-Closing real estate portfolio for an eighteen (18) month period after Closing and shall receive the following compensation: (a) from the Closing Date through the last day of the third month after the Closing Date, \$250,000.00 per month; (b) from the first day of the fourth month after the Closing Date through the last day of the sixth month after the Closing Date, \$150,000.00 per month; (c) from the first day of the seventh month after the Closing Date through the last day of the tenth month following the Closing Date, \$100,000.00 per month, and; (d) from the first day of the eleventh month following the Closing Date through the last day of the eighteenth month following the Closing Date, \$50,000.00 per month (the "Development Management Agreement"). The Development Management Agreement shall be substantially in form of Exhibit "Development Management Agreement".

5.8. TIF Indemnification Agreement. Buyer and CPI shall enter into an indemnification agreement substantially in the form of the Indemnification Agreement attached hereto as Exhibit "TIF Indemnification Agreement" (the "TIF Agreement") for CPI's indemnification of Buyer for certain tax increases relating to the special tax district and the tax incremental financing affecting the Projects located in the National Business Park, Anne Arundel County, Maryland.

6. CLOSING.

6.1. First Closing. The assignment and transfer of the Interests, the conveyance of Brandon, and the other transactions contemplated herein with respect to all Sellers except the NBP 135 Sellers and the Woodlands Sellers (the "First Closing") shall be consummated on the date (the "First Closing Date"), after the shareholders of the REIT have approved all of the transactions contemplated by this Agreement, specified by Buyer on not less than seven (7) days notice to Sellers (the "Buyer's Closing Notice"), provided that the First Closing Date shall not be sooner than July 1, 1998 or later than thirty (30)

days after the shareholders of the REIT have approved all of the transactions contemplated by this Agreement. Sellers shall have the right to postpone the First Closing to a date that is up to five (5) days after the First Closing Date specified in Buyer's Closing Notice by giving Buyer notice of such postponement. If the shareholders of the REIT have not approved the transactions contemplated by this Agreement by October 30, 1998, this Agreement shall terminate and become null and void, the Letter of Credit shall be returned to the Buyer, and the parties shall be released from all liability or obligation to the other. The Closing shall take place at the offices of Saul, Ewing, Remick & Saul LLP, Centre Square West, 1500 Market Street, 38th Floor, Philadelphia, Pennsylvania 19102, or at such other place as may mutually agreed upon by the parties.

6.2. NBP 135/Woodlands Closing.

6.2.1. The assignment and transfer of the Interests in NBP 135 and the other transactions contemplated herein with respect to the NBP 135 Sellers (the "NBP 135 Closing"), shall occur after the First Closing under Section 6.1 of this Agreement, on the date (the "NBP 135 Closing Date") within thirty (30) days after the "NBP 135 Lease Achievement Date" (defined below) specified by Buyer on not less than seven (7) days notice to Sellers, but

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not later than December 31, 1998. As used in this Section 6.2.1, "NBP 135 Lease Achievement Date", shall mean the date on which at least ninety-five percent (95%) of the rentable area of NBP 135 has been leased to Tenants who or which have entered into Leases in accordance with Section 12.1 of this Agreement and have commenced paying rent under such Leases.

6.2.2. The assignment and transfer of the Interests in Woodlands and the other transactions contemplated herein with respect to Woodlands (the "Woodlands Closing", which shall occur after the First Closing under Section 6.1 of this Agreement on the date (the "Woodlands Closing Date") within thirty (30) days after the "Woodlands Lease Achievement Date" (defined below) specified by Buyer on not less than seven (7) days notice to Sellers, but not later than December 31, 1998. As used in this Section 6.2.2, "Woodlands Lease Achievement Date" shall mean the date on which at least ninety-five percent (95%) of the rental area of Woodlands has been leased to Tenants who or which have entered into Leases in accordance with Section 12.1 of this Agreement and have commenced paying rent under such Leases.

6.2.3. Sellers shall provide Buyer with detailed written updates of leasing activity, lease status, and occupancy and rent payment levels at NBP 135 and Woodlands at least monthly until the NBP 135/Woodlands Closing, shall permit Buyer to review and copy leasing information for NBP 135 and Woodlands, and shall give Buyer prompt notice of the date Sellers believe is the Lease Achievement Date.

6.3. Letter of Credit. On or before thirty (30) days after the date of this Agreement, Buyer shall deliver to the Title Company, as escrowee (the "Escrowee"), a non-transferrable, irrevocable standby letter of credit in the amount of Five Million Dollars (\$5,000,000.00) (the "Letter of Credit") issued by a bank selected by Buyer, naming the Escrowee as the Beneficiary, and having an expiration date no sooner December 10, 1998. The Letter of Credit shall provide that the Escrowee may present it for payment only after Escrowee receives a Certification of Default. The Letter of Credit shall be returned to Buyer (a) upon Closing, or, (b) within fifteen (15) days after Buyer's request by simultaneous notice to Escrowee and Sellers ("Buyer's Request"), upon termination of this Agreement by Buyer under any Section of this Agreement giving Buyer the right to so terminate (provided that Buyer is not in default hereunder), or if for any reason other than the default of Buyer, Closing is not completed under this Agreement, unless Sellers dispute the return of the Letter of Credit to Buyer by notice of dispute to Escrowee and Buyer (the "Notice of Dispute") given within ten (10) days after Buyer's Request. If the Escrowee receives a Notice of Dispute, then the Escrowee shall continue to hold the Letter of Credit until (a) the Escrowee receives a written notice signed by Randall M. Griffin or John Harris Gurley, Esquire or Charles E. Garman or Dan R. Skowronski and Buyer, directing the delivery of the Letter of Credit, or (b) a final order of court of competent jurisdiction is entered in a proceeding in which all Sellers and the Buyer are named as parties, directing the delivery of the Letter of Credit in either of which events described in clause (a) or clause (b), the Escrowee shall deliver the Letter of Credit in accordance with such direction.

6.3.1. Upon delivery by Sellers to Escrowee of a notarized default certificate signed by Randall M. Griffin or John Harris Gurley, Esquire or Charles E. Garman or

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Buyer's obligations under this Agreement and specifying the alleged default in the form of Exhibit "Certification of Default" (the "Certification of Default"), Escrowee shall promptly submit a draft on the Letter of Credit to the issuing bank. Escrowee shall then hold the proceeds from negotiation of the Letter of Credit (the "Proceeds") in escrow and shall deposit the Proceeds in a separate, interest-bearing money market account in a Federally insured bank.

6.3.2. Promptly following receipt of the Certification of Default, Escrowee shall send a copy thereof to Buyer. If the Escrowee does not receive from the Buyer written notice of objection (the "Notice of Objection") to the Certification of Default within fifteen (15) days after the date of Buyer's receipt of Certification of Default, Escrowee, after the expiration of such fifteen (15) day period, shall pay the Proceeds, together with all interest accrued thereon, to the Sellers, which shall be retained by the Sellers as liquidated damages for any default or breach by Buyer under this Agreement and Sellers' sole and exclusive remedy against Buyer for any default or breach under this Agreement. Upon receipt of a Notice of Objection from Buyer, the Escrowee shall promptly send a copy thereof to Sellers.

6.3.3. If the Escrowee receives a Notice of Objection from Buyer within such fifteen (15) day period, then the Escrowee shall continue to hold the Proceeds until (i) the Escrowee receives a written notice signed by Randall M. Griffin or John Harris Gurley, Esquire or Charles E. Garman or Dan R. Skowronski and Buyer, directing the disbursement of the Proceeds, or (ii) a final order of court of competent jurisdiction is entered in a proceeding in which all Sellers and the Buyer are named as parties, directing the disbursement of the Proceeds, in either of which events described in clause (i) or clause (ii), the Escrowee shall disburse the Proceeds in accordance with such direction. If the Proceeds are paid to the Sellers pursuant to such direction, the Proceeds shall be retained by Sellers as liquidated damages for any breach or default by Buyer under this Agreement and as Sellers' sole and exclusive remedy against Buyer for any breach or default under this Agreement. If the Escrowee receives a Notice of Objection within the fifteen (15) day period set forth above, the Escrowee shall have no liability by reason of its failure to deliver the Proceeds to Sellers until the Escrowee has received the direction of the nature described in clause (i) or clause (ii) above.

6.3.4. Sellers and Buyer agree that the Proceeds shall constitute liquidated damages for any breach or default by Buyer of any Buyer's obligations under this Agreement prior to the Closing Date or due to Buyer's failure to complete Closing in accordance with the terms of the Agreement, and that Sellers' receipt of such Proceeds shall be Sellers' sole and exclusive remedy against Buyer for any such breach or default by Buyer under this Agreement. This Section 6.3.4 shall not, however, be deemed to alter or impair any rights or remedies that Sellers may have under this Agreement after Closing has been completed.

6.3.5. The Escrowee may act upon any instrument or other writing believed by Escrowee in good faith to be genuine and to be signed and presented by the proper person, and shall not be liable in connection with the performance of any duties imposed upon the Escrowee by the provisions of this Agreement, except for the Escrowee's own willful default or gross negligence. The Escrowee shall have no duties or responsibilities except those set forth

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in this Agreement, unless the same is in writing and signed by Buyer and Randall M. Griffin or John Harris Gurley, Esquire or Charles E. Garman or Dan R. Skowronski on behalf of Sellers. Buyer and Sellers shall jointly and severally indemnify and hold Escrowee harmless from and against all costs, claims, and expenses, including reasonable attorneys' fees, relating to the performance of Escrowee of Escrowee's obligations under this Agreement, except with respect to Escrowee's willful default or gross negligence. The Escrowee shall have the right to continue to hold the Letter of Credit if there is any dispute between the parties regarding delivery of the Letter of Credit. The Escrowee shall have the right to pay the Proceeds into court of competent jurisdiction if there is any dispute between the parties regarding the payment of the Proceeds.

7. SELLER'S DELIVERIES.

To the extent in any Seller's possession or control, each Seller shall continue to make available to Buyer, from and after the Contract Date, at reasonable times and upon reasonable notice, all documents, contracts, information, Records and exhibits pertinent to the transaction that is the subject of this Agreement, including, but not limited to, the documents listed as "Seller's Deliveries" on Exhibit "Seller's Deliveries" attached hereto.

8. INSPECTION PERIOD.

8.1. Project Inspection. At all times prior to the Closing, including times following the Inspection Period, Buyer, its agents and representatives shall be entitled to conduct an inspection of the Projects, which will include the rights to: (i) enter upon the Land and Improvements, on reasonable notice to

Seller, to perform inspections and tests of any and all of the Projects, including, but not limited to, inspection, evaluation and testing of the heating, ventilation and air-conditioning systems and all components thereof, all structural and mechanical systems within the Improvements, including, but not limited to, sprinkler systems, power lines and panels, air lines and compressors, automatic doors, tanks, pumps, plumbing and all equipment, vehicles, and Personal Property; (ii) examine and copy any and all Records; (iii) make investigations with regard to zoning, environmental (including, but not limited to, an environmental assessment as specified in Section 8.2, which includes, but is not limited to, an analysis of the presence of any asbestos, chlordane, formaldehyde or other Hazardous Material in, under or upon the Projects, or any underground storage tanks on, or under, the Land), building, code, regulatory and other legal or governmental requirements; (iv) make or obtain market studies and real estate tax analyses; and (v) interview Tenants with respect to their current and prospective occupancies. Without limitation of the foregoing, Buyer or its designated independent or other accountants may audit the Operating Statements (as defined in Exhibit "Seller's Deliveries" attached hereto), and Sellers shall supply such documentation as Buyer or its accountants may reasonably request in order to complete such audit. Notwithstanding anything to the contrary contained in this Agreement, the effect of any representations, warranties or undertakings made by Sellers in this Agreement shall not be diminished, abrogated, or compromised by the foregoing inspections, environmental assessments or other tests or investigations made by Buyer.

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8.2. Environmental Assessment. Buyer or Buyer's agent(s) shall have the right to employ one or more environmental consultants or other professional(s) to perform or complete such environmental inspections and assessments of the Projects as Buyer deems necessary or desirable. Buyer and its consultants shall also have the right to undertake or complete a technical review of all documentation, reports, plans, studies and information in possession or control of Sellers, or its past or present environmental consultants, concerning or in any way related to the environmental condition of the Projects. In order to facilitate the assessments and technical review, each Seller shall extend its full cooperation (but without third party expense to such Seller) to Buyer and its environmental consultants, including, without limitation, providing access to all files and fully and completely answering all questions.

8.3. Buyer's Undertaking. Buyer hereby covenants and agrees that it shall cause all studies, investigations and inspections performed at the Projects pursuant to this Section 8 to be performed in a manner that does not materially or unreasonably disturb or disrupt the tenancies or business operations of any of the Projects' Tenants. In the event that, as a result of Buyer's exercise of its rights under Sections 8.1 and 8.2, physical damage occurs to any or all of the Projects, then Buyer shall promptly repair such damage, at Buyer's sole cost and expense, so as to return the Projects to substantially the same condition as exists on the Contract Date. Buyer hereby indemnifies, protects, defends and holds each Seller harmless from and against any and all losses, damages, claims, causes of action, judgments, damages, costs and expenses that such Seller actually suffers or incurs as a direct result of any physical damage caused to, in, or at the Projects during the course of, or as a result of, any or all of the studies, investigations and inspections that Buyer elects to perform (or causes to be performed) pursuant to this Section 8.

8.4. Confidentiality. Each party agrees to maintain in confidence, and not to disclose to Tenants or Tenants' employees, the information contained in this Agreement or pertaining to the transaction contemplated hereby and the information and data furnished or made available by Sellers to Buyer, its agents and representatives in connection with Buyer's investigation of the Projects and the transactions contemplated by this Agreement; provided, however, that each party, its agents and representatives may disclose such information and data (i) to such party's accountants, attorneys, existing or prospective lenders, investment bankers, accountants, underwriters, ratings agencies, partners, consultants and other advisors in connection with the transactions contemplated by this Agreement to the extent that such representatives reasonably need to know (in the disclosing party's reasonable discretion) such information and data in order to assist, and perform services on behalf of, the disclosing party; (ii) to the extent required by any applicable statute, law, regulation or Governmental Authority (including, but not limited to, Form 8-K and other reports and filings required by the SEC and other regulatory entities, as described in Exhibit "Securities Reporting Requirements" attached hereto) or by the New York Stock Exchange in connection with the listing of the Conversion Shares; (iii) in connection with any litigation that may arise between the parties in connection with the transactions contemplated by this Agreement or otherwise relating to the Projects or any of them; (iv) to the extent such disclosure is required or appropriate in connection with any securities offering or other capital markets or financing transaction undertaken by the REIT; (v) to the extent such information and data become generally available to the public other than as a result of disclosure by such party or its agents or representatives; and (vi) to the extent

such information and data become available to such party or its agents or representatives from a third party who, insofar as is known to such party, is not subject to a confidentiality obligation to the other party hereunder; and (vii) to the extent necessary in order to comply with each party's respective covenants, agreements and obligations under this Agreement. In the event the transactions contemplated by this Agreement shall not be consummated, such confidentiality shall be maintained indefinitely. Furthermore, Sellers and Buyer acknowledge that, notwithstanding any contrary term of this Section 8.4, Buyer shall have the right to conduct Tenant interviews during the Inspection Period, and the disclosure of the existence of this Agreement to the Tenants shall not constitute a breach of the above restriction. Buyer shall also have the right to issue a press release mutually acceptable to Buyer and Sellers upon the execution of this Agreement and consummation of the transactions described in this Agreement.

9. TITLE AND SURVEY MATTERS.

9.1. Title. At the Closing, Sellers agree that each Entity (except Tred Avon) and Brandon shall have good and marketable fee simple title to its Project(s), free and clear of all liens, claims and encumbrances except for the Permitted Exceptions. From and after the date of this Agreement, Sellers shall not take any action, or fail to take any action, that would cause title to the Projects to be subject to any title exceptions or objections, other than the Permitted Exceptions.

9.2. Title Commitments/Surveys. On or before thirty (30) days after the Contract Date, Buyer shall furnish Sellers with a preliminary title reports issued by the Title Company covering the Projects (the "Title Reports") and a written notice specifying those title exceptions which are not acceptable to Buyer in Buyer's commercially reasonable judgment, which objection may include matters shown on any updated or re-certified survey which Buyer may obtain (the "Disapproved Exceptions"). Buyer's failure to designate as one of the Disapproved Exceptions a title exception shown on the Title Report shall constitute Buyer's approval of such title exception (all title exceptions not designated by Buyer as Disapproved Exceptions are in this Agreement called "Permitted Exceptions"). The applicable Seller(s) shall use their best efforts to cause the removal of all Disapproved Exceptions on or before ten (10) days after Buyer's notice to Seller of such Disapproved Exceptions, except that liens of an ascertainable amount and other items which can be removed by the payment of money shall be paid and discharged by Sellers at or before Closing. Within such ten (10) day period, Seller(s) shall notify Buyer of all Disapproved Exceptions that Seller(s), after using their best efforts, are unable to remove. Seller(s)' failure to give Buyer notice of Seller(s)' inability to remove any Disapproved Exceptions shall constitute such Seller(s)' covenant that such Disapproved Exceptions shall be removed at or prior to the Closing. Buyer shall have the rights set forth in Section 9.4 if any Disapproved Exceptions cannot be removed by the applicable Seller(s) at or prior to the Closing.

9.3. It shall be an Buyer's Condition Precedent that the marked-up Title Reports delivered on the Closing Date shall be in the form described in this Section 9.3 and have all standard and general printed exceptions deleted so as to afford full "extended form coverage," and shall further include an owner's comprehensive endorsement, an endorsement

certifying that the bills for the real estate taxes pertaining to the Land and Improvements do not include taxes pertaining to any other real estate; an access endorsement; a contiguity endorsement, if applicable; a subdivision or plat act endorsement; a survey endorsement; a non-imputation endorsement; a Fairway endorsement; and a creditors' rights endorsement (if available).

9.4. If Sellers are unable to correct or remove any Disapproved Exceptions in accordance with the requirements of this Section 9, Buyer shall have the sole option of either (i) completing the Closing subject to such Disapproved Exceptions without any abatement of the Consideration, except that liens of an ascertainable amount and other items which can be removed by payment of money shall be paid and discharged by Sellers or (ii) having the Letter of Credit returned to Buyer and being immediately paid Buyer's Reasonable Costs and, in the latter event, the parties shall be released from all liability or obligation to the other and this Agreement shall then and thereafter be null and void.

9.5. Tred Avon Loan Documents. At Closing, the Tred Avon Loan Documents shall be free and clear of all liens, claims, encumbrances and security interests of any nature, except the portion of the Assumed Indebtedness held by Provident Bank of Maryland for which the Tred Avon Loan Documents are security, and shall evidence and secure first and second deeds of trust as described on Exhibit "Tred Avon Loan Documents" encumbering the Project identified as Tred

10. REPRESENTATIONS AND WARRANTIES AS TO PROJECTS.

10.1. Sellers. The Sellers represent and warrant to Buyer, for themselves and the Entities, that the following matters are true as of the Contract Date and shall be true as of the Closing Date and covenant as follows:

10.1.1. Title. The Entities and CPI as to Brandon are the legal fee simple titleholder of the Projects as more particularly described on Exhibit "Projects", and, other than with respect to the Permitted Exceptions, have, good, marketable and insurable title to the Projects, free and clear of all mortgages and security interests (other than the Assumed Indebtedness and Satisfied Indebtedness), leases, agreements and tenancies (other than the Leases), licenses, claims, options, options to purchase, liens, covenants, conditions, restrictions, rights-of-way, easements, judgments and other matters affecting title to the Projects. The Projects are the only tangible assets owned by the Entities. The sole business of each Entity is its ownership and operation of the Project owned by it.

10.1.2. Seller's Deliveries. All of Seller's Deliveries listed on Exhibit "Seller's Deliveries" attached hereto and all other items delivered by Sellers pursuant to this Agreement are true, accurate, correct and complete in all material respects, and fairly present the information set forth in a manner that is not misleading. The copies of all documents and other agreements delivered or furnished and made available by Sellers to Buyer pursuant to this Agreement constitute all of and the only Leases and other agreements relating to or affecting the ownership and operation of the Projects, there being no material "side" or other agreements,

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written or oral, in force or effect, to which any Seller or Entity is a party or to which the Project(s) is/are subject.

10.1.3. Defaults. Neither the Entities nor any Seller is in default under any of the documents, recorded or unrecorded, referred to in the title commitments. To the knowledge of Sellers, there are no defaults under any of the Major Repair Contracts, Contracts or Governmental Approvals (as such terms are defined in Exhibit "Seller's Deliveries" attached hereto).

10.1.4. Contracts. There are no contracts of any kind relating to the management, leasing, operation, maintenance or repair of any Project, except the Contract listed on Exhibit "Service Contracts" attached hereto. Each Seller and each Entity has performed all material obligations required to be performed by it, and is not in default, under any of such Contracts. The Contract may, by the express terms thereof be assigned to Buyer by notice to such effect to the appropriate contract party, without penalty or other payment by Sellers, the Entities or Buyer.

10.1.5. Improvements. The Improvements were completed and installed in accordance with the Plans (as defined in Exhibit "Seller's Deliveries" attached hereto), which were approved by all Governmental Authorities having jurisdiction thereover, and there are not outstanding any notices of any material violation of any governmental laws, ordinances, rules or regulations with respect to such Improvements.

10.1.6. Employees. The Entities do not have any employees.

10.1.7. Compliance with Laws and Codes. The Projects, and the use and operation of any or all of them are (or the use and operation of any component, portion or area of any Project is) in material compliance with applicable municipal and other governmental laws, ordinances, regulations, codes, licenses, permits and authorizations, and there are presently and validly in effect all licenses, permits and other authorizations necessary (including, without limitation, certificates of occupancy) for the use, occupancy and operation of the Projects as they are presently being operated, whether required of any Entity or any Tenant. Without limiting the foregoing, the Projects comply in all material respects with all applicable requirements of the Americans With Disabilities Act of 1990 (42 U.S.C.A. Section 12101 et seq.). The Projects are zoned by the municipality in which they are located so as to permit office and retail uses and structures thereon, in a manner that accommodates and is fully compatible with the Buildings and Improvements as they presently exist. No zoning, subdivision, environmental, Hazardous Material, building code, health, fire, safety or other law, order or regulation is, or, on the Closing Date will be, violated by the continued maintenance, operation or use of any Improvements or parking areas in the Projects, and no notice of any such violation issued by any Governmental Authority having jurisdiction over the Projects is outstanding. All existing streets and other improvements, including water lines, sewer lines, sidewalks, curbing and streets at each Project have been paid for and either enter such Project through adjoining public streets, or, if they enter through private lands, do so in accordance with valid, irrevocable easements

10.1.8. Litigation. There are no pending (or to the best of each Seller's knowledge, threatened) judicial, municipal or administrative proceedings affecting any Entity or any Project, or in which any Seller is or will be a party by reason of such Entity's ownership or operation of any Project or any portion thereof, including, without limitation, proceedings for or involving collections, condemnation, eminent domain, alleged building code or environmental or zoning violations, or personal injuries or property damage alleged to have occurred on any Project or by reason of the condition, use of, or operations on, such Project, except certain litigation to which CPI is a party, but which is not material to the transfer of any Interests or Brandon by CPI and is not related to any Project. No attachments, execution proceedings, assignments for the benefit of creditors, insolvency, bankruptcy, reorganization or other proceedings are pending against any Entity, any Seller, or to the best of Seller's knowledge, threatened against any Entity or any Seller, nor are any of such proceedings contemplated by any Entity or any Seller. In the event any proceeding of the character described in this Section 10.1.8 is initiated or threatened against any Entity or Seller prior to the Closing, Sellers shall promptly advise Buyer thereof in writing, Sellers shall remain responsible therefor, and Sellers shall indemnify, defend and hold Buyer from any claims, losses, liabilities and expenses (excluding, without limitation, reasonable counsel fees) relating to any such occurrence.

10.1.9. Insurance. Each Entity or Seller now has in force customary and commercially reasonable amounts of property, liability and business interruption insurance relating to the Projects from established and reputable insurers. No Entity or Seller has received any notice from any insurance carrier, nor is any Entity or Seller aware of, any defects or inadequacies in the Projects that, if not corrected, would result in termination of insurance coverage or increase in the normal and customary cost thereof.

10.1.10. Financial Information. All Operating Statements (as defined in Exhibit "Seller's Deliveries" attached hereto) delivered by Sellers, and all of Sellers' and/or the Entities' Records, are complete, accurate, true and correct, in all material respects; have been compiled in accordance with generally accepted accounting principles; and accurately set forth the results of the operation of the Projects and Entities for the periods covered. There has been no material adverse change in the financial condition or operation of the Projects and Entities since the period covered by the Operating Statements.

10.1.11. Re-Zoning. There is not now pending, and neither any Entity nor any Seller has knowledge of, any threatened proceeding for the rezoning of any Project or any portion thereof, or the taking of any other action by governmental authorities that would have any material adverse impact on the value of any Project or use thereof.

10.1.12. Real Estate Taxes. True and complete copies of the most recent real estate "Tax Bill(s)" for (and the only real estate tax bills applicable to) the Projects have been delivered to Buyer. Except as set forth on Exhibit "Real Estate Tax Matters" attached hereto, no Entity nor Seller has received notice of and does not have any actual knowledge of any proposed increase in the assessed valuation or rate of taxation of any or all of the Projects from that reflected in the most recent Tax Bills. Except as described on Exhibit "Real Estate Tax

Matters" attached hereto, there is not now pending, and no Entity will, without the prior written consent of Buyer, institute prior to the Closing Date, any proceeding or application for a reduction in the real estate tax assessment of any of the Projects or any other relief for any tax year. There are no outstanding agreements with attorneys or consultants with respect to the Tax Bills that will be binding on Buyer or any of the Projects after the Closing, except for Constellation Centre as noted on Exhibit "Real Estate Tax Matters". Other than the amounts disclosed by the Tax Bills, no other real estate taxes have been, or will be, assessed against the Projects, or any portion thereof, in respect of the year 1998 or any prior year, and no special assessments of any kind (special, bond or otherwise) are or have been levied against the Projects, or any portion thereof, that are outstanding or unpaid, and, to the best of each Seller's knowledge, none will be levied prior to the Closing. Each Entity has paid all real estate taxes presently due and owing with respect to the Projects.

10.1.13. Easements and Other Agreements. To the knowledge of Sellers, no Entity or Seller is in default in complying with the terms and provisions of any of the covenants, conditions, restrictions, rights-of-way or easements constituting one or more of the Permitted Exceptions.

10.1.14. Lease Controversies. Except as described in Exhibit "Lease Controversies" attached hereto, no material controversy, complaint,

negotiation or renegotiation, proceeding, suit or litigation relating to all or any of the Leases, is pending or, to the knowledge of Sellers, threatened, whether in any tribunal or informally. Sellers are and shall remain responsible after the Closing Date for defending (or continuing) any such suit, proceeding or other matter relating to periods prior to the Closing Date, and all damages, loss, expenses and costs related thereto.

10.1.15. Existing Loan Documents. Exhibits "Assumed Loan Documents" and "Satisfied Loan Documents" set forth true, correct and complete schedules of all of the notes, deeds of trust, and other loan documents evidencing or securing the Assumed Indebtedness and Satisfied Indebtedness, respectively. Sellers have delivered true, correct and complete copies of the Existing Loan Documents to Buyer prior to the date hereof as part of the Seller's Deliveries. Each Entity and Seller has complied with (and, prior to the Closing, shall continue to comply with) the terms of, and all notices or correspondence received from the holders of, the Existing Loan Documents. Each Entity and/or Seller has paid (and, at all times prior to the Closing, shall pay) all sums due under the Existing Loan Documents. No Entity or Seller shall make any prepayment of any amount due under the Loan Documents. The Existing Loan Documents are in full force and effect, and, to the best knowledge of each Seller and each Entity, no Entity nor any Seller is in default thereunder, and there has not occurred any event which, with the giving of notice and/or the passage of time, or both, would constitute a default by any Entity or Seller thereunder or under any of the Existing Loan Documents. The outstanding principal balance under the Assumed Indebtedness as of the Contract Date is \$13,062,178 (\$9,625,148.00 as to the Project known as Cranberry Square and \$3,457,030.00 secured by a security interest in the deed of trust encumbering the Project known as Tred Avon.)

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10.1.16. Tred Avon Loan Documents. Exhibit "Tred Avon Loan Documents" attached hereto sets forth a true, correct and complete schedule of all of the notes, deeds of trust and the other loan documents evidencing or securing the Tred Avon Indebtedness. Sellers have delivered true, correct and complete copies of the Tred Avon Loan Documents to Buyer prior to the date hereof as part of the Seller's Deliveries. TA Associates Limited Partnership has complied with the terms of, and all notices or correspondence received from the holder of, the Tred Avon Loan Documents. TA Associates Limited Partnership has paid all sums due under the Tred Avon Loan Documents. The Tred Avon Loan Documents are in full force and effect, and to the best knowledge of each Seller and each Entity, TA Associates Limited Partnership is not in default thereunder, and there has not occurred any event which, with the giving of notice and/or the passage of time, or both, would constitute a default by TA Associates Limited Partnership thereunder or under any of the Tred Avon Loan Documents. The outstanding principal balance under the Tred Avon Loan Documents on the Contract Date is \$9,659,512.00.

10.1.17. Condemnation. Sellers and the Entities have no knowledge of any pending or contemplated condemnation or other governmental taking proceedings affecting all or any part of any or all of the Projects.

10.1.18. Disclosure. No representation or warranty made by any Seller in this Agreement, no exhibit attached hereto with respect to the Projects, and no schedule contained in this Agreement contains any untrue statement of a material fact, or omits to state a material fact necessary in order to make the statements contained therein not misleading. Except as otherwise expressly set forth in this Agreement, Seller makes no representation or warranty, express or implied, as to the physical condition of the Projects, and Buyer is purchasing the Interests and Brandon with the Projects "AS-IS, WHERE-IS" as to physical condition.

The representations and warranties in this Section 10 shall be deemed remade by each Seller as of the Closing Date with the same force and effect as if in fact specifically remade at that time. The representations and warranties made in this Section 10 shall survive the Closing for a period of eighteen (18) months. Notwithstanding anything to the contrary herein, the effect of the representations and warranties made in this Agreement by Sellers shall not be diminished, abrogated or deemed to be waived by the inspections, assessments, or any other investigations made by Buyer.

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11. REPRESENTATIONS AS TO INTERESTS/SECURITIES AND RELATED MATTERS.

11.1. Sellers. The Sellers represent and warrant to Buyer that the following matters are true as of the Contract Date and shall be true as of the Closing Date and covenant as follows:

11.1.1. Authority. Each Seller is duly formed, validly existing,

and in good standing under the laws of Maryland, and has the power and authority to own the Interests owned by it. The execution and delivery of this Agreement by Sellers, and the performance of this Agreement by Sellers, have been duly authorized by Sellers, respectively, and this Agreement is binding on Sellers and enforceable against them in accordance with its terms. No consent of any creditor, investor, partner, shareholder, tenant-in-common, judicial or administrative body, Governmental Authority, or other governmental body or agency, or other party to such execution, delivery and performance by Sellers is required. Neither the execution of this Agreement nor the consummation of the transactions contemplated hereby will (i) result in a breach of, default under, or acceleration of, any agreement to which Sellers are a party or by which Sellers, or the Projects are bound; or (ii) violate any restriction, court order, agreement or other legal obligation to which Sellers, and/or any of the Projects are subject.

11.1.2. Entities. Each Entity is duly formed, validly existing, and in good standing under the laws of Maryland, and has the power and authority to own its Project (or, as to Tred Avon, the Tred Avon Loan Documents). Sellers have delivered to Buyer, as part of Sellers' Deliveries, all of the documents relating to the formation or governance of the Entities. Each Entity is a single purpose entity, organized for the sole purpose of owning its Project (or as to Tred Avon, the Tred Avon Loan Documents).

11.1.3. Interest. The direct and indirect ownership of each Seller including percentage interests of ownership, is as reflected on Exhibit "Sellers". The Interests constitute one hundred percent (100%) of the Interests in the Entities, except Tred Avon in which CPI owns a seventy-five percent (75%) Interest. Each Seller owns the Interests owned by such Seller, as set forth on Exhibit "Sellers" hereto, free and clear of all liens, charges, encumbrances, restrictive agreements and assessments, other than restrictions on transfers and other similar provisions as set forth in the relevant Partnership Agreement, which such Seller warrants and represents shall not be violated by the assignment of Interests contemplated by this Agreement. Upon the assignment of such Seller's Interest to the Buyer (or its designee(s)), the Buyer will receive good and absolute title thereto, free from all liens, charges, encumbrances, restrictive agreements and assessments whatsoever, other than restrictions on transfers and other similar provisions as set forth in the relevant Partnership Agreement. Each Seller hereby waives, with respect to the assignment contemplated by this Agreement, any "right of refusal" or other restriction on transfer set forth in the Partnership Agreement of any Entity of which such Seller is a partner. There are no outstanding options, contracts, calls, commitments or demands of any nature relating to the Interests of any Seller.

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11.1.4. No Transfers of Interests. There will be no changes in the composition of any Entity between the date of this Agreement and Closing, except for transfers by and between entities controlled by CPI ("CPI Affiliates"). Transfers of any Interests to CPI Affiliates shall be subject to this Agreement, the transferor/assignor Sellers shall not be relieved of their obligations under this Agreement, and the CPI Affiliates which are transferees/assignees of Interests shall become Sellers under this Agreement. Sellers shall give Buyer written notice of such transfers to CPI Affiliates and shall provide Buyer with copies of all executed documents effecting such transfers.

11.1.5. Tax-Related Issues.

(a) Each Entity is, and at all times has been, properly treated as a partnership for federal income tax purposes and not as an "association" or "publicly traded partnership" taxable as a corporation.

(b) Each Entity has filed or caused to be filed in a timely manner (within any applicable extension periods) all tax, information or other returns required to be filed by the Code or by applicable state, or local tax laws (collectively, "Tax Returns"). Such Tax Returns are true, correct and complete in all respects; and all federal, state or local income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, unemployment, disability, personal property, sales, use, transfer, registration, estimated, or other tax of any kind whatsoever, including any interest, penalty or other addition thereto, whether disputed or not, (collectively, "Taxes") due, and Taxes due in respect of any person for which the applicable Entity had an obligation to withhold and/or otherwise pay over Taxes, have been timely paid in full or will be timely paid in full by the due date thereof (and whether or not shown on a Tax Return). With respect to any taxable year for which a statute of limitations (or similar provision) has not yet run, none of the Tax Returns of the applicable Entity has been audited by a government or taxing authority, nor is any such audit or other proceeding in process, pending, threatened (either in writing or verbally, formally or informally) or expected to be asserted with respect to Taxes (or the collection of Taxes) of the applicable Entity, and no Entity has received notice (either in writing or verbally, formally or informally) or expects to receive notice that it has not filed a Tax Return or not paid Taxes required to be filed, withheld, or paid by it. Each Entity has disclosed on its federal income tax returns all

positions taken therein that could give rise to a substantial understatement penalty within the meaning of Code Section 6662. No claim has ever been made by an authority in a jurisdiction where such Entity does not file Tax Returns that it is or may be subject to taxation by that jurisdiction.

11.1.6. United States Person. Each Entity and each Seller is a "United States Person" within the meaning of Section 1445(f)(3) of the Code, as amended, and shall execute and deliver an "Entity Transferor" certification at Closing.

11.1.7. Entity Liabilities. Except for (i) the Assumed Indebtedness, and (ii) any accrued liabilities and obligations of the Entities that are being adjusted at the Closing pursuant to Section 17 of this Agreement, the Entities shall not have any liabilities or obligations, either accrued, absolute, contingent, or otherwise, which will not be paid or

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discharged on or before the Closing Date. In addition, except for the claims and liabilities described in the preceding sentence, neither the Sellers nor the Entities have received notice of any claim against (or liability of) the Entities arising from business done, transactions entered into or other events occurring prior to the Closing Date (and to the best knowledge of the Sellers and the Entities, no basis for any such claim or liability exists).

11.1.8. Investment Representation. Each Seller has such knowledge and experience in financial and business matters so as to be fully capable of evaluating the merits and risks of an investment in the Shares. No Shares will be issued, delivered or distributed to any person or entity who either (i) is a resident of the State of California or New York or (ii) is other than an Accredited Investor with respect to whom there has been delivered to Buyer satisfactory Investor Materials confirming the status of such person or entity as an Accredited Investor. Each Seller has been furnished with the informational materials described in Section 4.2 above (collectively, the "Informational Materials"), and has read and reviewed the Informational Materials and understands the contents thereof. The Sellers have been afforded the opportunity to ask questions of those persons they consider appropriate and to obtain any additional information they desire in respect of the Shares and the business, operations, conditions (financial and otherwise) and current prospects of the Buyer and the REIT. The Sellers have consulted their own financial, legal and tax advisors with respect to the economic, legal and tax consequences of delivery of the Shares and have not relied on the Informational Materials, Buyer, the Buyer, the REIT or any of their officers, directors, affiliates or professional advisors for such advice as to such consequences. All of the holders of interests in each Seller are Accredited Investors. No Seller requires the consent of any interest holder in order to consummate the transactions contemplated by this Agreement, including, without limitation, to amend any partnership agreement, operating agreement, charter or other governing document of such Seller. All of the Sellers are formed under the law of the State of Maryland, or as to natural individuals, are domiciled in the State of Maryland.

11.1.9. The representations and warranties in this Section 11.1 shall be deemed remade by each Seller, as of the Closing Date with the same force and effect as if specifically remade at that time. The representations and warranties made in this Section 11.1 shall survive the Closing without limitation.

11.2. COPLP and the REIT. COPLP and the REIT represent and warrant to Sellers that the following matters are true as of the Contract Date and shall be true as of the Closing Date:

11.2.1. COPLP is a limited partnership validly existing under the laws of the State of Delaware and has all requisite power to carry on its business as now conducted. The REIT is the sole general partner of COPLP and is a duly formed and validly existing Maryland real estate investment trust. Each of COPLP and the REIT has full power and authority and possesses all material authorizations and approvals necessary to enable it to execute and deliver this Agreement and the other documents to be executed by it pursuant to this Agreement, and perform its obligations hereunder and thereunder. This Agreement and the other documents to be executed by COPLP and the REIT pursuant to this Agreement when executed and delivered

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by COPLP and the REIT will, subject to approval by the shareholders of the REIT prior to Closing, constitute valid and legally binding obligations of each of COPLP and the REIT, enforceable against them in accordance with their respective terms, subject to bankruptcy and insolvency laws, and to equitable principles which may be imposed by courts.

11.2.2. Subject to approval by the shareholders of the REIT, the execution, delivery and performance of this Agreement and the other documents to be executed, delivered and performed pursuant to this Agreement do not and will

not (with or without the passage of time or the giving of notice): (i) violate or conflict with COPLP's Partnership Agreement or the REIT's Amended and Restated Declaration of Trust, or any law binding upon COPLP or the REIT; (ii) violate or conflict with, result in a breach of, or constitute a default or otherwise cause any loss of benefit under, any agreement or other obligation to which COPLP or the REIT is a party or by which either of them (or the assets of either of them) is bound, or give to any other party any rights (including, without limitation, rights of termination, foreclosure, cancellation or acceleration) in, or with respect to COPLP or the REIT; or (iii) result in, require, or permit the creation or imposition of, any restriction, mortgage, deed of trust, pledge, lien, security interest or other charge, claim or encumbrance upon, or with respect to, COPLP or the REIT or the assets of either of them.

11.2.3. There are no actions, suits, claims, proceedings, investigations or inspections, pending or (to the REIT's knowledge) threatened, against or affecting COPLP or its Affiliates which could have a material adverse effect on COPLP and its Affiliates considered as a whole, and to the REIT's knowledge there are no matters of litigation or governmental proceedings expected to be brought against it or its Affiliates which could have a material adverse effect on the financial condition of the REIT and its Affiliates considered as a whole.

11.2.4. No consent, order, approval or authorization of, or registration, declaration or filing with, any court, administrative agency or commission or other governmental authority or agency, domestic or foreign, is required by or with respect to the COPLP or the REIT in connection with the execution, delivery and performance of this Agreement and the other documents to be executed, delivered and performed pursuant to this Agreement.

11.2.5. The Informational Materials did not, as of their respective dates of filing, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading. There has not been any material adverse change in the business of COPLP or the REIT since March 31, 1998. Except as may otherwise be set forth therein, the financial statements (including the notes thereto) of the REIT set forth in the Informational Materials present fairly the consolidated financial position of the REIT as at the dates set forth therein and its results of operations, changes in consolidated stockholder equity and cash flows for periods covered thereby, all in conformity with United States generally accepted accounting principles applied on a consistent basis for such periods.

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11.2.6. The Shares to be issued at Closing will, when issued and delivered, be duly authorized, validly issued, fully paid, non-assessable shares of the REIT free from all claims of preemptive rights.

11.2.7. COPLP has been at all times, and presently intends to continue to be, classified as a partnership for federal income tax purposes and not an association taxable as a corporation or a publicly traded partnership taxable as a corporation. The REIT is now, and presently intends to continue to be classified, as a real estate investment trust under Section 856 of the Internal Revenue Code of 1986, as amended.

11.2.8. All documents and other papers delivered by or on behalf of COPLP or the REIT in connection with the transactions contemplated by this Agreement are accurate and complete in all material respects and are authentic. No representation or warranty of COPLP or the REIT contained in this Agreement contains any untrue statement of a material fact or omits to state a fact necessary in order to make the statements herein or therein, in light of the circumstances under which they were made, not misleading. Except as described in this Agreement or in the Informational Materials there is no fact known to COPLP or the REIT or (other than proposed or enacted legislation, proposed or enacted regulation, or general economic or real estate industry conditions and changes) that materially adversely affects or, so far as COPLP and the REIT can reasonably foresee, materially threatens, the assets, activities, prospects, financial condition or results of COPLP or the REIT.

11.2.9. The representations and warranties in this Section 11.2 shall be deemed remade by COPLP and REIT as of the Closing Date with the same force and effect as if remade at Closing. The representations and warranties made in this Section 11.2 shall survive Closing without limitation.

12. COVENANTS OF SELLER.

Sellers (for themselves and for the Entities) hereby covenant with Buyer as follows:

12.1. New Leases. Neither the Entities nor CPI as to Brandon shall amend any Lease or execute any new lease, license, or other agreement affecting the ownership or operation of all or any portion of the Projects or for personal

property, equipment, or vehicles, without Buyer's prior written approval. The Tred Avon Loan Documents shall not be amended without the prior written consent of Buyer. The Existing Loan Documents shall not be amended without the prior written consent of Buyer. Buyer shall be deemed to have consented to any document or action under Sections 12.1 or 12.2 for which Sellers have requested approval by written request (specifying in such request that Buyer must object, if at all, within five (5) days after receipt) to Buyer if Buyer does not object to such document or action within five (5) days after receiving such request from Sellers. No prepayment shall be made under any of loans evidenced or secured by the Existing Loan Documents.

12.2. New Contracts. Neither the Entities nor CPI shall enter into any contract with respect to the ownership and operation of all or any portion of any or all of the Projects that

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will survive the Closing, or that would otherwise affect the use, operation or enjoyment of any or all of the Projects, without Buyer's prior written approval, except for service contracts entered into in the ordinary course of business that are terminable, without penalty, on not more than 30 days' notice, for which no consent shall be required.

12.3. Insurance. The insurance policies described in Section 10.1.11 above shall remain continuously in force through and including the Closing Date.

12.4. Operation of Projects. The Entities and CPI as to Brandon shall operate and manage the Projects in a manner consistent with the manner in which they are being operated on the Contract Date, maintaining the current level of services, shall maintain the Projects in good repair and working order; shall keep on hand sufficient materials, supplies, equipment and other Personal Property for the efficient operation and management of the Projects in a first class manner; and shall perform, when due, all of the Entities' obligations under the Existing Loan Documents, Leases, Contracts, Governmental Approvals and other agreements relating to the Projects and otherwise in accordance with applicable laws, ordinances, rules and regulations affecting the Projects. Except as otherwise specifically provided herein, the Entities and CPI as to Brandon shall deliver the Projects at Closing in substantially the same condition as each of them is in on the Contract Date, reasonable wear and tear excepted. Sellers shall cause Tred Avon to collect the indebtedness under, and shall hold the Tred Avon Loan Documents in the manner in which they are currently being collected and held. Sellers shall cause the Entities to pay when due all amounts due under Existing Loan Documents and to perform all obligations of such Entities under the Loan Documents.

12.5. Pre-Closing Expenses. Sellers have paid or will pay or cause to be paid in full, prior to the Closing, all bills and invoices for labor, goods, material and services of any kind relating to the Projects and utility charges, relating to the period prior to the Closing. Except as the parties may otherwise agree at or prior to Closing, any alterations, installations, decorations and other work required to be performed under any and all agreements affecting the Projects have been or will, by the Closing, be completed and paid for in full.

12.6. Good Faith. All actions required pursuant to this Agreement that are necessary to effectuate the transaction contemplated herein will be taken promptly and in good faith by Sellers or the Entities, as applicable, and each Seller shall furnish Buyer with such documents or further assurances as Buyer may reasonably require.

12.7. No Assignment. After the Contract Date and prior to the Closing, no Seller shall assign, alienate, lien, encumber or otherwise transfer all or any part of any or all of the Interests, the Projects or any interest in any or all of them, except for transfers of Interests to CPI Affiliates. Sellers shall give Buyer notice of the transfers of any Interests to CPI Affiliates, together with copies of the signed documents effecting such transfers.

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12.8. Availability of Records, Audit Representation Letter.

12.8.1. Upon Buyer's request, for a period of two years after the Closing, Sellers shall (i) make the Records available to Buyer for inspection, copying and audit by Buyer's designated accountants; and (ii) cooperate with Buyer (without any third party expense to Sellers) in obtaining any and all permits, licenses, authorizations, and other Governmental Approvals necessary for the operation of any or all of the Projects. Without limitation of the foregoing in this Section 12.8, Sellers agree to abide by the terms of Exhibit "Securities Reporting Requirements" attached hereto. At any time before or within two years after the Closing, Sellers further agree to provide to the Buyer's designated independent auditor, upon request of Buyer or such auditor: (x) access (to the same extent to which Buyer would be entitled to such access)

to the books and records of the Projects and all related information (including the information listed on Exhibit "Securities Reporting Requirements") regarding the period for which Buyer is required to have the Project audited under the regulations of the Securities and Exchange Commission, and (y) a representation letter delivered by each managing agent of the Projects regarding the books and records of the Projects, in substantially the form as attached hereto as Exhibit "Audit Representation Letter".

12.8.2. In addition, Sellers shall provide, and cooperate, in all respects, in providing, Buyer with copies of, or access to, such factual information as may be reasonably requested by Buyer, and in the possession or control of Sellers, to enable the REIT to issue one or more mutually agreed upon press releases concerning the transaction that is the subject of this Agreement, to file a Current Report on Form 8-K (as specified on Exhibit "Securities Reporting Requirements" attached hereto), if, as and when such filing may be required by the SEC and to make any other filings that may be required by any Governmental Authority. The obligation of Sellers to cooperate in providing Buyer with such information for Buyer to file its Current Report on Form 8-K shall survive the Closing.

12.9. Change in Conditions. Sellers shall promptly notify Buyer of any change in any condition with respect to any or all of the Entities, the Projects or of the occurrence of any event or circumstance that makes any representation or warranty of Sellers to Buyer under this Agreement untrue or misleading, or any covenant of Buyer under this Agreement incapable or less likely of being performed, it being understood that Sellers' obligation to provide notice to Buyer under this Section 12.9 shall in no way relieve Sellers of any liability for a breach by Sellers of any of its representations, warranties or covenants under this Agreement.

12.10. Entity Structure. Except for transfers of Interests to CPI Affiliates, from the Contract Date through and including the Closing Date, the Entities and Sellers shall maintain the same composition of its partners, shareholders and members as the case may be, as exists on the Contract Date, unless otherwise expressly or consented to by Buyer in writing.

12.11. Cure of Violations. On or before the Closing Date, Sellers shall cure (or escrow sufficient funds at the Closing with the Title Company to cure) (i) all violation(s) of law, code, ordinance or regulation that are the subject of any written notice issued by a Governmental

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Authority with respect to any Project, and (ii) legal deficiencies discovered at or in any Project before the Closing.

12.12. Tenant Purchase Rights. Exhibit "Tenant Purchase Rights" sets forth the purchase rights of three (3) Tenants as more particularly described in Exhibit "Tenant Purchase Rights", a right of first option held by Giant of Maryland, Inc. ("Giant") with respect to the Cranberry Square Project (the "Giant Purchase Right"), an option to purchase held by the United States of America with respect to the One National Business Park Project (the "USA Purchase Right"), and a right of first refusal held by Green Spring Health Services, Inc. with respect to the Woodlands I Project (the "Green Spring Purchase Right").

12.12.1. Buyer agrees to accept the One National Business Park Project subject to the USA Purchase Right.

12.12.2. Promptly after the Contract Date, Sellers shall notify Giant of this transaction and the sale of the Interests of the Entity owning the Cranberry Square Project. The obligation of Buyer to purchase the Interests of Entity owning Cranberry Square is contingent upon Giant's entering into an agreement of sale to purchase the Cranberry Square Project on or before the Closing Date. If, prior to Closing, Giant enters into an agreement to purchase the Cranberry Square Project or the Interests of the Entity owning the Cranberry Square Project, the Cranberry Square Project shall be deleted from this Agreement, this Agreement shall be deemed to have been automatically amended so as to delete the Project from this Agreement, and Buyer and Sellers shall proceed to close on the remaining Projects subject to a reduction in the Consideration by the amount of the Consideration allocated to the Cranberry Square Project.

12.12.3. Promptly after the Contract Date, Sellers shall notify Green Spring Health Services, Inc. ("Green Spring") of this transaction and the sale of the Interests of the Entity owning the Woodlands I Project. Buyer's obligation to purchase the Interests of the Entity owning the Woodlands I Project is contingent upon (a) the exercise by Green Spring of the Green Spring Purchase Right or (b) the waiver by Green Spring on or before the Closing Date (either in writing or due to the passage of time) of its right, if any, to purchase the Woodlands I Project pursuant to the terms contemplated by this Agreement. If Green Spring exercises the Green Spring Purchase Right or does not waive such right (either in writing or due to the passage of time) on or before

the Closing Date, the Green Spring Purchase Right with respect to the Woodlands I Project as it relates to the transaction contemplated by this Agreement, the Woodlands I Project shall be deleted from this Agreement, this Agreement shall be deemed to have been automatically amended so as to delete the Woodlands I Project from this Agreement, and Buyer and Sellers shall proceed to close on the remaining Projects, subject to a reduction in the Consideration by the amount of the Consideration allocated to the Woodlands I Project.

All covenants made in this Agreement by Sellers shall survive the Closing for a period of eighteen (18) months.

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13. ENVIRONMENTAL WARRANTIES AND AGREEMENTS.

13.1. Definitions. Unless the context otherwise requires:

13.1.1. "Environmental Law" or "Environmental Laws" shall mean all applicable past, present or future federal, state and local statutes, regulations, directives, ordinances, rules, court orders, decrees, arbitration awards and the common law, which pertain to environmental matters, contamination of any type whatsoever or health and safety matters, as such have been amended, modified or supplemented from time to time (including all present and future amendments thereto and re-authorizations thereof). Environmental Laws include, without limitation, those relating to: (i) the manufacture, processing, use, distribution, treatment, storage, disposal, generation or transportation of Hazardous Materials; (ii) air, soil, surface, subsurface, groundwater or noise pollution; (iii) Releases; (iv) protection of wildlife, endangered species, wetlands or natural resources; (v) Tanks; (vi) health and safety of employees and other persons; and (vii) notification requirements relating to the foregoing. Without limiting the above, Environmental Law also includes the following: (i) the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. Section 9601 et seq.), as amended ("CERCLA"); (ii) the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act (42 U.S.C. Section 6901 et seq.), as amended ("RCRA"); (iii) the Emergency Planning and Community Right to Know Act of 1986 (42 U.S.C. Section 11001 et seq.), as amended; (iv) the Clean Air Act (42 U.S.C. Section 7401 et seq.), as amended; (v) the Clean Water Act (33 U.S.C. Section 1251 et seq.), as amended; (vi) the Toxic Substances Control Act (15 U.S.C. Section 2601 et seq.), as amended; (vii) the Hazardous Materials Transportation Act (49 U.S.C. Section 1801 et seq.), as amended; (viii) the Federal Insecticide, Fungicide and Rodenticide Act (7 U.S.C. Section 136 et seq.), as amended; (ix) the Federal Safe Drinking Water Act (42 U.S.C. Section 300f et seq.), as amended; (x) the Federal Radon and Indoor Air Quality Research Act (42 U.S.C. Section 7401 note, et seq.); (xi) the Occupational Safety and Health Act (29 U.S.C. Section 651 et seq.), as amended; (xii) any state, county, municipal or local statutes, laws or ordinances similar or analogous to (including counterparts of) any of the statutes listed above; and (xiii) any rules, regulations, directives, orders or the like adopted pursuant to or implementing any of the above.

13.1.2. "Environmental Permit" or "Environmental Permits" shall mean licenses, certificates, permits, directives, requirements, registrations, government approvals, agreements, authorizations, and consents which are required under or are issued pursuant to an Environmental Law or are otherwise required by Governmental Authorities.

13.1.3. "Hazardous Conditions" refers to the existence or presence of any Hazardous Materials on, in, under, or at, the Projects (including air, soil and groundwater) or any portion of any of them.

13.1.4. "Hazardous Material" or "Hazardous Materials" shall mean:

(a) any chemical, pollutant, contaminant, pesticide, petroleum or petroleum product or by product, radioactive substance, solid waste (hazardous or extremely hazardous), special, dangerous or toxic waste, substance, chemical or material regulated, listed,

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limited or prohibited under any Environmental Law, including without limitation: (i) friable or damaged asbestos, asbestos-containing material, presumed asbestos-containing material, polychlorinated biphenyls ("PCBs"), solvents and waste oil; (ii) any "hazardous substance" as defined under CERCLA; and (iii) any "hazardous waste" as defined under RCRA; and

(b) even if not prohibited, listed, limited or regulated by an Environmental Law, all pollutants, contaminants, hazardous, dangerous or toxic chemical materials, wastes or any other substances, including without limitation, any industrial process or pollution control waste (whether or not

hazardous within the meaning of RCRA) which could pose a hazard to the environment, or the health and safety of any person or impair the use or value of any portion of the Projects.

13.1.5. "Release" means any spill, discharge, leak, migration, emission, escape, injection, dumping or other release or threatened release of any Hazardous Material into the environment, whether or not notification or reporting to any Governmental Authority was or is required. Release includes, without limitation, historical releases and the meaning of Release as defined under CERCLA.

13.1.6. "Remedial Action" shall mean any and all corrective or remedial action, preventative measures, response, removal, transport, disposal, clean-up, abatement, treatment and monitoring of Hazardous Materials or Hazardous Conditions, whether voluntary or mandatory, and includes all studies, assessments, reports or investigations performed in connection therewith to determine if such actions are necessary or appropriate (including investigations performed to determine the progress or status of any such actions), all occurring on or after the Contract Date.

13.1.7. "Remedial Costs" shall include all costs, liabilities expenses and fees incurred on or after the date of this Agreement in connection with Remedial Action, including but not limited to: (i) the fees of environmental consultants and contractors; (ii) reasonable attorneys' fees (including compensation for in-house and corporate counsel provided such compensation does not exceed customary rates for comparable services); (iii) the costs associated with the preparation of reports, and laboratory analysis (including charges for expedited results if reasonably necessary); (iv) regulatory, permitting and review fees; (v) costs of soil and/or water treatment (including groundwater monitoring) and/or transport and disposal; and (vi) the cost of supplies, equipment, material and utilities used in connection with Remedial Action.

13.1.8. "Tank" or "Tanks" means above-ground and underground storage tanks, vessels and related equipment, including appurtenant pipes, lines and fixtures containing or previously containing any Hazardous Material or fraction thereof.

13.2. Warranties. Sellers, for themselves and for the Entities, hereby represent and warrant as follows with respect to each Project:

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13.2.1. Sellers and the Entities have made available or delivered to Buyer originals (or true, complete and accurate copies) of all of the documents in their possession, custody or control, which documents include and/or relate to:

(a) All approvals, plans, specifications, test borings, percolation tests, engineering studies, surveys or other environmental data concerning the Projects;

(b) All permits (including Environmental Permits), approvals, registrations, Tank registration and/or closure documentation, certificates, applications, notices, orders, directives, legal pleadings, correspondence or other documents of any nature that any Entity or Seller, any tenant of Entity, any of Entity's predecessors-in-title or any tenant of Entity's predecessors-in-title have submitted to, or received from, any Governmental Authority regarding the Projects and their use, compliance or non-compliance with Environmental Laws; and

(c) The results of any investigation of any of the Projects including, but not limited to, Phase I or Phase II site assessments, asbestos inspection and/or removal reports, tests or investigations of soil or other substrate air, groundwater, surface water, or the building interior, and any testing or investigation results relating to the removal or abandonment of any Tanks from the Projects.

13.2.2. To the knowledge of Sellers, each Project is owned and operated in material compliance with all Environmental Laws and Environmental Permits.

13.2.3. There are no pending or, to the Sellers' and Entities' knowledge, threatened: (i) claims, complaints, notices, correspondence or requests for information received by Sellers or the Entities with respect to any violation or alleged violation of any Environmental Law or Environmental Permit or with respect to any corrective or remedial action for or cleanup of the Project or any portion thereof; and (ii) written correspondence, claims, complaints, notices, or requests for information from or to Sellers or Entities regarding any actual, potential or alleged liability or obligation under or violation of any Environmental Law or Environmental Permit with respect to the Project or any portion thereof.

13.2.4. To Seller's knowledge, there have been no Releases and there has not been a threatened Release of a Hazardous Material on, in, under or at the Project or any portion thereof.

13.2.5. No Project is listed, proposed or nominated for listing on the National Priorities List pursuant to CERCLA (the "NPL"), the Comprehensive Environmental Response and Liability Information System ("CERCLIS") or on any other similar list of sites under analogous state laws.

13.2.6. Except as listed and described on Exhibit "USTs", there are no Tanks at, on or under the Project. Neither the Sellers nor the Entities have removed, closed or

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abandoned any Tanks at the Projects, and neither the Sellers nor the Entities have any knowledge of the existence, abandonment, closure or removal of Tanks at the Projects.

13.2.7. To the knowledge of Sellers, there are no PCBs or friable or damaged asbestos at the Projects.

13.2.8. To the knowledge of Sellers, there has been no storage, treatment, disposal, generation, transportation or Release of any Hazardous Materials by any Entity or Seller or by any other person or entity for which any Seller or Entity is or may be held responsible, at, on, under, or about any Project (or any portion thereof) in violation of Environmental Laws.

13.3. Indemnity. Notwithstanding anything to the contrary in this Agreement, with respect to each Project, each of the Sellers, and each of Sellers' shareholders, partners and members, (collectively, jointly and severally, "Post Closing Seller") agree to and do hereby indemnify, defend and hold harmless Buyer, the REIT and each of their respective partners, shareholders, agents, contractors, employees, officers, directors, trustees, shareholders, and each of their successors and assigns (collectively, the "Buyer Indemnified Parties"), from and against any and all liabilities, claims, demands, suits, administrative proceedings, causes of action, costs, damages, personal injuries and property damages, losses and expenses, both known and unknown, present and future, at law or in equity (collectively, "Losses"), arising out of, by virtue of or related in any way to a breach by Sellers of any of their representations and warranties under Sections 13.2 through and including 13.2.8.

Without limiting any of Post-Closing Seller's above indemnification obligations, Post-Closing Seller further acknowledges and agrees that its obligation to indemnify the Buyer Indemnified Parties with respect to any breach by Sellers of their representations and warranties under Sections 13.2 through and including 13.2.8, includes, without limitation: (i) any and all Remedial Costs associated with any Tank, Hazardous Material, Hazardous Condition or any Release; (ii) to the maximum extent allowed by law, all fines and/or penalties that may be imposed in connection with any Tank or the existence of any Hazardous Material on, at, under, near, in or about the Projects; (iii) the defense of any claim made by any individual or entity (including any government, governmental agency or entity) concerning any of the foregoing, which defense shall be conducted by counsel and with the assistance of environmental advisors and consultants, in all cases subject to the prior written approval of Buyer; and (iv) reasonable attorneys' fees and costs and environmental advisors' and consultants' fees incurred by any of the Buyer Indemnified Parties with respect to enforcing its rights under this indemnification provision. This Section 13 shall survive the Closing for a period of thirty (30) months. Indemnification claims by Buyer under this Section 13.3 are subject to Section 20.3.

14. ADDITIONAL CONDITIONS PRECEDENT TO CLOSING.

14.1. Buyer's Conditions Precedent. In addition to the other conditions enumerated in this Agreement, the following shall be additional Buyer's Conditions Precedent:

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14.1.1. Physical Condition. The physical condition of each Project shall be substantially the same on the Closing Date as on the Contract Date, reasonable wear and tear excepted, unless the alteration of said physical condition is the result of Damage.

14.1.2. Pending Actions. At the Closing, there shall be no administrative agency, litigation or governmental proceeding of any kind whatsoever, pending or threatened, that, after the Closing, would, in Buyer's sole and absolute discretion, materially and adversely affect any Entity or the value or marketability of any Project or the Projects as a whole, or the ability of Buyer to operate any or all of the Projects in the manner it is (they are)

being operated on the Contract Date.

14.1.3. Zoning. On the Closing Date, no proceedings shall be pending or threatened that could or would involve the change, redesignation, redefinition or other modification of the zoning classifications of (or any building, environmental, or code requirements applicable to) any or all of the Projects, or any portion thereof, or any property adjacent to any Project, in a manner which, in Buyer's sole and absolute discretion, would materially and adversely affect the value or marketability of any Project.

14.1.4. Flood Insurance. As of the Closing Date, if any Project is located in a flood plain, Buyer shall have obtained flood plain insurance in form and substance acceptable to Buyer.

14.1.5. Assumed Indebtedness. Sellers shall provide to Buyer letters from each of the holders of the Assumed Indebtedness dated no earlier than 30 days prior to the Closing Date, approving the transfer of the Interests to the Buyer, setting forth the amount of principal and interest outstanding as of the Closing Date, and stating that there has not been, and there does not currently exist, any default under any of the Assumed Indebtedness. Such letters shall be referred to collectively as the "Lenders' Approvals."

14.1.6. Satisfied Indebtedness. Sellers shall provide to Buyers payoff letters good through the Closing Date from all holders of the Satisfied Indebtedness stating the amount required to pay off the Satisfied Indebtedness.

14.1.7. Owners. The composition of partners, shareholders and members of each Entity and each Seller on the Closing Date shall be the same as on the Contract Date, except for transfers to CPI Affiliates.

14.1.8. Bankruptcy. As of the Closing Date, no Seller, no Entity and no Project is the subject of any bankruptcy proceeding for which approval of this transaction has not been given and issued by the applicable bankruptcy court.

14.1.9. Representations and Warranties True. The representations and warranties of Sellers contained in this Agreement shall be true and correct as of the Closing Date in all material respects, as though such representations and warranties were made on such date.

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14.1.10. Covenants Performed. All covenants and obligations of Sellers required to be performed on or prior to the Closing Date shall have been performed, in all material respects.

14.1.11. Approval by Buyer's Shareholders. REIT's Board of Trustees and shareholders shall have approved this Agreement and the consummation of the transactions contemplated by this Agreement.

14.2. Seller's Additional Conditions Precedent. The following shall be additional Seller's Conditions Precedent:

14.2.1. Representations and Warranties. The representations and warranties of Buyer contained in this Agreement shall be true and correct as of the Closing Date, in all respects, as though such representations and warranties were made on such date.

14.2.2. Covenants. All covenants of Buyer required to be performed on or prior to the Closing Date shall have been performed, in all material respects.

15. LEASES-CONDITIONS PRECEDENT AND WARRANTIES WITH RESPECT THERETO.

15.1. Warranties as to Leases. With respect to each of the tenants listed on the Rent Roll (as defined in Exhibit "Seller's Deliveries") provided to Buyer by Sellers and any other tenants leasing space in any or all of the Projects as of the Closing Date (collectively, the "Tenants"), Sellers, for themselves and for the Entities, represent and warrant to Buyer as of the Contract Date and as of the Closing Date as follows:

15.1.1. Each of the Leases is in full force and effect strictly according to the terms set forth therein and in the Rent Roll, and has not been modified, amended, or altered, in writing or otherwise. Each Tenant is legally required to pay all sums and perform all obligations set forth in the Leases, without concessions, abatements, offsets or other bases for relief or adjustment;

15.1.2. All obligations of the lessor under the Leases that accrue to the date of the Closing have been performed, including, but not limited to, all required tenant improvements, cash or other inducements, rent abatements or moratoria, installations and construction (for which payment in full has been made in all cases), and each Tenant has unconditionally accepted lessor's

performance of such obligations. No Tenant has asserted any offsets, defenses or claims available against rent payable by it or other performance or obligations otherwise due from it under any Lease;

15.1.3. Other than as shown on the Rent Roll, no Tenant is in default under or is in arrears in the payment of any sums or in the performance of any obligations required of it under its Lease. No Tenant has prepaid any rent or other charges;

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15.1.4. Each Entity and CPI as to Brandon have no reason to believe that any Tenant is, or may become, unable or unwilling to perform any or all of its obligations under its Lease, whether for financial or legal reasons or otherwise;

15.1.5. Neither base rent ("Base Rent"), nor regularly payable estimated Tenant contributions or operating expenses, insurance premiums, real estate taxes, common area charges, and similar or other "pass-through" or non-base rent items including, without limitation, cost-of-living or so-called "C.P.I." or other such adjustments (collectively, "Additional Rent"), nor any other item payable by any Tenant under any Lease has been heretofore prepaid for more than one month nor shall it be prepaid between the Contract Date and the Closing Date for more than one month;

15.1.6. No guarantor(s) of any Lease has been released or discharged, partially or fully, voluntarily or involuntarily, or by operation of law, from any obligation under or in connection with any Lease or any transaction related thereto;

15.1.7. Except as specifically disclosed on Exhibit "Commissions," there are no brokers' commissions, finders' fees, or other charges payable or to become payable to any third party on behalf of any Entity as a result of or in connection with any Lease or any transaction related thereto, including, but not limited to, any exercised or unexercised option(s) to expand or renew;

15.1.8. Each security deposit provided for under each Lease shall be fully assigned to Buyer at the Closing. No Tenant or any other party has asserted any claim (other than for customary refund at the expiration of a Lease) to all or any part of any security deposit;

15.1.9. Sellers shall pay, and retain sole and exclusive responsibility for, all expenses due on or before the Closing Date connected with or arising out of the negotiation, execution and delivery of the Leases, including, without limitation, brokers' commissions (subject to Section 17.7), leasing fees and recording fees (as well as the cost of all tenant improvements, subject to Section 17.7, not paid for by Tenants), and Sellers shall be deemed to have certified and warranted payment thereof to Buyer at the Closing;

15.1.10. Except as set forth on Exhibit "Tenant Purchase Rights", no Tenant has, by virtue of its Lease or any other agreement or understanding, any purchase option with respect to any Project, or any portion thereof, or any right of first refusal to purchase any Project, or a portion thereof, whether triggered by the transactions contemplated by this Agreement or by a subsequent sale of such Project or a portion thereof. Except as set forth on the Rent Roll, no Tenant has, by virtue of its Lease, or any other agreement or understanding any of the following: (a) the right or option to expand its tenancy into space at any Project other than the space that such Tenant is currently occupying; (b) the right or option to terminate its Lease; and (c) the right or option to contract the space at any Project that such Tenant is currently occupying;

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15.1.11. (a) Except as specifically disclosed on the Rent Roll delivered to Buyer, no Tenant has sublet its leased premises; and (b) there are no outstanding requests from any Tenants to Seller, requesting any consent to an assignment of the Tenant's Lease or to a sublease of all or some portion of a Tenant's leased premises.

Each Seller hereby indemnifies, defends and holds Buyer harmless from and against all loss, damage, liability, cost, expense (including, but not limited to, reasonable fees of attorneys of Buyer's choice) and charges which Buyer may incur, or to which Buyer may become subject, as a consequence of any breach of the warranties contained in this Section 15. The foregoing indemnity shall survive the Closing for a period of eighteen (18) months.

15.2. Estoppel Certificates from Tenants. Sellers shall use Sellers' commercially reasonable efforts to obtain, on or prior to the Closing Date, a tenant's estoppel certificate from Tenants occupying at least eighty percent (80%) of each Project (except Tred Avon) or such larger percentage as Buyer's lender or lenders may require (provided, that Buyer advises Sellers of lender

requirements at least thirty (30) days before Closing) (the "Estoppel Certificate"), dated no earlier than thirty (30) days prior to the Closing Date, from each of the Tenants. The Estoppel Certificate shall be certified to Buyer, the Entity owning the Project in which the applicable Tenant is located, and any other party designated by Buyer. If Sellers (despite Sellers' required best efforts) are unable to obtain an Estoppel Certificate from the required percentage of Tenants Buyer's sole remedy shall be to proceed to close and accept Seller's own Estoppel Certificate with respect to the Lease and tenancy for which Sellers fail to procure an Estoppel Certificate from the relevant Tenant (and any Estoppel Certificate so executed by a Seller shall also be tailored, in a manner mutually and reasonably acceptable to Buyer and such Seller, to reflect its issuance by the landlord, rather than the Tenant in question). Each such Estoppel Certificate shall be substantially in the form attached hereto as Exhibit "Tenant Estoppel Certificate" or in such other form as Buyer's lender or lenders may require. At Buyer's request, when Sellers request the Tenant Estoppels, Sellers shall simultaneously request, and thereafter Sellers shall use Sellers' commercially reasonable efforts to obtain, on or before the Closing Date, from each Tenant a subordination, non-disturbance and attornment agreement in such form and content as Buyer or Buyer's lender may require.

16. CLOSING DELIVERIES.

16.1. Sellers' Deliveries. At the Closing (or such other times as may be specified below), Sellers shall deliver or cause to be delivered to Buyer the following, in form and substance reasonably acceptable to Buyer and Sellers:

16.1.1. Assignment of Interests. As to each Entity, an Assignment and Assumption Agreement, an Amendment to the Entity Agreement, and an Amendment to the filed Entity Certificate setting forth the assignment by each of the Sellers of such Seller's Interests and his, her or its withdrawal from the Entity and the admission of the Buyer and/or its designee(s) as partners of the Entity, which amendment shall be executed and acknowledged by all Sellers and the Buyer.

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16.1.2. Release. A release from each Seller releasing each Entity and the Buyer (and its designee(s)) as partners of the Entities from any obligations and liabilities with respect to the original formation of the Entities, and any other matter arising from business done, transactions entered into or events occurring prior to the Closing Date.

16.1.3. Opinion. The opinion, in form and substance reasonably acceptable to Buyer and Buyer's counsel, of Dan R. Skowronski, Esquire, General Counsel of Constellation Holdings, Inc., to the effect that, providing, or with respect to:

(a) Each Entity is a duly organized and validly existing entity in good standing under the laws of the State of Maryland;

(b) (i) the legal existence and good standing of each Entity and each Seller in Maryland; (ii) the due authorization, execution and delivery of this Agreement, and the other documents required (under the terms of this Agreement) to be delivered by each Seller; (iii) that this Agreement and the other documents required (under the terms of this Agreement) to be delivered by each Seller, constitute the legal, valid and binding obligations of such Seller, enforceable against it in accordance with their respective terms, except to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and other similar laws of general applicability relating to or affecting the enforcement of creditors' rights and by the effect of general principles of equity (regardless of whether enforceability is considered in a proceeding of equity or at law;

(c) The execution and delivery of this Agreement and all other agreements delivered in connection herewith or at the Closing, the consummation of the transactions herein contemplated, and compliance with the terms of this Agreement and all other agreements delivered in connection herewith or at the Closing will not conflict with, or result in a breach of, any of the terms, conditions or provisions of, or constitute a default under, any note, indenture, mortgage, deed of trust, contract or other agreement or instrument to which any Entity is a party or by which any Entity is bound, or any law or order, rule, regulation, writ, injunction or decree of any government, governmental instrumentality or court, domestic or foreign; and

(d) There is no litigation or investigation pending or, to the best of such counsel's knowledge, threatened against any Entity, any Project, or any part thereof.

16.1.4. Lenders' Approvals and Payoff Letters. The Lenders' Approvals from all holders of the Assumed Indebtedness in conformity with Section 14.1.5 and the payoff letters required by Section 14.1.6.

16.1.5. Estoppel Certificates. The Estoppel Certificates of all Tenants in conformity with Section 15.2;

16.1.6. Keys. Keys to all locks located at each Project;

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16.1.7. Affidavit of Title and ALTA Statement. As to each Project, an Affidavit of Title (or comparable document) as reasonably required by the Title Company in the Commonwealth of Pennsylvania as a condition to the deletion of the general exceptions of Schedule B, Section 2 of each Title Policy, executed by the applicable Entity or Seller, as applicable, and in form and substance acceptable to the Title Company and to Buyer;

16.1.8. Letters to Tenants. If requested by Buyer, letters executed by the applicable Entities and, if applicable, its management agent, addressed to all Tenants, in form provided by Buyer, notifying all Tenants of the transfer of control of the Projects and directing payment of all rents accruing after the Closing Date to be made to Buyer or at its direction;

16.1.9. Title Policies. The title policies (or "marked-up" Title Reports) issued by the Title Company, dated as of the Closing Date in the amount of the Consideration allocated to each Project, in accordance with the requirements of Section 9 (it being understood that CPI as to Brandon will provide any certificates or undertakings required in order to induce the Title Company to insure over any "gap" period resulting from any delay in recording of documents or later-dating the title insurance file);

16.1.10. Original Documents. To the extent not previously delivered to Buyer, originals of the Leases, Assigned Contracts and Governmental Approvals;

16.1.11. Closing Statement. A closing statement conforming to the proration and other relevant provisions of this Agreement (the "Closing Statement") duly executed by Sellers;

16.1.12. Plans and Specifications. All plans and specifications relating to the Projects in any Entity's or Seller's possession and control or otherwise available to any Entity or Seller;

16.1.13. Tax Bills. Copies of the most currently available Tax Bills to the extent not previously delivered to Buyer;

16.1.14. Entity Transfer Certificate. Entity transfer certifications confirming that each Seller is a "United States Person" within the meaning of Section 1445 of the Internal Revenue Code of 1986, as amended;

16.1.15. Rent Roll. A Rent Roll, prepared as of the Closing Date, certified by the applicable Sellers to be true, complete and correct through the Closing Date;

16.1.16. Registration Rights Agreement. The Registration Rights Agreement, dated as of the Closing Date and duly executed by the Sellers;

16.1.17. Share Schedule. The Share Schedule, duly executed by Sellers;

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16.1.18. Certificates of Occupancy. Currently valid certificates of occupancy (or comparable permits or licenses), to the extent in Sellers' possession or control, with respect to the entirety of each Project;

16.1.19. Closing Certificate. A certificate, signed by Sellers, certifying to the Buyer that the representations and warranties of Sellers contained in this Agreement are true and correct on all material respects as of the Closing Date and that all covenants required to be performed by Sellers prior to the Closing Date have been performed in all material respects;

16.1.20. Resolutions, Consents, Approvals. Certified Resolutions, consents, and approvals of each Sellers evidencing such Seller's authority to execute this Agreement and consummate the transactions contemplated by this Agreement.

16.1.21. Good Standing Certificate. Currently dated good standing certificates for the Sellers and the Entities.

16.1.22. Deed. Special Warranty Deed, Executed by CPI, in recordable form conveying Brandon to Buyer free and clear of all liens, claims and encumbrances except for the Permitted Exceptions.

16.1.23. Bill of Sale. General Warranty Assignment and Bill of Sale, executed by CPI, assigning, conveying and warranting to Buyer title to the Personal Property and Inventory as to Brandon, free and clear of all encumbrances, other than the Permitted Exceptions.

16.1.24. General Assignment. An assignment, executed by CPI to Buyer, of all right, title and interest of Contributor and its agents in and to the Intangible Personal Property as to Brandon.

16.1.25. Assignment of Contracts. An assignment, executed by CPI and Buyer, to Buyer of CPI's right, title and interest in and to those of the Contracts that will remain in effect after Closing. CPI shall also assign to Buyer all guarantees and warranties given to CPI in connection with the operation, construction, improvement, alteration or repair of any or all of Brandon.

16.1.26. Assignment of Leases and Estoppel Certificates. An assignment of CPI's right, title and interest in and to the Leases as to Brandon (including all security deposits and/or other deposits thereunder), with customary reciprocal indemnity provisions.

16.1.27. Option/ROFR. The signed Option/ROFR Agreements.

16.1.28. Constellation Lease. The signed Constellation Lease.

16.1.29. Development Management Agreement. The signed Development Management Agreement.

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16.1.30. TIF Agreement. The signed TIF Agreement.

16.1.31. License Agreements. Signed License Agreements in form and content reasonably acceptable to Sellers and Buyer giving Buyer, and Buyer's successors and assigns, the right to use the names "National Business Park", "Constellation Centre", and "Piney Orchard" in connection with the ownership and operation of those Projects.

16.1.32. Articles of Transfer. Signed articles of transfer to the extent required by the State Department of Assessments and Taxation of Maryland.

16.1.33. Other. Such other documents and instruments as may reasonably be required by Buyer (including, without limitation, those of the Seller's Deliveries in Seller's possession or control that have not previously been delivered to Buyer), its (or its underwriters' or lenders') counsel or the Title Company and that may be necessary to consummate the transactions that are the subject of this Agreement and to otherwise give effect to the agreements of the parties hereto.

16.2. Buyer's. As a condition precedent to Seller's obligation to close ("Seller's Condition Precedent"), Buyer shall cause to be delivered to Sellers the following, each in form and substance reasonably acceptable to Sellers and Buyer and their respective counsel:

16.2.1. The Consideration. The Consideration required to be delivered by Buyer to Sellers under this Agreement.

16.2.2. Organizational Documents. (i) A copy certified by the Secretary of State of the State of Maryland of the Declaration of Trust of the REIT and a good standing certificate for the REIT; (ii) a copy certified by the Secretary of State of the State of Delaware of the certificate of limited partnership of the Buyer and a good standing certificate for the Buyer; and (iii) a copy, certified by the secretary or an assistant secretary of the REIT, of the resolution of the REIT's board of directors, authorizing the transactions described herein;

16.2.3. Closing Statement. A Closing Statement, duly executed by the Buyer;

16.2.4. Registration Rights Agreement. The Registration Rights Agreement, duly executed by the REIT;

16.2.5. Share Schedule. Share Schedule, duly executed by the Buyer;

16.2.6. Tenant Letters. If Buyer has requested such letters, the Tenant Letters, duly executed by the Buyer;

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16.2.7. Opinion. An opinion of counsel for COPLP and the REIT, in

form and substance reasonably satisfactory to Seller and Seller's counsel, providing or with respect to: (i) the legal existence and good standing of COPLP and the REIT; (ii) the due authorization, execution and delivery of this Agreement, and the other documents required (under the terms of this Agreement) to be delivered by COPLP and the REIT, as applicable; (iii) that the Shares issued and delivered to Sellers as part of the Consideration have been duly authorized and validly issued by the REIT and constitute fully paid, non-assessable shares of the REIT, free from all pre-emptive rights; (iv) that this Agreement and the other documents required (under the terms of this Agreement) to be delivered by each of COPLP and the REIT, as applicable, constitute the legal, valid and binding obligations of COPLP and the REIT, enforceable against them in accordance with their respective terms, except to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and other similar laws of general applicability relating to or affecting the enforcement of creditors' rights and by the effect of general principles of equity (regardless of whether enforceability is considered in a proceeding of equity or at law;

16.2.8. ROFR. The signed ROFR Agreements.

16.2.9. Constellation Lease. The signed Constellation Lease;

16.2.10. Development Management Agreement. The signed Development Management Agreement;

16.2.11. TIF Agreement. The signed TIF Agreement.

16.2.12. Licenses. The licenses referred to in Section 16.1.31.

16.2.13. Articles of Transfer. The articles of transfer referred to in Section 16.1.32.

16.2.14. Other. Such other documents and instruments as may reasonably be required by Sellers or its or their respective counsel or the Title Company and that are necessary to consummate the transaction which is the subject of this Agreement and to otherwise effect the agreements of the parties hereto.

17. PRORATIONS AND ADJUSTMENTS.

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

17.1. The amount of all security and other Tenant deposits, and interest due thereon, if any, shall be credited to Buyer;

17.2. Buyer and Sellers shall divide the cost, if any, of any closing escrows hereunder equally between them;

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17.3. Water, electricity, sewer, gas, telephone and other utility charges based, to the extent practicable, on final meter readings and final invoices, or, in the event final readings and invoices are not available, based on the most currently available billing information, and reprorated upon issuance of final utility bills;

17.4. Amounts paid or payable under any Assigned Contracts shall be prorated based, to the extent practicable, on final invoices, or, in the event final invoices are not available, based on the most currently available billing information, and reprorated upon issuance of final invoices;

17.5. All real estate, personal property and ad valorem taxes applicable to the Projects and levied with respect to current tax year shall be prorated as of the Closing Date, utilizing the actual final Tax Bills for those Projects. Prior to or at the Closing, Sellers shall pay or have paid all Tax Bills that are due and payable prior to or on the Closing Date and shall furnish evidence of such payment to Buyer and the Title Company. Each party's respective obligations to reprorate real estate taxes shall survive the Closing.

17.6. All assessments, general or special, shall be prorated as of the Closing Date on a "due date" basis such that the applicable Entity or Seller shall be responsible for any installments of assessments which are first due or payable prior to the Closing Date and Buyer shall be responsible for any installments of assessments which are first due or payable on or after the Closing Date;

17.7. Commissions of leasing and rental agents for any Lease entered into as of or prior to the Contract Date, whether with respect to base lease term or future expansions, shall be paid in full at or prior to the Closing by Seller, without contribution or proration from Buyer, except for renewal commissions as disclosed to Buyer in Exhibit "Commissions". As to Leases entered into between the Contract Date and the Closing Date in accordance with Section

12.1, commissions shall be prorated as of the Closing Date based upon the portion of the term of the Lease before Closing and the portion of the term of this Lease after Closing. At Closing, COPT shall reimburse CPI the amount of leasing commissions payable to unaffiliated third-parties and tenant improvements costs payable to unaffiliated third-parties incurred by CPI with respect to Leases entered into, subject to Section 12.1 of this Agreement, after March 9, 1998 at the Project known as "One Constellation Centre", the amount claimed for reimbursement evidenced by invoices or paid receipts from such third parties or other evidence of expense reasonably required by Buyer..

17.8. Current interest under Assumed Indebtedness shall be prorated as of the Closing Date.

17.9. All Base Rents and other charges, including, without limitation, all Additional Rent, shall be prorated as of the Closing Date. At the time(s) of final calculation and collection from Tenants of Additional Rent for 1998, there shall be a re-proration between Sellers and Buyer as to Additional Rent adjustments, with such re-prorations being payable to the

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appropriate recipient in cash. Such re-proration shall be paid upon Buyer's presentation of its final accounting to Seller, certified as to accuracy by Buyer. At the Closing, no "Delinquent Rents" (rents or other charges that are due as of the Closing) shall be prorated in favor of Seller. The parties' respective obligations to re-prorate Additional Rent shall survive the Closing. Notwithstanding the foregoing, Buyer shall use reasonable efforts after the Closing Date to collect any Delinquent Rents due to Sellers from Tenants, but Buyer shall not be required to sue any Tenants. All rents and other charges received by (or for the benefit of) Buyer from any Tenant after the Closing shall be first applied against current and past due obligations owed to, or for the benefit of, Buyer (with respect to those obligations accruing subsequent to the Closing Date), and any excess shall be delivered to Seller, but only to the extent of amounts in default and owed to, and for the benefit of, Sellers for the period prior to the Closing Date. In no event, however, shall any sums be paid to Sellers to the extent Sellers have been previously reimbursed for such default out of any security deposit and security deposits have been appropriately prorated hereunder; and

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

17.11. With respect to the Project known as "Cranberry Square", at Closing, Buyer shall reimburse CPI amounts expended by CPI from and after March 9, 1998 until the Closing Date on the expansion of the Cranberry Square Project, subject, however, to the limitation, that the amount payable to CPI under this Section 17.11 shall not exceed the amount determined by subtracting the costs to complete the expansion of the Cranberry Square Project after the Closing Date as reasonably determined by Buyer and Sellers from Two Million Two Hundred Thousand Dollars (\$2,200,000.00). Amounts claimed for reimbursement shall be evidenced by invoices or paid receipts from third-parties not affiliated with CPI, or other evidence of expense reasonably required by Buyer.

For purposes of calculating prorations, Buyer shall be deemed, through control of the Entities, to be in title to the Projects, and therefore entitled to the income therefrom and responsible for the expenses thereof, for the entire Closing Date. All such prorations shall be made on the basis of the actual number of days of the year and month that shall have elapsed as of the Closing Date. Bills received after the Closing that relate to expenses incurred, services performed or other amounts allocable to the period prior to the Closing Date shall be paid, in cash, by Seller, to the extent due and owing. Bills received by Sellers after the Closing Date that relate to expenses incurred, services performed or other amounts allocable to the period on or after the Closing Date, shall be paid, in cash, by the Buyer, to the extent due and owing.

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18. CLOSING EXPENSES.

18.1. Sellers will pay the entire cost of all assumption charges, release fees, prepayment fees and any other fees or costs in connection with the assumption, payoff, release and satisfaction of the Assumed Mortgages and the Satisfied Mortgages, and all fees imposed by its accountants and attorneys and consultants in connection with this Agreement and the transaction contemplated hereunder. Buyer will pay the entire cost of the title policies, the Surveys (inclusive of any updates thereof), and all fees imposed by its accountants, attorneys, and environmental and engineering consultants.

18.2. Although Seller and Buyer believe that no real estate transfer or recording fees or taxes will be due in connection with the assignment of the Interests, if it is finally determined that such taxes are due and payable in

connection herewith, then the Buyer and the Sellers which held Interests the transfer of which is deemed subject to real estate transfer tax shall divide equally the costs of contesting such taxes and shall divide equally the full amount of such taxes if they are finally determined to be payable. This Section 18.2 shall survive Closing.

18.3. Sellers and Buyer shall divide equally all recordation taxes and fees, and all realty transfer taxes applicable to the conveyance of Brandon.

19. DESTRUCTION, LOSS OR DIMINUTION OF PROJECTS.

If, prior to the Closing, all or any portion of any Project is damaged by fire or other natural casualty (collectively, "Damage"), or is taken or made subject to condemnation, eminent domain or other governmental acquisition proceedings (collectively, "Eminent Domain"), then the following procedures shall apply:

19.1. If the aggregate cost of repair or replacement in connection with any Damage at any Project or the value of the Eminent Domain involving any single Project (collectively, "repair and/or replacement") is \$200,000.00 or less (on a per Project basis), in the mutual and reasonable opinions of Buyer and Seller, Buyer shall close and take the Project(s) in question as diminished by the Damage or Eminent Domain, as the case may be, subject to a reduction in the Contribution Consideration otherwise due at the Closing, in the full amount of the cost of repair and/or replacement. Any casualty insurance or condemnation proceeds shall be the sole property of Seller.

19.2. If the aggregate cost of repair and/or replacement at any single Project is greater than \$200,000.00, in the mutual and reasonable opinions of Buyer and Seller, then Buyer, in its sole and absolute discretion, may elect any of the following options: (i) Buyer may delete and eliminate from this Agreement any Project that is in need of repair and/or replacement in excess of \$200,000.00 by giving written notice to Seller, in which event (A) this Agreement shall be deemed to have been automatically amended so as to eliminate the deleted Projects herefrom, and (B) Buyer and Sellers shall proceed to close on the remaining Projects (i.e., the non-deleted Projects) subject to an appropriate and commensurate reduction in the Consideration (which reduction shall include, without limitation, an amount equal to the full cost of repair and/or

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replacement of any portion of any non-deleted Project that Buyer proceeds to purchase); or (iii) Buyer may proceed to close on all of the Projects, subject to (1) a reduction in the Consideration equal to \$200,000.00, on a per Project basis, otherwise due at the Closing and (2) an assignment of the proceeds of Seller's casualty insurance proceeds for all Damage (or condemnation awards for any Eminent Domain) in excess of \$200,000.00, on a per Project basis, together with payment to Buyer by Sellers of any uninsured or deductible amount not covered by such proceeds. In such event, Sellers shall fully cooperate with Buyer in the adjustment and settlement of the insurance claim or governmental acquisition proceeding and if, as of the Closing, the insurance proceeds (or condemnation award) assignable to Buyer shall not have been collected from the insurer or Governmental Authority, then a cash credit in the amount thereof shall be given to Buyer, to be repaid to Sellers out of and upon Buyer's actual receipt of insurance proceeds. The proceeds and benefits under any rent loss or business interruption policies attributable to the period following the Closing shall likewise be transferred and paid over (and, if applicable, likewise credited on an interim basis) to Buyer.

19.3. In the event of a dispute between Sellers and Buyer with respect to the cost of repair and/or replacement with respect to the matters set forth in this Section 19, an engineer designated by Sellers and an engineer designated by Buyer shall select an independent engineer licensed to practice in the jurisdiction where the Project in question is located who shall resolve such dispute. All fees, costs and expenses of such third engineer so selected shall be shared equally by Buyer and Seller.

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20. DEFAULT.

20.1. Default by Seller. If any of Sellers' representations and warranties contained herein shall not be true and correct on the Contract Date and continuing thereafter through and including the Closing Date, or if any Seller fails to perform any of the covenants and agreements contained herein to be performed by such Seller within the time for performance as specified herein (including Seller's obligation to close), or if any of the Buyer's Conditions Precedent shall not have been satisfied, Buyer may elect either to (i) terminate Buyer's obligations under this Agreement by written notice to Sellers, in which event Buyer shall retain all rights and remedies available to it; or (ii) close,

in which event Buyer may file an action for either or both of specific performance and damages to compel Sellers to cure all or any of such default(s), in whole or in part, whereupon Buyer shall be entitled to deduct from the Consideration, the cost of such action and cure, and all reasonable expenses incurred by Buyer in connection therewith, including, but not limited to, attorneys' fees of Buyer's counsel. Notwithstanding anything to the contrary herein and in addition to any other remedies of Buyer, Buyer shall be entitled to recover actual (but not consequential) damages suffered by Buyer by reason of Seller's defaults hereunder and/or any delay occasioned thereby, including, without limitation, Buyer's Reasonable Costs. The remedies of Buyer set forth in this Section 20.1 shall be in addition to remedies otherwise applicable or provided in this Agreement or otherwise available to Buyer at law or in equity, including, without limitation, specific performance, it being understood that Buyer's rights and remedies under this Agreement shall always be non-exclusive and cumulative and that the exercise of one remedy or form of relief available to Buyer hereunder shall not be exclusive or constitute a waiver of any other. Buyer's remedies under this Section 20.1 shall not be limited by Section 20.3.

20.2. Default by Buyer. In the event Buyer defaults in its obligations to acquire the Interests and Brandon, then Sellers' sole and exclusive remedy shall be to cause the Escrowee to deliver the Proceeds, together with all interest earned thereon, to Seller, the amount thereof being fixed and liquidated damages, it being understood that Sellers' actual damages in the event of such default are difficult to ascertain and that such proceeds represent the parties' best current estimate of such damages. Sellers shall have no other remedy for any default by Buyer prior to Closing.

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20.3. Indemnification of Buyer.

20.3.1. Indemnification. Each of Seller and each of Seller's shareholders, members and partners, jointly and severally, as the case may be, shall and does hereby indemnify, protect, defend and hold the Buyer Indemnified Parties harmless from and against any claims, losses, demands, liabilities, suits, costs and damages suffered by the Buyer Indemnified Parties, including consequential as well as actual damages and attorneys' fees of counsel selected by the Buyer Indemnified Parties and other costs of defense, incurred, arising against, or suffered by, the Buyer Indemnified Parties or its assigns as a direct or indirect consequence of (i) any breach of any representation, warranty or covenant made in this Agreement by Seller, or any other default by Seller, whether discovered before or after the Closing or (ii) any default claim, action or omission arising or alleging to arise under the Existing Loan Documents and relating to the period prior to the Closing, whether asserted before or after the Closing. This indemnification obligation shall expire eighteen (18) months from the Closing Date, except as to claims under Section 13 of this Agreement which may be made until thirty (30) months after the date of this Agreement, and except as to claims under Section 11.1 which may be made until the expiration of the time period under the statute of limitation applicable to such claims..

20.3.2. Limitation of Claims. No claims for indemnification under this Agreement may be asserted by Buyer Indemnified Parties against the Sellers until the aggregate amount of such indemnification claims exceeds \$125,000.00, whereupon all such amounts may be claimed.

20.4. Indemnification of Sellers.

20.4.1. Indemnification. Buyer shall indemnify, protect, defend and hold Sellers' and each of Sellers' shareholders, members and partners (the "Seller Indemnified Parties") harmless from and against any claims, losses, demands, liabilities, suits, costs and damages suffered by the Seller Indemnified Parties, including consequential as well as actual damages and attorneys' fees of counsel selected by the Seller Indemnified Parties and other costs of defense, incurred, arising against, or suffered by, the Seller Indemnified Parties or its assigns as a direct or indirect consequence of any breach of any representation, warranty or covenant made in this Agreement by Buyer, or any other default by Buyer, whether discovered before or after the Closing. This indemnification obligation shall survive Closing.

20.5. Buyer Notice and Right to Cure. Anything contained in this Agreement to the contrary notwithstanding, any thing or act which would otherwise be a default hereunder by Buyer shall not be a default unless Sellers shall have given Buyer notice of such default, and Buyer shall have failed to cure the same within thirty (30) days after such notice. No notice of default shall be required in the case of Buyer's default in failing to complete Closing on the required Closing Date.

20.6. Sellers' Notice and Right to Cure. Anything contained in this Agreement to the contrary notwithstanding, any thing or act which would otherwise be a default

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hereunder by Sellers shall not be a default unless Buyer shall have given Sellers notice of such default, and Sellers shall have failed to cure the same within thirty (30) days after such notice. No notice of default shall be required in the case of Sellers' default in failing to complete Closing on the required Closing Date.

21. SUCCESSORS AND ASSIGNS.

The terms, conditions and covenants of this Agreement shall be binding upon and shall inure to the benefit of the parties and their respective nominees, successors, beneficiaries and assigns; provided, however, no direct or indirect conveyance, assignment or transfer of any interest whatsoever of, in or to any or all of the Projects or of this Agreement shall be made by Sellers during the term of this Agreement except to CPI Affiliates, as permitted in Section 11.1.4. Buyer may assign all or any of its right, title and interest under this Agreement to the Buyer, the REIT or to any corporate or partnership entity affiliated with, or related to, the Buyer or the REIT ("Affiliate"). For purposes of this Agreement, an Affiliate shall, without limitation, include any entity having common ownership or management with Buyer or the REIT. No such assignee shall accrue any obligations or liabilities hereunder until the effective date of such assignment. In addition to its right of assignment, Buyer shall also have the right, exercisable at or prior to the Closing, to designate any Affiliate, as the contract party under any contract to be entered into at Closing pursuant to the terms of this Agreement by Buyer, or as the grantee or transferee of any or all of the conveyances, transfers and assignments to be made by Sellers at the Closing hereunder, independent of, or in addition to, any assignment of this Agreement. In the event of an assignment of this Agreement by Buyer (but not in the event of the designation of any Affiliate), its assignee shall be deemed to be the Buyer hereunder for all purposes hereof, and shall have all rights of Buyer hereunder (including, but not limited to, the right of further assignment). In the event that an Affiliate shall be designated as a transferee hereunder, that transferee shall have the benefit of all of the representations and rights which, by the terms of this Agreement, are incorporated in or relate to the conveyance in question.

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22. LITIGATION.

Sellers and Buyer waive all rights to a jury trial with respect to any disputes relating to this Agreement, whether arising before or after Closing. In the event of litigation between the parties with respect to any Project, this Agreement, the performance of their respective obligations hereunder or the effect of a termination under this Agreement, the losing party shall pay all costs and expenses incurred by the prevailing party in connection with such litigation, including, but not limited to, reasonable attorneys' fees of counsel selected by the prevailing party. The parties hereby further acknowledge and agree that in the event of litigation between them, as contemplated above, and the resolution of that litigation through compromise, settlement, or partial judgment, the court before which such litigation is initially brought shall have the right to allocate responsibility, between Sellers and Buyer, for all costs and expenses (including, but not limited to, attorneys' reasonable fees) incurred by both Sellers and Buyer in the pursuit of that litigation resolved through compromise, settlement or partial judgment. Notwithstanding any provision of this Agreement to the contrary, the obligations of the parties under this Section 22 shall survive termination of this Agreement and the Closing, if applicable.

23. NOTICES.

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

Sellers:

Constellation Real Estate, Inc.
8815 Centre Park Drive - Suite 400
Columbia, MD 21045
Attention: General Counsel

and

Constellation Holdings, Inc.
250 West Pratt Street
Baltimore, MD 21201-2423
Attention: Dan R. Skowronski, Esquire

With a copy to its attorneys:

Stephen L. Owen, Esquire

Piper & Marbury LLP
36 South Charles Street
Baltimore, MD 21201-3018

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Buyer:

Corporate Office Properties Trust
One Logan Square, Suite 1105
Philadelphia, PA 19103
Attention: Clay W. Hamlin, III
President and Chief Executive Officer

With a copy to its attorneys:

F. Michael Wysocki, Esquire
Saul, Ewing, Remick & Saul LLP
Centre Square West
1500 Market Street - 38th Floor
Philadelphia, PA 19102

Notices shall be deemed properly delivered and received when and if either (i) personally delivered, including via facsimile; or (ii) on the first business day after deposit with a commercial overnight courier for delivery on the next business day. Any party may change its address for delivery of notices by properly notifying the others pursuant to this Section 23.

24. BENEFIT.

This Agreement is for the benefit only of the parties hereto and their nominees, successors, beneficiaries and assignees as permitted in Section 21 above and no other person or entity shall be entitled to rely hereon, receive any benefit herefrom or enforce against any party hereto any provision hereof.

25. LIMITATION OF LIABILITY.

25.1. Upon the Closing, neither the REIT nor the Buyer shall assume or undertake to pay, satisfy or discharge any liabilities, obligations or commitments of Sellers other than those specifically agreed to between the parties and set forth in this Agreement. Except as otherwise specifically provided in this Agreement, neither the REIT nor the Buyer shall assume or discharge any debts, obligations, liabilities or commitments of Seller, whether accrued now or hereafter, fixed or contingent, known or unknown. Neither the holders of Shares nor the trustees, officers, employees or agents of the REIT shall be liable under this Agreement and all parties hereto shall look solely to the REIT assets for the payment of any claim or for the performance of any obligation of the REIT as a party to this Agreement, both in its own capacity and in its capacity as a general partner of the Buyer.

25.2. None of the shareholders, directors, officers, employees or agents of the Sellers shall be liable under this Agreement and all parties hereto shall look solely to the Sellers' assets for the payment of any claim or for the performance of any obligation of the Sellers as a party to this Agreement.

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26. BROKERAGE.

Each party hereto represents and warrants to the other that it has dealt with no brokers or finders in connection with this transaction and that no broker, finder or other party is entitled to a commission, finder's fee or other similar compensation as a result hereof, except Legg Mason Real Estate Services, Inc. under separate agreement with Buyer. Buyer shall pay to Legg Mason Real Estate Services, Inc. the compensation payable to it with respect to this transaction. Sellers hereby indemnify, protect and defend and hold Buyer harmless from and against all losses, claims, costs, expenses, damages (including, but not limited to, attorneys' fees of counsel selected by Buyer) resulting or arising from the claims of any broker, finder or other such party, claiming by, through or under the acts or agreements of any Seller. Buyer hereby indemnifies, defends and holds each Seller harmless from and against all losses, claims, costs, expenses, damages (including, but not limited to, attorneys' fees of counsel selected by such Seller) resulting or arising from the claims of any broker, finder or other such party claiming by, through or under acts or agreements of Buyer. This Section 26 shall survive any termination of this Agreement and the Closing, if applicable.

27. REASONABLE EFFORTS.

Sellers and Buyer shall use their reasonable, diligent and good faith efforts, and shall cooperate with and assist each other in their efforts, to obtain any and all consents and approvals of third parties (including, but not limited to, governmental authorities) to the transaction contemplated hereby, and to otherwise perform as may be necessary or otherwise reasonably requested by the other party to effectuate and carry out the purposes of, this Agreement.

28. MISCELLANEOUS.

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

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

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28.3. Conditions Precedent. 28.3.1. The obligations of Buyer to make the payments and deliver the Shares as described in Section 3 above and to close the transaction contemplated herein are subject to the express Buyer's Conditions Precedent set forth in this Agreement, each of which is for the sole benefit of Buyer and may be waived at any time by written notice thereof from Buyer to Seller. The waiver of any particular Buyer's Condition Precedent shall not constitute the waiver of any other.

28.3.2. The obligations of Sellers to close the transaction contemplated herein are subject to the express Sellers' Condition Precedent set forth in this Agreement, each of which is for the sole benefit of Sellers and may be waived at any time by written notice thereof from Sellers to Buyer. The waiver of any particular Sellers' Condition Precedent shall not constitute the waiver of any other.

28.4. Construction. This Agreement shall not be construed more strictly against one party than against the other merely by virtue of the fact that it may have been prepared by counsel for one of the parties, it being recognized that both Sellers and Buyer have contributed substantially and materially to the preparation of this Agreement. The headings of various Sections in this Agreement are for convenience only, and are not to be utilized in construing the content or meaning of the substantive provisions hereof.

28.5. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Maryland.

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

28.7. Expenses. Except and to the extent as otherwise expressly provided to the contrary herein, Buyer and Sellers shall each bear its own respective costs and expenses relating to the transactions contemplated hereby, including, without limitation, fees and expenses of legal counsel or other representatives for the services used, hired or connected with the proposed transactions mentioned above.

28.8. Control of Defense Counsel. Each indemnified party shall give reasonably prompt notice to each indemnifying party of any action or proceeding commenced against the indemnified party in respect of which indemnity may be sought hereunder, but failure so to notify an indemnifying party (i) shall not relieve it from any liability which it may have under any indemnity provided herein unless and to the extent it did not otherwise learn of such action and the lack of notice by the indemnified party results in the forfeiture by the indemnifying party of substantial rights and defenses and (ii) shall not, in any event, relieve the indemnifying party from any obligations to any indemnified party hereunder other than its indemnification obligation if the indemnifying party so elects within a reasonable time after receipt of such notice, the indemnifying party may assume the defense of such action or proceeding at such indemnifying party's own expense with counsel chosen by the indemnifying

party; provided, however, that, if such indemnified party or parties reasonably determine that a conflict of interest exists where it is advisable for such indemnified party or parties to be represented by separate counsel or that, upon advice of counsel, there may be legal defenses available to them which are different from or in addition to those available to the indemnifying party, then the indemnifying party shall not be entitled to one separate counsel at the indemnifying party's expense. If an indemnifying party is not so entitled to assume the defense of such action or does not assume such defense, after having received the notice referred to in the first sentence of this Section 28.8, the indemnifying party or parties will pay the reasonable fees and expenses of counsel for the indemnified party or parties. In such event however, no indemnifying party will be liable for any settlement effected without the written consent of such indemnifying party. If an indemnifying party is entitled to assume, and assumes, the defense of such action or proceeding in accordance with this Section, such indemnifying party shall not be liable for any fees and expenses of counsel for the indemnified parties incurred thereafter in connection with such action or proceeding.

28.9. Waiver of Conditions Precedent. Buyer and Sellers shall each have the right, in its sole and absolute discretion, to waive any Condition Precedent for its benefit contained in this Agreement.

28.10. Certain Securities Matters. No sale of Shares is intended by the parties by virtue of their execution of this Agreement.

28.11. Counterparts. This Agreement may be executed in any number of identical counterparts, any of which may contain the signatures of less than all parties, and all of which together shall constitute a single agreement.

28.12. Calculation of Time Periods. Notwithstanding anything to the contrary contained in this Agreement, any period of time provided for in this Agreement that is intended to expire on or prior to the Closing Date, but that would extend beyond the Closing Date if permitted to run its full term, shall be deemed to expire upon the Closing.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound, have executed this Acquisition Agreement on the date first above written.

Buyer:

CORPORATE OFFICE PROPERTIES,
L.P.

By: Corporate Office Properties Trust,
its sole general partner

BY: /s/ Clay W. Hamlin, III

Clay W. Hamlin, III, President and
Chief Executive Officer

[SIGNATURES CONTINUED ON NEXT PAGE]

SELLERS:

CONSTELLATION PROPERTIES, INC.
a Maryland corporation

BY: /s/ Randall M. Griffin

Printed Name: Randall M. Griffin
Title: President

NBP-I LIMITED PARTNERSHIP
a Maryland limited partnership
BY: Constellation Properties, Inc.,
a Maryland corporation, General Partner

BY: /s/ Randall M. Griffin

Printed Name: Randall M. Griffin
Title: President

NBP-II LIMITED PARTNERSHIP
a Maryland limited partnership
BY: Constellation Properties, Inc.,
a Maryland corporation, General Partner

BY: /s/ Randall M. Griffin

Printed Name: Randall M. Griffin
Title: President

NBP-IV, LLC
a Maryland limited liability company
BY: CPI National Business Park IV, Inc.,
a Maryland corporation, Member

BY: /s/ Randall M. Griffin

Printed Name: Randall M. Griffin
Title: President

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ST. BARNABAS LIMITED PARTNERSHIP
a Maryland limited partnership
BY: Constellation Properties, Inc.,
a Maryland corporation, General Partner

BY: /s/ Randall M. Griffin

Printed Name: Randall M. Griffin
Title: President

BY: CPO Constellation Centre, Inc.,
a Maryland corporation, General Partner

BY: /s/ Randall M. Griffin

Printed Name: Randall M. Griffin
Title: President

LAUREL TOWER ASSOCIATES LIMITED
PARTNERSHIP
a Maryland limited partnership
BY: Constellation Properties, Inc.,
a Maryland corporation, General Partner

BY: /s/ Randall M. Griffin

Printed Name: Randall M. Griffin
Title: President

BY: CPO Laurel Tower, Inc.,
a Maryland corporation, General Partner

BY: /s/ Randall M. Griffin

Printed Name: Randall M. Griffin
Title: President

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THREE CENTRE PARK ASSOCIATES LIMITED
PARTNERSHIP
a Maryland limited partnership
BY: Constellation Properties, Inc.,
a Maryland corporation, General Partner

BY: /s/ Randall M. Griffin

Printed Name: Randall M. Griffin
Title: President

BY: CPO Three Centre Park, Inc.,
a Maryland corporation, General Partner

BY: /s/ Randall M. Griffin

Printed Name: Randall M. Griffin
Title: President

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BROWN'S WHARF LIMITED PARTNERSHIP
a Maryland limited partnership
BY: Constellation Properties, Inc.,
a Maryland corporation, General Partner

BY: /s/ Randall M. Griffin

Printed Name: Randall M. Griffin
Title: President

BY: CPI Brown's Wharf, Inc.,
a Maryland corporation, General Partner

BY: /s/ Randall M. Griffin

Printed Name: Randall M. Griffin
Title: President

CRANBERRY-140 LIMITED PARTNERSHIP
a Maryland limited partnership
BY: Constellation Properties, Inc.,
a Maryland corporation, General Partner

BY: /s/ Randall M. Griffin

Printed Name: Randall M. Griffin
Title: President

TRED LIGHTLY LIMITED LIABILITY COMPANY
a Maryland limited liability company
BY: CPI Tred Avon, Inc.
a Maryland corporation, Member

BY: /s/ Randall M. Griffin

Printed Name: Randall M. Griffin
Title: President

CONSTELLATION GATESPRING, LLC
a Maryland limited partnership
BY: CPI Gatespring, Inc.,
a Maryland corporation, Member

BY: /s/ Randall M. Griffin

Printed Name: Randall M. Griffin
Title: President

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SERVICE COMPANY ASSET
CONTRIBUTION AGREEMENT

SERVICE COMPANY ASSET CONTRIBUTION AGREEMENT, entered into as of the 14 day of May, 1998, by and among Constellation Real Estate, Inc., a Maryland corporation ("Seller"), KMS Oldco, Inc. a Maryland corporation ("KMS") and Constellation Real Estate Group, Inc. a Maryland corporation ("CREG"), (KMS and CREG are collectively referred to herein as the "Shareholders"), and Corporate Office Properties, L.P., a Delaware limited partnership ("COP") and Corporate Office Properties Trust, a Maryland real estate investment trust ("COPT"). COP and COPT are collectively referred to herein as "Buyer."

W I T N E S S E T H:

Seller is engaged directly, and indirectly through its controlling ownership interest in Constellation Realty Management, LLC, a Maryland limited liability company ("CRM") in the business of managing real property. Shareholders are the owners of all the issued and outstanding capital stock of Seller.

COPT is the sole General Partner of COP. COP and COPT have this day entered into a certain Contribution Agreement and certain Development Agreements which provide, inter alia, for the transfer to Buyer of certain ownership interests in entities which are Affiliates of Seller and the Shareholders and which own real property, some of which real property has been managed by Seller or CRM.

Seller wishes to sell and Buyer wishes to buy certain assets owned by Seller, including all of Seller's interest as a member in CRM, and Buyer wishes to assume certain of Seller's liabilities.

In consideration of the mutual agreements, covenants, representations and warranties contained herein, and each intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE 1. DEFINITIONS.

As used in this Agreement, the following terms shall have the following meanings:

"Affiliate" as to a Person shall mean a Person that controls, is controlled by or under common control with such Person.

"Accredited Investor" shall have the meaning set forth in Regulation D promulgated under the Securities Act of 1933, as amended.

"Agreement" means this Service Company Asset Contribution Agreement.

"Assets" has the meaning set forth in Section 2.1 (a) of the Agreement.

"Assumed Liabilities" has the meaning set forth in Section 2.5 (b) of the Agreement.

"Authorizations" has the meaning set forth in Section 8.3 of the Agreement.

"Balance Sheet Date" means April 30, 1998.

"Business" means the operations and activities of Seller insofar as they relate to the real properties which are owned by the entities whose interests are being transferred to Buyer pursuant to the terms of the Contribution Agreement and the Development Agreements.

"Buyer" means COP and COPT together.

"Closing" means the closing of the purchase and sale of the Assets and the CRM Interest pursuant to the terms of this Agreement.

"Closing Date" means the date on which the Closing shall occur.

"Code" means the Internal Revenue Code of 1986, as amended.

"Contracts" has the meaning set forth in Section 2.1 (a) (iii) of the Agreement.

"Contribution Agreement" means that Contribution Agreement dated as of May __, 1998 by and between Buyer and the Persons identified therein as "Sellers".

"COP" means Corporate Office Properties, L.P.

"COPT" means Corporate Office Properties Trust.

"CREG" means Constellation Real Estate Group, Inc.

"CRM" means Constellation Realty Management, LLC.

"CRM Balance Sheet" means the balance sheet of CRM as of April 30, 1998 included on Schedule 4.8 to the Agreement.

"CRM Financial Statement" has the meaning set forth in Section 4.8 of the Agreement.

"CRM Interest" means the seventy five percent (75%) ownership interest in CRM, comprising all the issued and outstanding Class A Units of CRM, owned by Seller as a member of CRM.

"CRM Operating Agreement" means that Operating Agreement dated April 17, 1996 between Seller and KLNb, LLC, attached hereto as Exhibit "A".

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"Deficiencies" has the meaning set forth in Section 9.2 of the Agreement.

"Development Agreements" means those two Development Properties Acquisition Agreements each dated as of May __, 1998 by and between Buyer and the Persons identified therein as "Sellers".

"Employee Benefit Plan" means employee benefit plans as defined in Section 3(3) of ERISA.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Excluded Assets" has the meaning set forth in Section 2.1 (c) of the Agreement.

"GAAP" means generally accepted accounting principles, consistently applied.

"Informational Materials" shall have the meaning set forth in Section 4.30 of the Agreement.

"KMS" means KMS Oldco, Inc.

"Law" means any law, including, without limitation, any (i) principle of common law, (ii) federal, state or local statute, ordinance, rule or regulation, (iv) federal, state or local permit, license or certificate, or (iv) judgment, order, decree, award or other decision or requirement of any arbitrator, court, government or governmental agency or instrumentality (domestic or foreign).

"Person" means an individual, corporation, partnership, limited liability company, joint venture, organization, trust or other entity.

"Purchase Price" has the meaning set forth in Section 2.2 of the Agreement.

"SEC Reports" means the following documents filed to date by COPT with the Securities and Exchange Commission pursuant to either the Securities Exchange Act of 1934, as amended or the Securities Act of 1933, as amended: Annual report on Form 10-K for the year ended December 31, 1997; Proxy Statement dated February 11, 1998; Prospectus dated April 22, 1998 included in registration statement number 333-47465 filed pursuant to Rule 424(b); and, Quarterly Report on Form 10-Q for the three months ended March 31, 1998.

"Seller" means Constellation Real Estate, Inc.

"Shares" has the meaning set forth in Section 2.2 of the Agreement.

"Shareholders" means, collectively, KMS and CREG, and "Shareholder" means any one of the Shareholders.

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"Taxes" means all Federal, state, local and foreign income, property, sales, excise and other taxes or governmental charges of any nature whatsoever.

"Transaction Documents" has the meaning set forth in Section 4.2 of the Agreement.

2.1 Sale and Purchase of Assets and CRM Interest.

(a) In reliance on the representations, warranties, covenants and agreements herein, and subject to the terms and conditions hereof, Seller shall sell, convey, transfer and assign to Buyer, and Buyer shall purchase from Seller, all of Seller's right, title and interest in and to substantially all of the tangible and certain intangible assets owned or used by Seller in the Business as of the Closing Date (the "Assets"). It is understood and agreed that all or a portion of the Assets may be contributed to, and owned by, single member limited liability companies in which Seller is the sole member, in which case Seller shall sell and Buyer shall purchase (or cause to be purchased) all of the interests of such entities. The Assets include, without limitation, the following:

(i) all trade fixtures, fixed and movable equipment, and office equipment (including, without limitation, all repair and replacement parts), furniture, all useable inventory of office supplies, and all other items of tangible personal property used or employed in the conduct and operation of its business as of the date of Closing;

(ii) all files and other documents and records and all books, ledgers, files and business records related to the Business;

(iii) all rights existing under management service agreements, equipment leases, contracts, real property leases, supply agreements, purchase orders, and all other agreements, commitments and understandings, to the extent the same relate to the Business and are assignable (collectively, the "Contracts");

(iv) all telephone numbers of Seller related to the Business;

(v) all permits, licenses, registrations, filings, authorizations and approvals (and pending applications for any thereof) to the extent the same relate to the Business and are assignable by Seller to Buyer;

(vi) all prepaid items, utility and other deposits related to the Business and to which Seller is entitled, supplier lists related to the Business, and to the extent assignable, all present and future causes of action and claims against third parties related to the Business;

(vii) all rights to operate as a going concern, to hire any past or present employees, and to do business with all present customers and suppliers, and all right and title to and interest in all goodwill of its business;

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(viii) all computer equipment, databases, software and software licenses related to the Business (it being understood and agreed that all such equipment and information, both hard copy and computer-based, which is not related to the Business shall not be part of the Assets); and

(ix) an amount of cash which shall be no less than the aggregate amount of all accrued but unpaid payroll, incentive pay, vacation and associated payroll taxes and benefit payments which Seller is required to pay for the current payroll period in which the Closing occurs (and any other unpaid amounts from prior periods) but only to the extent such amounts relate to the employees of Seller that will be employed by Buyer or an Affiliate of Buyer immediately after Closing.

(b) In reliance on the representations, warranties, covenants and agreements herein, and subject to the terms and conditions hereof, Seller shall sell, convey, transfer and assign to Buyer, and Buyer shall purchase from Seller, all of Seller's right, title and interest in and to the CRM Interest.

(c) The following are not included in the Assets (the "Excluded Assets"):

(i) all right, title and interest in and to Seller's name and the service marks, trade names, trademarks and copyrights, including all registrations and variances thereof, logos used in connection therewith, the right to sue for past infringements thereof, and all goodwill associated with such marks and rights;

(ii) intercompany and other accounts receivable of Seller;

(iii) trade fixtures, fixed and movable equipment, and office equipment (including, without limitation, a reasonable amount of repair and replacement parts), furniture, a reasonable amount of useable inventory of office supplies, and all other items of tangible personal property used or employed in the conduct and operation of its business as of the date of Closing by those employees who will not be employed by Buyer or an Affiliate of Buyer immediately after Closing; and,

(iv) other items of personal property set forth on Schedule 2.1(c).

2.2 Purchase Price and Payment. As consideration for the Assets and the CRM Interest, COPT shall deliver to Seller the aggregate number of shares of COPT Common Shares and COPT Convertible Preferred Shares (collectively, the "Shares") set forth on Schedule 2.2. (the "Purchase Price"). It is agreed that the value of the Purchase Price is Two Million Five Hundred Thousand Dollars (\$2,500,000). The Purchase Price shall be allocated among the Assets and the CRM Interest in the manner required by Section 1060 of the Code, and as set forth on Schedule 2.2 hereto. Seller and Buyer hereby agree to timely file Internal Revenue Service Form 8594 and any other required Federal or State tax form with respect to such allocation. No party hereto shall take, for income tax purposes, any position inconsistent with such allocation.

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2.3 Expenses. Seller, the Shareholders, COP and COPT will each bear their respective legal, accounting and other expenses incurred in connection with the investigation, negotiation, preparation, review, execution, performance and enforcement of this Agreement, and in connection with the transactions contemplated hereby.

2.4 Closing. The closing of the transactions contemplated by this Agreement (the "Closing") shall be held immediately following, and at the same place as the closing of the transactions contemplated by the Contribution Agreement, or at such other time and place as may be mutually agreed upon by Buyer and Seller.

2.5 Assumption of Liabilities.

(a) Buyer assumes no liabilities of, or related to, CRM. Except as expressly set forth in Section 2.5(b), neither the execution of this Agreement nor the consummation of the transactions contemplated herein shall obligate Buyer to pay any fixed or contingent, known or unknown, secured or unsecured obligation, debt or liability of Seller or any Shareholder, whether arising before or after the Closing, it being the express intention of the parties that Seller and the Shareholders shall be responsible for the payment of all their respective obligations, debts and liabilities, including, but not limited to, indebtedness to banks and other financial institutions, indebtedness to current and former employees, officers, directors or shareholders of Seller, and, liability for payment of any and all accrued and unpaid salaries and wages, sick pay, vacation pay, time off or pay in lieu thereof, and any employee benefit due any employee.

(b) Notwithstanding the foregoing, Buyer agrees to assume the following obligations of Seller, and no others (the "Assumed Liabilities"):

(i) obligations of Seller under the Contracts set forth on Schedule 2.5(b) hereto, but only to the extent that performance of such obligations is to occur after Closing, or payment of sums due thereunder are in consideration for products or services rendered to Buyer after the Closing Date;

(ii) accounts payable then current and as agreed to in writing by Buyer and Seller at or prior to Closing; and

(iii) accrued payroll for the employees of Seller that will be employed by Buyer or an Affiliate of Buyer immediately after the Closing, and associated payroll taxes for the Seller's current payroll period in which the Closing Date occurs, as agreed to in writing by Buyer and Seller at or prior to Closing.

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ARTICLE 3. COVENANTS OF SELLER AND THE SHAREHOLDERS.

Seller and the Shareholders jointly and severally covenant and agree to and with Buyer as follows:

3.1 Activities Pending Closing. Except as expressly provided herein, between the date hereof and Closing, unless Seller shall have received the prior written consent of Buyer to the contrary, Seller shall, and Seller and the Shareholders shall cause each of Seller and CRM to use their commercially reasonable best efforts to:

(i) maintain its existence, pay and discharge all debts, liabilities and obligations as they become due, and operate solely in the ordinary course of business in a manner consistent with past practice and the provisions of this Agreement and in compliance in all material respects with all applicable Law and all contracts and agreements to which Seller or CRM is a party or by which its assets are bound;

(ii) maintain its facilities and assets in the same state of repair, order and condition as they were on the date hereof, reasonable wear and tear excepted;

(iii) maintain its books and records in accordance with past practice, and use maintain in full force and effect all insurance policies and binders;

(iv) preserve intact its present organization and maintain its relations and goodwill with suppliers, customers, employees and others having relationships with it;

(v) promptly advise Buyer in writing of the threat or commencement against Seller or CRM of any dispute, claim, action, suit, proceeding, arbitration or investigation that could materially adversely affect Seller or CRM, or the assets of any Shareholder, or that challenges, or may affect the validity of, this Agreement or any other Transaction Document or any action taken or to be taken in connection with this Agreement or any other Transaction Document or the ability of any party hereto to consummate the transactions contemplated herein or therein; and

(vi) promptly advise Buyer in writing of any event or the existence of any fact which makes untrue, or will make untrue as of the Closing, any representation or warranty of Seller or the Shareholders set forth in this Agreement or in any Transaction Document.

3.2 Negative Covenants. Except as expressly provided herein, between the date hereof and the Closing, without the prior written consent of Buyer, Seller shall not, and Seller and the Shareholders shall cause each of Seller and CRM not to:

(i) take any action (regardless of whether such action might otherwise be permitted hereunder), or (through inaction) permit to occur any event, that would, or could reasonably be expected to, result in any representation of Seller or a Shareholder contained in this Agreement being untrue in any material respect or the breach or nonfulfillment of any warranty, covenant or other obligation of Seller or a Shareholder in this Agreement;

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(ii) amend its Articles of Incorporation or Bylaws (in the case of Seller) or the CRM Operating Agreement (in the case of CRM) or any other instrument regulating its conduct, including but not limited to agreements among its owners;

(iii) fail to pay or discharge when due any liability or obligation of Seller related to the Business or CRM;

(iv) enter into or renew, extend, amend or terminate any agreement, commitment or transaction, which entry, renewal, extension, amendment or termination is not in the ordinary course of business and consistent with past practice, or which is material to Seller's operations or financial condition or CRM's operations or financial condition;

(v) settle or compromise any material pending or threatened litigation or proceeding related to the Business or to CRM;

(vi) other than transactions in the ordinary course of business consistent with prior practice, sell, lease, license, encumber or otherwise dispose of, or agree to sell, lease, license, encumber or otherwise dispose of, any assets that are material, individually or in the aggregate, to it;

(vii) except in the ordinary course of business, incur or guaranty any indebtedness or make any loan;

(viii) acquire any other business or interest therein;

(ix) create, enter into, adopt, amend (except as may be required by Law) or terminate any employee benefit plan or any compensatory or benefit agreement, arrangement, plan or policy with respect to any employee or, except for normal increases in the ordinary course of business consistent with past practice that, in the aggregate, do not result in a material increase in benefits or compensation expense, increase in any manner the compensation or fringe benefits of any employee or consultant or pay any benefit not required by any plan and arrangement as in effect as of the date hereof or enter into any contract, agreement, commitment or arrangement to do any of the foregoing; or

(x) agree to do any of the foregoing.

3.3 Access to Information. Prior to the Closing, Seller shall, during ordinary business hours and at mutually convenient times, give Buyer and its authorized representatives reasonable access to all of its and CRM's personnel,

books, records, offices and other facilities and properties, and permit Buyer to make such inspections thereof as Buyer may reasonably request, and cause its and CRM's officers and advisors to furnish Buyer with such financial, operating and other information regarding the Business and CRM as Buyer may reasonably request.

3.4 Confidentiality. Seller and the Shareholders will keep confidential and use their best efforts to cause their affiliates and instruct its and their respective officers, managers, directors, employees and advisors to keep confidential all nonpublic information

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relating to the transactions contemplated hereby, except as required by law or administrative process and except for information which becomes public other than as a result of a breach of this Section 3.4.

3.5 Other Transactions. Prior to the Closing neither Seller nor any of the Shareholders shall, nor shall they permit any of their Affiliates, officers, directors, advisors or other representatives to, directly or indirectly, encourage, solicit, initiate or participate in discussions or negotiations with, or provide any information or assistance to, any Person other than Buyer and its representatives concerning any merger, sale of securities, sale of assets or similar transactions involving the Seller or CRM In the event Seller or any of the Shareholders receive an inquiry or proposal relating to any such transaction, it or he will promptly notify Buyer thereof.

3.6 Supplemental Disclosure. Seller and the Shareholders shall promptly supplement or amend each Schedule hereto with respect to any material matter hereafter arising or discovered which, if existing or known at the date of this Agreement, would have been required to be set forth or described in such Schedule; provided, however, that any such supplemental or amended disclosures shall not be deemed to have been disclosed as of the date of this Agreement unless so agreed to in writing by Buyer.

3.7 Employees and Contractors. Seller and the Shareholders shall use their best efforts to assist Buyer in retaining the services of those employees of Seller and independent contractors with Seller that are identified by Buyer for such purpose.

ARTICLE 4. REPRESENTATIONS AND WARRANTIES OF SELLER AND THE SHAREHOLDERS.

Seller and each of the Shareholders jointly and severally represent and warrant to Buyer as follows:

4.1 Status. Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Maryland, and has all requisite corporate power and authority to conduct its business as it has been and is now conducted, to own and lease the assets it owns and leases and to perform its obligations pursuant to each agreement and instrument by which it is bound. CRM is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Maryland, and has all requisite power and authority to conduct its business as it has been and is now conducted, to own and lease the assets it owns and leases and to perform its obligations pursuant to each agreement and instrument by which it is bound. Neither Seller nor CRM is required to be qualified to do business as a foreign corporation or company in any jurisdiction except as follows: CRM is qualified to do business in Virginia, Delaware, New Jersey, West Virginia, North Carolina, the District of Columbia and Pennsylvania; and, Seller is qualified to do business in Maryland and District of Columbia.

4.2 Power and Authority. Seller and each Shareholder has full legal right, power and authority to enter into and perform its and his obligations under this Agreement and under the other agreements and documents required to be delivered by it hereunder prior to or at the Closing, if any (the "Transaction Documents"). The execution, delivery and

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performance by Seller of this Agreement and the other Transaction Documents have been duly authorized by all necessary corporate action. This Agreement has been duly and validly executed and delivered by the Seller and by each Shareholder and constitutes the legal, valid and binding obligation of each of them, enforceable against each of them in accordance with its terms. When executed and delivered as contemplated herein, each of the Transaction Documents shall constitute the legal, valid and binding obligation of Seller and each Shareholder, as the case may be, enforceable against each of them in accordance with its terms, subject to bankruptcy and insolvency laws, and to equitable principles which may be imposed by courts.

4.3 No Conflicts. The execution, delivery and performance of this Agreement

and the other Transaction Documents do not and will not (with or without the passage of time or the giving of notice): (i) violate or conflict with Seller's Articles of Incorporation or Bylaws, the CRM Operating Agreement or any Law binding upon Seller or CRM; (ii) violate or conflict with, result in a breach of, or constitute a default or otherwise cause any loss of benefit under, any agreement or other obligation to which CRM, Seller or any Shareholder is a party or by which any of them (or the assets of any of them) is bound, or give to any other party any rights (including, without limitation, rights of termination, foreclosure, cancellation or acceleration) in, or with respect to, Seller, the CRM Interest or any of the Assets; or (iii) result in, require, or permit the creation or imposition of, any restriction, mortgage, deed of trust, pledge, lien, security interest or other charge, claim or encumbrance upon, or with respect to, Seller, the CRM Interest or any of the Assets.

4.4 Shareholders. The Shareholders are the registered and beneficial owners of one hundred percent (100%) of the issued and outstanding capital stock of the Seller free and clear of any claims, liens, encumbrances, security interests, options, charges or restrictions whatever. No shares of the capital stock of the Seller are subject to any voting trust agreement or other contract, agreement, arrangement, commitment or understanding, including any such agreement, arrangement, commitment or understanding restricting or otherwise relating to the voting, dividend rights or disposition of the capital stock. There are no outstanding options, warrants, rights, puts, calls, commitments, or other contracts, arrangements (including "phantom" stock arrangements), or understandings with respect to its capital stock issued by or binding upon the Seller. There are no obligations or agreements, written or otherwise, requiring or otherwise providing for the Seller to (x) make any dividend or other distribution, direct or indirect, on or account of any shares of any class of stock, now and hereafter outstanding, of the Seller or pursuant to any "phantom" stock arrangement; or (y) make any redemption, purchase or other acquisition, direct or indirect, of any shares of any class of stock of the Seller now or hereafter outstanding or of any warrants or rights to purchase any such stock (including, without limitation, the repurchase of any such stock or warrant or any refund of the purchase price thereof in connection with the exercise by the holder thereof of any right of rescission or similar remedies with respect thereto).

4.5 Investments, Subsidiaries and Controlled Entities. Except as set forth on Schedule 4.5, neither Seller nor CRM directly or indirectly owns, controls or has any investment or membership or other interest in any other Person.

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4.6 Compliance with Law and Other Requirements. Each of Seller and CRM is, and at all times since its inception has been, in compliance in all material respects with all applicable Law, and has not received any notice, order or other communication from any governmental agency or instrumentality of any alleged, actual, or potential violation of, or failure to comply with, any Law. All federal, foreign, state, local and other governmental consents, licenses, permits, franchises, grants, approvals and authorizations required for the activities of Seller and CRM as currently conducted are in full force and effect without any default or violation thereunder by Seller or CRM or by any other party thereto, except where such default or violation would not have a material adverse effect on the activities, financial condition or results of operations of Seller or CRM.

4.7 Employee and Labor Relations. Schedule 4.7 hereto includes a complete and correct list of each of Seller's and CRM's employees, job titles, dates of employment with Seller. Seller has previously furnished Buyer with a complete and correct list of the current rates and terms of compensation of all such persons.. All employees are employed by Seller and CRM "at will". Except as set forth in Schedule 4.7 hereto:

(i) Each of Seller and CRM is in compliance in all material respects with all applicable laws respecting employment and employment practices, terms and conditions of employment and wages and hours, and is not engaged in any unfair labor practice;

(ii) no charges with respect to or relating to Seller or CRM are pending before the Equal Employment Opportunity Commission or any state or local agency responsible for the prevention of unlawful employment practices, and neither Seller nor CRM has received notice of the intent of any Federal, state or local agency responsible for the enforcement of labor or employment laws to conduct an investigation with respect to or relating to the Seller or CRM and no such investigation is in progress;

(iii) none of Seller, CRM, the Shareholders or their respective Affiliates has been the subject of an order, judgment or decree of any court, government agency or regulatory body that has enjoined, barred or suspended the Seller, CRM or any Shareholder, or any Affiliate of Seller, CRM or any Shareholder from engaging in any type of practice or activity; and

(iv) all services performed by Seller and CRM have been provided

in accordance with all applicable Laws in all material respects.

4.8 Financial Information. Attached hereto as Schedule 4.8 are the CRM Balance Sheet and the income statement of CRM as at and for the four months ended April 30, 1998 (collectively, including the notes thereto, the "CRM Financial Statement") and the balance sheets as of December 31, 1996 and 1997 and related statements of income, shareholders equity and cash flows for the eight and twelve month periods then ended, respectively, including the notes thereto. The books and records of CRM accurately and fairly reflect its activities and results of CRM, and the financial statements and notes specified above accurately and fairly present the financial condition, cash flows and results of CRM, as at the respective dates thereof and for the periods referred to therein, all in accordance with GAAP. The CRM Balance Sheet reflects all liabilities of CRM as of the Balance Sheet Date, whether absolute, accrued or contingent, of the type required to be

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reflected or disclosed in a balance sheet (or the notes thereto) prepared in accordance with GAAP. CRM has no liabilities or obligations of any nature that are not reflected on the CRM Balance Sheet, other than current liabilities (within the meaning of GAAP) incurred since the Balance Sheet Date in the ordinary course of business consistent in nature and amount with past practice, and that are neither material in amount nor inconsistent with any of the representations and warranties contained herein.

4.9 Accounts Receivable. All accounts receivable of CRM reflected on its books and records represent valid obligations for services rendered or sales made in the ordinary course of business and are, to the best knowledge of Seller, collectible in the ordinary course of business.

4.10 Absence of Changes. Since the Balance Sheet Date, except as otherwise set forth in Schedule 4.10, each of Seller and CRM has not:

(i) undergone or experienced any material adverse change in its business or financial condition, properties, assets, liabilities, business or other aspect of operations;

(ii) suffered any damages, destruction or loss (insured or uninsured) materially and adversely affecting its ability to conduct business;

(iii) sold, transferred, encumbered or granted any security interest in any of its business, properties or assets (or agreed to do so), except in the ordinary course of its business;

(iv) merged or consolidated with or been acquired by any Person (or agreed to do so);

(v) suffered or permitted any material change in the manner of conducting business;

(vi) agreed to any waiver or settlement of any material lawsuit or dispute;

(vii) made or authorized any loan or advance to any Person except for normal travel and other reasonable expense advances to employees ;

(viii) other than in the ordinary course of business, granted or authorized any salary increases, bonuses or other benefits payable to employees or consultants;

(ix) incurred (or agreed to) any actual, contingent or otherwise, indebtedness or liability, except current liabilities in the ordinary and usual course of business;

(x) made (or agreed to) any purchase or lease of capital assets;

(xi) paid, declared or authorized any redemption, distribution or dividend with respect to any member or otherwise with respect to any ownership interest; and

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(xii) lost, or suffered cancellation, termination or cessation of, any customer(s) or client relationship(s) which accounted for seven and one-half percent (7.5%) or more of gross revenues, in the aggregate, from its business (in the case of CRM) or the Business (in the case of the Seller) for the twelve month period ended on the Balance Sheet Date.

4.11 Undisclosed Liabilities. CRM has no material liabilities or material obligations of any nature (whether accrued, absolute, contingent, unasserted or

otherwise) other than as set forth on the CRM Balance Sheet and except as incurred in the ordinary course of business consistent with past practice since the Balance Sheet Date.

4.12 Taxes. Each of Seller and CRM has filed all tax returns required to be filed by it and has paid or has established an adequate reserve for the payment of, all Taxes required to be paid in respect of the periods covered by such returns. Neither Seller nor CRM is delinquent in the payment of any tax, assessment or governmental charge. No deficiencies for any Taxes have been proposed, asserted or assessed against the Seller or CRM and no requests for waivers of the time to assess any Taxes are pending. There are no liens for Taxes upon any of the Assets. None of the Seller, CRM or the Shareholders is a Person other than a United States Person within the meaning of the Code.

4.13 Litigation. Except as set forth on Schedule 4.13 attached hereto, there is no suit, action or proceeding pending against or (to Seller's knowledge) threatened against or affecting Seller or CRM that could reasonably be expected to have a material adverse effect on Seller or CRM. Neither Seller nor any Shareholder is aware of any basis for any such suit, action or proceeding, nor is there any judgment, decree, injunction, rule or order of any governmental entity or arbitrator outstanding against any Seller or CRM having, or which in the future would have, any such effect. Neither Seller nor CRM, or any Person employed by Seller or CRM, has reported a claim or potential claim to Seller's, CRM's or such Person's professional liability insurance carrier.

4.14 Contracts. Neither Seller nor CRM is in default under any document, contract, agreement or other commitment to which it is a party or by which it or any of its assets is bound where such default would have a material adverse effect on the activities, financial condition or results of operations of Seller or CRM. Each contract or agreement to which the Seller or CRM is a party is in full force and effect in accordance with its terms and there is no outstanding notice of cancellation or termination in connection therewith.

4.15 Effect of Transaction. No creditor, employee, client or other customer or other Person having a material business relationship with Seller or CRM has informed Seller, CRM or any Shareholder that such Person intends to change the relationship because of the transactions contemplated by this Agreement.

4.16 Intangible Assets. Schedule 4.16 hereto includes a true and complete list of all fictitious names, trademarks, service marks, trade names, copyrights and patents owned by CRM on the date hereof, or for which application is pending. All such fictitious names, trademarks, service marks, trade names, copyrights and patents are free and clear of all assignments, restrictions, encumbrances, charges or claims of infringement by third parties.

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4.17 Consents. No consent, order, approval or authorization of, or registration, declaration or filing with, any court, administrative agency or commission or other governmental authority or agency, domestic or foreign, is required by or with respect to the Seller, CRM or a Shareholder in connection with the execution, delivery and performance of this Agreement and the other Transaction Documents. Set forth on Schedule 4.17 hereto are names of each Person whose consent is required in order to permit the transfer of an Asset to Buyer, the assumption by Buyer of Seller's rights pursuant to a Contract, and the transfer to Buyer of the CRM Interest.

4.18 Further Assurances. From and after the date of this Agreement (and from and after the date of Closing for a period of two years to the extent that Seller shall thereafter retain any of the following), Seller shall give to Buyer and to Buyer's representatives, auditors and counsel full access during normal hours to all of the properties, books, files, records, contracts, licenses and all other documents maintained by Seller and related to the Business and shall furnish to Buyer all information with respect to the Business prior to the Closing Date as Buyer may from time to time reasonably request. Seller and the Shareholders shall use their commercially reasonable best efforts to obtain all consents necessary to consummate the sale, assignment, conveyance and delivery of the Assets and the CRM Interest contemplated by this Agreement and to otherwise consummate the transactions contemplated hereby, and to enable Buyer to continue to conduct the businesses conducted by Seller and CRM in a manner similar to the manner in which they have previously been conducted. From time to time after the Closing, at Buyer's request and without additional consideration, Seller and each of the Shareholders agree to execute and deliver such other instruments of assignment and transfer and take such other action as Buyer reasonably may require to more effectively assign, transfer to, and vest in Buyer absolutely, and to put Buyer in possession of, any property to be sold, assigned, transferred and delivered hereunder.

4.19 [intentionally left blank]

4.20 Leases and Subleases. Each lease or sublease pursuant to which the Seller or CRM leases or subleases any real or personal property, either as lessor or lessee, is valid and binding in accordance with its terms, and there

is not under such lease or sublease any existing default or breach of covenant by the Seller or CRM or by the other party thereto, or any condition, event, or act that with notice or lapse of time or both would constitute default. Schedule 2.5(b) hereto contains a true, correct and complete list of each lease of real property and personal property to which the Seller or CRM is a party and in which capacity.

4.21 Title to Assets. Except as set forth on Schedule 4.21 hereto, Buyer will receive at Closing good and marketable title to the Assets, free and clear of all liens, claims, encumbrances and security interests of any kind or nature. None of the Assets is the subject of any pending or threatened litigation.

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4.22 Title to CRM Interest. Buyer will receive at Closing good and marketable title to the CRM Interest, free and clear of all liens, claims, encumbrances and security interests of any kind or nature. Buyer acknowledges that as the owner of the CRM Interest, it will be subject to the terms of the CRM Operating Agreement.

4.23 Employee Benefits. Schedule 4.23 contains a complete and correct list of all benefit plans, arrangements, commitments and payroll practices of CRM (whether or not Employee Benefit Plans under ERISA), including, without limitation, sick leave, vacation pay, severance pay, salary continuation or disability, consulting or other compensation arrangements, retirement, deferred compensation, bonus, incentive compensation, stock purchase, stock option, health including hospitalization, medical, dental and pharmacy, life insurance and scholarship programs maintained for the benefit of any present or former employees of CRM. Each Employee Benefit Plan of CRM has been administered in compliance with its terms, and is in compliance in all material respects with the applicable provisions of ERISA, the Code and all other applicable Law (including, without limitation, funding, filing, termination, reporting and disclosure and continuation coverage obligations pursuant to Title V of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended).

4.24 No Investigation. None of Seller, CRM, any Shareholder or their respective Affiliates nor (to the best of Seller's knowledge) any Person employed by Seller or CRM is currently under investigation or prosecution for, nor has Seller, CRM, any Shareholder or their respective Affiliates nor any such Person been convicted of a criminal offense related to fraud, theft, embezzlement or other financial or unlawful manufacture, distribution, prescription or dispensing of a controlled substance.

4.25 Copies of Documents. Seller has furnished Buyer with true, complete and correct copies of: Seller's Articles of Incorporation and Bylaws; all contracts, agreements and understandings to which Seller is a party and related to the Business; the CRM Operating Agreement; all contracts, agreements and understandings to which CRM is a party (other than routine maintenance and similar agreements which are not individually or in the aggregate material in amount or substance to CRM or its operations); and, all contracts agreements and understandings to which Seller is a party in its capacity as a member of CRM.

4.26 Proper Licensing. Seller and CRM and each Person employed or retained as an independent contractor by Seller and CRM are qualified and licensed to engage in providing the service provided by such Person without restriction or limitation in the State of Maryland and in each other jurisdiction in which such Person engages in such services.

4.27 Insurance Coverages. Each of Seller and CRM has maintained in full force and effect insurance policies which are adequate in coverage amounts and types of risks covered for the conduct of its business, and all premiums necessary to maintain such insurance policies have been paid or accrued in full and are reflected on the Seller Balance Sheet and the CRM Balance Sheet.

4.28 Prohibited Payments. None of Seller, CRM or the Stockholders, nor any of the officers, directors, employees, agents or affiliates of Seller or CRM has offered, paid or

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agreed to pay to any person or entity, including any governmental official, or solicited, received or agreed to receive from any such person or entity, directly or indirectly, any money or anything of value for the purpose or with the intent of obtaining or maintaining business or otherwise affecting the operations, prospects, properties or condition (financial or otherwise) of the Seller or CRM and which is or was in violation of any law, rule or regulation, or is not properly and correctly recorded or disclosed on the books and records of the Seller or CRM.

4.29 CRM Operating Agreement. The CRM Operating Agreement in the form attached hereto as Exhibit "A" is in full force and effect, and there is no

current breach or violation of its terms by any party thereto, or the existence of any condition which would, if continued, result in a breach or violation thereof by any party thereto. Seller has complied with all the terms and conditions of the CRM Operating Agreement, including but not limited to all obligations with respect to capital contributions set forth in Article III. No consent of any person is required for the transfer of the CRM Interest to Buyer.

4.30 Investment Representation. Seller and each Shareholder has such knowledge and experience in financial and business matters so as to be fully capable of evaluating the merits and risks of an investment in the Shares. No Shares will be issued, delivered or distributed to any person or entity who either (i) is a resident of the State of California or New York or (ii) is other than an Accredited Investor with respect to whom there has been delivered to Buyer satisfactory information confirming the status of such person or entity as an Accredited Investor. Seller and each Shareholder has been furnished with the informational materials described in Section 4.2 of the Contribution Agreement (collectively, the "Informational Materials"), and has read and reviewed the Informational Materials and understands the contents thereof. Seller and the Shareholders have been afforded the opportunity to ask questions of those persons they consider appropriate and to obtain any additional information they desire in respect of the Shares and the business, operations, conditions (financial and otherwise) and current prospects of the Buyer. Seller and the Shareholders have consulted their own financial, legal and tax advisors with respect to the economic, legal and tax consequences of delivery of the Shares and have not relied on COP, COPT, or any of their officers, directors, affiliates or professional advisors for such advice as to such consequences. Seller and each of the Shareholders is an Accredited Investor. Seller and each of the Shareholders is formed under the law of the State of Maryland.

4.31 United States Person. Each Entity and each Seller is a "United States Person" within the meaning of Section 1445(f)(3) of the Code, as amended, and shall execute and deliver an "Entity Transferor" certification (as defined in the Contribution Agreement) at Closing.

4.32 Full Disclosure. All documents and other papers delivered by or on behalf of Seller and each Shareholder in connection with the transactions contemplated by this Agreement are accurate and complete in all material respects and are authentic. No representation or warranty of Seller or a Shareholder contained in this Agreement or any other Transaction Document contains any untrue statement of a material fact or omits to state a fact necessary in order to make the statements herein or therein, in light of the circumstances under which they were made, not misleading. Except as described in this

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Agreement, there is no fact known to Seller or any of the Shareholders or (other than proposed or enacted legislation, proposed or enacted regulation, or general economic or real estate industry conditions and changes) that materially adversely affects or, so far as Seller and the Shareholders can reasonably foresee, materially threatens, the assets, activities, prospects, financial condition or results of Seller or CRM.

ARTICLE 5. COVENANTS OF BUYER.

Buyer covenants and agrees to and with Seller as follows:

5.1 Confidentiality. Buyer acknowledges that the information being provided by the Seller and Shareholders is for the sole purpose of the transactions contemplated hereby and that Buyer will keep confidential and instruct Buyer's Affiliates, officers, directors, employees and advisors to keep confidential all nonpublic information relating to the Seller, except as required by Law and except for information which becomes public other than as a result of a breach of this Section 5.1.

5.2 Financial Information. Buyer agrees to (x) retain all of the books and records of the Seller acquired by Buyer hereunder and not to destroy or dispose of any thereof for a period of three (3) years from the Closing Date or such longer time as may be required by Law, and (y) provide to the Shareholders financial information in its possession or control with respect to the Seller requested by Seller or the Shareholders in order to comply with tax, financial reporting and accounting requirements.

5.3 Proxy Statement. As promptly as practicable after the execution of this Agreement, COPT shall prepare and file with the Securities Exchange Commission a Proxy Statement (the "Proxy Statement") which shall solicit the votes of COPT's shareholders with respect to the transactions contemplated hereby and by the Contribution Agreement. The Proxy Statement shall include the recommendation of COPT's Board of Trustees in favor of this Agreement and the transactions contemplated hereby; provided, however, that the Board of Trustees may modify or withdraw such recommendation if it believes in good faith after consultation

with legal counsel that the modification or withdrawal of such recommendation is necessary for the Board of Trustees to comply with its fiduciary obligations under applicable law.

ARTICLE 6. REPRESENTATIONS AND WARRANTIES OF BUYER.

COP and COPT, jointly and severally, represent and warrant to Seller as follows:

6.1 Status, Power and Authority.

COP is a limited partnership validly existing under the laws of the State of Delaware and has all requisite power to carry on its business as now conducted. COPT is the sole general partner of COP and is a duly formed and validly existing Maryland real estate

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investment trust. Each of COP and COPT has full power and authority and possesses all material authorizations and approvals necessary to enable it to execute and deliver this Agreement and the other Transaction Documents to be executed by it, and perform its obligations hereunder and thereunder. This Agreement and the other Transaction Documents when executed and delivered by COP and COPT will, subject to approval by the shareholders of COPT prior to Closing, constitute valid and legally binding obligations of each of COP and COPT, enforceable against them in accordance with their respective terms, subject to bankruptcy and insolvency laws, and to equitable principles which may be imposed by courts.

6.2 No Conflicts. Subject to approval by the shareholders of COPT, the execution, delivery and performance of this Agreement and the other Transaction Documents do not and will not (with or without the passage of time or the giving of notice): (i) violate or conflict with COP's Partnership Agreement or COPT's Amended and Restated Declaration of Trust, or any Law binding upon COP or COPT; (ii) violate or conflict with, result in a breach of, or constitute a default or otherwise cause any loss of benefit under, any agreement or other obligation to which COP or COPT is a party or by which either of them (or the assets of either of them) is bound, or give to any other party any rights (including, without limitation, rights of termination, foreclosure, cancellation or acceleration) in, or with respect to COP or COPT; or (iii) result in, require, or permit the creation or imposition of, any restriction, mortgage, deed of trust, pledge, lien, security interest or other charge, claim or encumbrance upon, or with respect to, COP or COPT or the assets of either of them.

6.3 Litigation. There are no actions, suits, claims, proceedings, investigations or inspections, pending or (to COPT's knowledge) threatened, against or affecting COPT or its Affiliates which could have a material adverse affect on COPT and its Affiliates considered as a whole, and to COPT's knowledge there are no matters of litigation or governmental proceedings expected to be brought against it or its Affiliates which could have a material adverse affect on the financial condition of COPT and its Affiliates considered as a whole.

6.3 Consents. No consent, order, approval or authorization of, or registration, declaration or filing with, any court, administrative agency or commission or other governmental authority or agency, domestic or foreign, is required by or with respect to the COP or COPT in connection with the execution, delivery and performance of this Agreement and the other Transaction Documents.

6.4 SEC Reports and Financial Statements. The SEC Reports did not, as of their respective dates of filing, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading. There has not been any material adverse change in the business of COPT since March 31, 1998. Except as may otherwise be set forth therein, the financial statements (including the notes thereto) of COPT set forth in the SEC Reports present fairly the consolidated financial position of COPT as at the dates set forth therein and its results of operations, changes in consolidated stockholder equity and cash flows for periods covered

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thereby, all in conformity with United States generally accepted accounting principles applied on a consistent basis for such periods.

6.5. The Shares. The Shares to be issued at Closing will, when issued and delivered, be duly authorized, validly issued, fully paid, non-assessable shares of COPT free from all claims of preemptive rights.

6.6 Tax Status. COP has been at all times, and presently intends to continue

to be, classified as a partnership for federal income tax purposes and not an association taxable as a corporation or a publicly traded partnership taxable as a corporation. COPT is now, and presently intends to continue to be classified, as a real estate investment trust under Section 856 of the Internal Revenue Code of 1986, as amended.

6.7 Full Disclosure. All documents and other papers delivered by or on behalf of COP or COPT in connection with the transactions contemplated by this Agreement are accurate and complete in all material respects and are authentic. No representation or warranty of COP or COPT contained in this Agreement or any other Transaction Document contains any untrue statement of a material fact or omits to state a fact necessary in order to make the statements herein or therein, in light of the circumstances under which they were made, not misleading. Except as described in this Agreement or in the SEC Reports there is no fact known to COP or COPT or (other than proposed or enacted legislation, proposed or enacted regulation, or general economic or real estate industry conditions and changes) that materially adversely affects or, so far as COP and COPT can reasonably foresee, materially threatens, the assets, activities, prospects, financial condition or results of COP or COPT.

6.8 Condition of Tangible Assets. COP and COPT acknowledge that the tangible assets comprising a portion of the Assets are being transferred "as-is, where-is", and that Seller makes no representation or warranty, express or implied, about the condition or fitness for any particular purpose, of any of the tangible assets included as a part of the Assets.

ARTICLE 7. CONDITIONS PRECEDENT TO OBLIGATIONS OF SELLER.

Seller's obligation to complete the Closing shall be conditioned on the following, any of which may be waived by Seller.

7.1 Representations and Warranties. The representations and warranties made by Buyer in this Agreement and all other Transaction Documents, or in any exhibit, schedule, statement, list or certificate furnished pursuant thereto, shall be true and correct when made and shall be true and correct in all material respects at and as of the time of the Closing.

7.2 Performance by Buyer. Buyer shall have performed and complied in all material respects with all agreements and conditions required by this Agreement to be performed or complied with by it prior to or at the Closing.

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7.3 Other Matters. The transactions contemplated hereby shall be approved by all necessary action on the part of Buyer.

7.4 Deliveries at Closing. All instruments, documents, certificates and other items required to be delivered to Seller pursuant to Section 10.2 of the Agreement shall have been delivered to Buyer at or prior to the Closing Date.

7.5 Shareholder Approval and Other Closings. The Shareholders of COPT shall have approved the transactions contemplated hereby and by the Contribution Agreement and the Development Agreements. Immediately preceding Closing hereunder, there shall be a closing pursuant to the Contribution Agreement.

ARTICLE 8. CONDITIONS PRECEDENT TO BUYER'S OBLIGATIONS.

Buyer's obligation to complete the Closing shall be conditioned on the following, any of which may be waived by Buyer.

8.1 Representations and Warranties. The representations and warranties made by Seller and the Shareholders in this Agreement and all other Transaction Documents, or in any exhibit, schedule, statement, list or certificate furnished pursuant thereto, shall be true and correct when made and shall be true and correct in all material respects at and as of the time of the Closing.

8.2 Performance by Seller and the Shareholders. Seller and the Shareholders shall have performed and complied in all material respects with all agreements and conditions required by this Agreement to be performed or complied with by them prior to or at the Closing.

8.3 Federal and State Licenses, Permits and Authorizations. Buyer shall have received or have been granted any and all necessary licenses, permits and authorizations by the appropriate local, state and federal government agencies in order for Buyer to purchase the Assets and the CRM Interest (the "Authorizations"). Seller and the Shareholders shall cooperate and employ their best efforts to assist Buyer in receiving the Authorizations.

8.4 Other Matters. The transactions contemplated hereby shall be approved by all necessary corporate action on the part of the Seller, and there shall have been no material change in any Law or regulation affecting Seller or CRM.

8.5 Deliveries at Closing. All instruments, documents, certificates and other items required to be delivered to Buyer pursuant to Section 10.1 of the Agreement shall have been delivered to Buyer at or prior to the Closing Date.

8.6 Buyer's Rights With Respect to CRM Interest. Buyer shall have the right not to purchase the CRM Interest at Closing, if Buyer is not satisfied for any reason whatsoever with the documents, agreements and instruments relating to such transfer. Buyer may exercise this right, in its sole discretion, by notifying Seller in writing of its intention not to purchase the CRM Interest at any time up to completion of the closing of

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the Contribution Agreement. If Buyer elects not to purchase the CRM Interest: (i) the Purchase Price shall be reduced to Shares representing an aggregate value of Seven Hundred Fifty Thousand Dollars (\$750,000.00); (ii) the amount set forth in Section 9.7 below shall be changed to Twenty Thousand Dollars (\$20,000.00); and (iii) this Agreement shall otherwise continue in full force and effect.

8.7 Shareholder Approval and Other Closings. The Shareholders of COPT shall have approved the transactions contemplated hereby and by the Contribution Agreement and the Development Agreement. Immediately preceding Closing hereunder, there shall be a closing pursuant to the Contribution Agreement.

ARTICLE 9. INDEMNIFICATION.

9.1 Basic Provision. The Sellers and the Shareholders hereby jointly and severally agree to indemnify, defend and hold harmless Buyer, its Affiliates and their respective partners, directors, officers, shareholders, employees and agents and the successors and assigns of each of the foregoing (individually, an "Indemnitee" and collectively, the "Indemnitees"), from, against and in respect of the amount of any and all Deficiencies.

9.2 Definitions of "Deficiencies. As used herein, "Deficiencies" means:

(i) any and all losses, damages, costs and expenses resulting from any misrepresentation, breach of warranty or representation, or any non-fulfillment of any warranty, representation, covenant or agreement on the part of Seller or any Shareholder contained herein;

(ii) any and all losses, damages, costs and expenses resulting from any misrepresentation contained in any statement, report, certificate or other document or instrument delivered to Buyer pursuant to this Agreement or contained in any Schedule or Exhibit hereto;

(iii) any and all losses, damages, costs and expenses resulting to Indemnitee by reason of any claim, debt, liability or obligation or any alleged claim, debt, liability or obligation of CRM, Seller or any Shareholder (including but not limited to any claim for malpractice or professional liability), whether known or unknown, accrued or contingent, except for the Assumed Liabilities;

(iv) any and all losses, damages, costs and expenses resulting from all actions and conduct occurring on or prior to the Closing Date by or on behalf of CRM, Seller or the Shareholders, including but not limited to actions and conduct of Seller and its employees, customers or agents; and

(v) any and all actions, suits, proceedings, demands, assessments, judgments, reasonable attorneys' fees, costs and expenses incident to any of the foregoing.

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9.3 Procedures for Third Party Claims. In the event that any claim shall be asserted by any individual or entity against Buyer which, if sustained, would result in a Deficiency, Buyer, within a reasonable time after learning of such claim, shall notify Seller and the Shareholders of such claim, and shall extend to Seller and the Shareholders a reasonable opportunity to defend against such claim, at the Sellers' and the Shareholders' sole expense and through legal counsel acceptable to Buyer, provided that Seller and the Shareholders proceed in good faith, expeditiously and diligently to defend such claim. Buyer shall, at its option and expense, have the right to participate in any defense undertaken by Seller and the Shareholders with legal counsel of its own selection. No settlement or compromise of any claim which may result in a Deficiency may be made by Seller or any Shareholder without the prior written consent of Buyer unless prior to such settlement or compromise (i) Seller and the Shareholders acknowledge in writing their obligation to pay in full the amount of the settlement and all associated expenses, (ii) Buyer is furnished

with security reasonably satisfactory to Buyer that Seller and the Shareholders will in fact pay such amount and expenses and (iii) Seller and the Shareholders obtain a written release from the claimant, in a form reasonably satisfactory to Buyer, of the Buyer from all liability, past, present and future, arising from or in connection with the claim.

9.4 Payment of Deficiencies. In the event that Buyer discovers any Deficiency, Buyer shall give written notice to Seller and the Shareholders of the nature and amount of the Deficiency. Seller and the Shareholders hereby agree to pay the amount of such Deficiency to Buyer in cash within thirty (30) days after written notice from Buyer which reasonably details the nature and amount of the Deficiency. Any amounts required to be paid which are not paid by Seller and the Shareholders when due under this Article 9 shall bear interest from the due date thereof until the date paid at a rate of interest per annum that is equal to the Prime Rate. At Buyer's option, Buyer may off-set any unpaid Deficiency or portion thereof against any obligation Buyer may have to any party hereto.

9.5 Provisions Not Exclusive. The indemnification obligations of Seller, the Shareholders and Buyer contained herein, including any rights of set off as described herein, are not intended to waive or preclude any other claims, rights or remedies which may exist at law (whether statutory or otherwise) or in equity with respect to the matters covered by the indemnifications described herein.

9.6 Time Limit on Certain Claims. No claim for indemnification may be asserted pursuant to a Deficiency described in Section 9.2, unless notice of such claim shall have been given within eighteen months after the Closing Date to the person from whom such indemnification may be sought (except that the cost of items described in Section 9.2(v) which are based on claims for which notice has been given in such eighteen month period shall be payable regardless of when incurred); provided, however, that if the Deficiency is based on a misrepresentation or breach contained in Sections 4.12, 4.21, 4.22 or 4.30, the claim for indemnification with respect thereto shall have been given within the later of three years after the Closing Date or the statute of limitations applicable to such underlying claim.

9.7 Limit on Amounts. No claim for indemnification may be asserted pursuant to this Article 9 against Seller and the Shareholders until the aggregate amount of

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Deficiencies for claims which then may be asserted hereunder exceeds Fifty thousand Dollars (\$50,000.00), whereupon all such Deficiencies may be claimed.

9.8 Indemnification by COP and COPT. COP and COPT shall jointly and severally indemnify, protect, defend and hold Seller and each of the Shareholders (the "Seller Indemnified Parties") harmless from and against any claims, losses, demands, liabilities, suits, costs and damages suffered by the Seller Indemnified Parties incurred, arising against, or suffered by, the Seller Indemnified Parties as a consequence of (i) any breach of any representation, warranty or covenant made in this Agreement by COP or COPT, or (ii) the failure of COP or COPT to satisfy any of the Assumed Liabilities.

ARTICLE 10. DELIVERIES AT CLOSING.

10.1 Deliveries by Seller and the Shareholders at Closing. If not previously delivered, at Closing Seller and the Shareholders shall deliver or cause to be delivered to Buyer each of the following:

(a) all contractual assignments, third-party consents, permits, waivers and governmental approvals, as well as evidence of the completion of all other transactions necessary or appropriate for consummation by Buyer of the transactions contemplated by this Agreement and the other Transaction Documents, in form and substance reasonably satisfactory to Buyer;

(b) resolutions of Seller's Board of Directors and the Shareholders authorizing the execution, delivery and performance of this Agreement and the other Transaction Documents to be executed and performed by Seller;

(c) duly executed bills of sale, articles of transfer, assignments and other documents evidencing the transfer of the Assets and the CRM Interest to Buyer, in form reasonably satisfactory to Buyer;

(d) an opinion of Daniel R. Skowronski, counsel for the Seller, addressed to Buyer and dated the date of the Closing, in the same form as provided for in Section 16.1.3. of the Contribution Agreement except that no opinion will be rendered with respect to the transfer of the interest in CRM without obtaining the consent of KLNB, Inc.;

(e) a certificate executed by the chief executive officer of Seller and by each Shareholder to the effect that all conditions precedent to the

obligation of the Seller to close hereunder have been satisfied or waived, and that the representations and warranties of the Seller in the Agreement are true and correct as of the Closing Date;

(f) Good Standing Certificates reflecting each of Seller's and CRM's good standing issued by the State of Maryland as of a date immediately prior to the Closing; and

(g) such other certificates, instruments, documents, agreements, etc. as may be reasonably necessary or appropriate to effect the transactions contemplated hereby.

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10.2 Deliveries by Buyer at Closing. If not previously delivered, at Closing Buyer shall deliver or cause to be delivered to Seller each of the following:

(a) the Shares;

(b) a resolution of COPT's Trustees, for COPT and as sole general partner of COP, authorizing the execution, delivery and performance of this Agreement and the other Transaction Documents to be executed and performed by COPT and COP;

(c) a certificate executed by COPT, for COPT and as sole general partner of COP, to the effect that all conditions precedent to the obligation of the COP to close hereunder have been satisfied or waived, and that the representations and warranties of COP and COPT in the Agreement are true and correct as of the Closing Date;

(d) an opinion of counsel for COP and COPT addressed to Seller and dated the date of the Closing, as to the matters described in Sections 6.1, 6.2, 6.3 and 6.5 hereof in form and substance reasonably satisfactory to Seller; and

(e) such other certificates, instruments, documents, agreements, etc. as may be reasonably necessary or appropriate to effect the transactions contemplated hereby.

ARTICLE 11. TERMINATION; REMEDIES.

11.1 Termination by Buyer. This Agreement may be terminated and canceled at any time prior to the Closing by the Buyer, upon written notice to the Seller, if any of the following circumstances or events continues for more than ten (10) business days after Buyer has provided written notice thereof to Seller of its intention to terminate this Agreement:

(a) any of the representations or warranties of the Seller or the Shareholders contained herein or in any other Transaction Document shall be inaccurate or untrue in any material respect;

(b) any material obligation, term or condition to be performed, kept or observed by Seller or any Shareholder hereunder has not been performed, kept or observed in any material respect at or prior to the time specified in this Agreement; or

(c) any one of the conditions precedent to Buyer's obligations to complete Closing hereunder as set forth in Article 7 has not been satisfied, or waived by Buyer in writing, at or before the Closing unless the failure of condition is the result of a material breach of this Agreement by Buyer.

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11.2 Termination by Seller. This Agreement may be terminated and canceled at any time prior to the Closing by the Seller, upon written notice to the Buyer, if any of the following circumstances or events continues after Seller has provided ten (10) business days' written notice thereof to Buyer of its intention to terminate this Agreement:

(a) any of the representations or warranties of the Buyer contained herein or in any Transaction Document shall be inaccurate or untrue in any material respect;

(b) any material obligation, term or condition to be performed, kept or observed by Buyer hereunder has not been performed, kept or observed in any material respect at or prior to the time specified in this Agreement; or

(c) any one of the conditions precedent to Seller's obligations to complete Closing hereunder as set forth in Article 6 has not been satisfied, or waived by Seller in writing, at or before the Closing unless the failure of condition is the result of a material breach of this Agreement by Seller or a Shareholder.

11.3 Termination by Agreement. This Agreement may be terminated at any time by mutual written agreement of Buyer and Seller, and shall be automatically terminated upon termination of the Contribution Agreement.

11.4 Effect of Termination. All obligations of the Parties hereunder shall cease upon any termination pursuant to Sections 11.1, 11.2 or 11.3, provided, however, that (x) the provisions of this Article 11, Section 2.3, Section 3.4 and Section 5.1 hereof shall survive any termination of this Agreement; and (y) nothing herein shall relieve any party from any liability (at law or in equity) for a material error or omission in any of its representations or warranties contained herein or a material failure to comply with any of its covenants, conditions or agreements contained herein, if such error, omission or failure was willful or deliberate, but if such error, omission or failure was not willful or deliberate, the liability of the responsible party shall be limited to out-of-pocket expenses incurred by the other party(ies) in connection with negotiating, preparing and entering into this Agreement and carrying out the transactions contemplated hereby.

ARTICLE 12. NOTICES. Any notice, demand or request which may be permitted, required or desired to be given in connection therewith shall be given in writing and directed to Seller and the Shareholders and Buyer as follows:

Seller and the Shareholders:

Constellation Real Estate, Inc.
8815 Centre Park Drive - Suite 400
Columbia, MD 21045
Attention: General Counsel
Telecopy: 410-740-1174
and

Constellation Holdings, Inc.
250 West Pratt Street

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Baltimore, MD 21201-2423
Attention: Dan R. Skowronski, Esquire
Telecopy: 410-783-3632

With a copy to its attorneys:

Stephen L. Owen, Esquire
Piper & Marbury LLP
36 South Charles Street
Baltimore, MD 21201-3018
Telecopy: 410-539-0489

Buyer:

Corporate Office Properties Trust
One Logan Square, Suite 1105
Philadelphia, PA 19103
Attention: Clay W. Hamlin, III
President and Chief Executive Officer
Telecopy: 215-567-1907
With a copy to its attorneys:

F. Michael Wysocki, Esquire
Saul, Ewing, Remick & Saul LLP
Centre Square West
1500 Market Street - 38th Floor
Philadelphia, PA 19102
215-972-7139

Notices shall be deemed properly delivered and received when and if either (i) personally delivered, including via facsimile; or (ii) on the first business day after deposit with a commercial overnight courier for delivery on the next business day. Any party may change its address for delivery of notices by properly notifying the others pursuant to this Article 12.

ARTICLE 13. MISCELLANEOUS PROVISIONS.

13.1 Entire Agreement; Counterparts. This Agreement is the entire agreement between the parties hereto with respect to the sale of the Assets and the CRM Interest and supersedes all prior and contemporaneous communications, representations, agreements, discussions and understandings, whether oral or written, between the parties hereto, including, without limitation, any financial or other projections, valuations or predictions regarding the Seller,

the Assets or the CRM Interest. There are no oral or written agreements, understandings, representations or warranties between the parties hereto with

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respect to the subject matter hereof other than those set forth or contemplated in this Agreement. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

13.2 Headings. The headings contained in this Agreement and the Schedules and Exhibits are for reference purposes only and shall not affect the meaning or interpretation of this Agreement. Reference to Sections, Schedules or Exhibits are to portions of this Agreement unless the context requires otherwise.

13.3 Assignment and Amendment of Agreement. This Agreement shall be binding on and inure to the benefit of the parties hereto, their heirs, executors, administrators, successors and assigns; provided, however, that this Agreement shall not be assignable or transferable by Seller or a Shareholder without the prior written consent of Buyer, or by Buyer without the written consent of Seller, except that Buyer may assign some or all of Buyer's rights and obligations under this Agreement without such prior written consent to any Affiliate of Buyer. Neither this Agreement nor any provisions hereof may be waived, modified, amended, discharged or terminated except by an instrument in writing signed by the party against which the enforcement of such waiver, modification, amendment, discharge or termination is sought, and then only to the extent set forth in such instrument.

13.4 Commercially Reasonable Best Efforts. Subject to the terms and conditions of this Agreement each party will use its commercially reasonable best efforts to cause the Closing to occur. Seller and Buyer shall use their commercially reasonable, diligent and good faith efforts, and shall cooperate with and assist each other in their efforts, to obtain any and all consents and approvals of third parties (including, but not limited to, governmental authorities) to the transaction contemplated hereby, and to otherwise perform as may be necessary or otherwise reasonably requested by the other party to effectuate and carry out the purposes of, this Agreement.

13.5 Applicable Law. This Agreement shall be construed in accordance with the laws of the State of Maryland without regard to principles of conflicts of law.

13.6 No Third Party Rights. This Agreement is not intended and shall not be construed to create any rights in any persons other than Seller, the Shareholders and Buyer and their permitted assignees, and no Person shall assert any rights as third party beneficiary hereunder.

13.7 Incorporation of Schedules and Exhibits. The Schedules and Exhibits attached hereto are incorporated into this Agreement and shall be deemed a part hereof as if set forth herein in full. Reference herein to "this Agreement" and the words "herein," "hereof" and words of similar import refer to this Agreement including its Schedules and Exhibits as an entirety. In the event of any conflict between provisions of this Agreement and any such Schedule or Exhibit, the provisions of this Agreement shall control.

13.8 Survival. The covenants, rights, obligations, representations and warranties of each of the parties hereunder shall survive the Closing subject to the limitations set forth in this Agreement.

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13.9 Waiver. The failure of any party at any time or times to enforce its rights under such provisions, strictly in accordance with the same, shall not be construed as having created a custom in any way or manner contrary to the specific provisions of this Agreement or as having in any way or manner modified or waived the same.

13.10 Enforcement. Each of the Parties hereto shall have the right at all times to enforce the provisions of this Agreement in strict accordance with its terms and to pursue remedies for breach by any legal and equitable means, including by an action for specific performance, notwithstanding any conduct or custom on its part in refraining from doing so at any time or times.

13.11 Litigation. Seller, the Shareholders and Buyer waive all rights to a jury trial with respect to any disputes relating to this Agreement, whether arising before or after Closing. In the event of litigation between the parties with respect to this Agreement, the performance of their respective obligations hereunder or the effect of a termination under this Agreement, the losing party shall pay all costs and expenses incurred by the prevailing party in connection with such litigation, including, but not limited to, reasonable attorneys' fees of counsel selected by the prevailing party. The parties hereby further

acknowledge and agree that in the event of litigation between them, as contemplated above, and the resolution of that litigation through compromise, settlement, or partial judgment, the court before which such litigation is initially brought shall have the right to allocate responsibility, between Seller and the Shareholders on the one hand, and Buyer on the other, for all costs and expenses (including, but not limited to, attorneys' reasonable fees) incurred by all parties in the pursuit of that litigation resolved through compromise, settlement or partial judgment. Notwithstanding any provision of this Agreement to the contrary, the obligations of the parties under this shall survive termination of this Agreement and the Closing, if applicable.

13.12 Publicity. Seller, the Shareholders and Buyer agree that no public release or announcement concerning the transactions contemplated hereby shall be issued by either party without the prior written consent of both Buyer and Seller, but in no event shall financial terms be disclosed, except as such release or announcement may be required by law or court order, in which case the party required to make the release or announcement shall allow the other party reasonable time to comment on such release or announcement in advance of such issuance.

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13.13 Brokerage. Seller and the Shareholders represent and warrant to Buyer that none of them, and Buyer represents and warrants to Seller and the Shareholders that neither of them, has dealt with any brokers or finders in connection with this transaction and that no broker, finder or other party is entitled to a commission, finder's fee or other similar compensation as a result hereof, except Legg Mason Real Estate Services, Inc. under separate agreement with Buyer. Buyer shall pay to Legg Mason Real Estate Services, Inc. the compensation payable to it with respect to this transaction pursuant to such agreement. Seller and the Shareholders hereby indemnify, protect and defend and hold Buyer harmless from and against all losses, claims, costs, expenses, damages (including, but not limited to, attorneys' fees of one counsel selected by Buyer) resulting or arising from the claims of any broker, finder or other such party, claiming by, through or under the acts or agreements of Seller or a Shareholder. Buyer hereby indemnifies, defends and holds Seller and the Shareholders harmless from and against all losses, claims, costs, expenses, damages (including, but not limited to, attorneys' fees of one counsel selected by the Seller and Shareholders) resulting or arising from the claims of any broker, finder or other such party claiming by, through or under acts or agreements of Buyer. This Section 13.13 shall survive any termination of this Agreement and the Closing, if applicable.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed under seal as of the date first written above.

CORPORATE OFFICE PROPERTIES TRUST

By: /s/ Clay W. Hamlin, III

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

CORPORATE OFFICE PROPERTIES, L.P.

By: Corporate Office Properties Trust, its sole
general partner

By: /s/ Clay W. Hamlin, III

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

CONSTELLATION REAL ESTATE, INC.

By: /s/ Randall M. Griffin

Title: Randall M. Griffin
President

SHAREHOLDERS:

KMS OLDSCO, INC.

By: /s/ Randall M. Griffin

Title: Randall M. Griffin
President

CONSTELLATION REAL ESTATE GROUP, INC.

By: /s/ Randall M. Griffin

Title: Randall M. Griffin
President

OPTION AGREEMENT

THIS OPTION AGREEMENT ("Agreement") is made and executed this 14th day of May, 1998, by and between NBP-III, LLC ("Seller") and CORPORATE OFFICE PROPERTIES L.P. its successors and assigns ("Buyer").

RECITALS

Seller is the owner of that parcel of land known as Lot 11 within the National Business Park (the "Property"), said parcel being more particularly described in Exhibit A attached hereto and by this reference made a part hereof. Seller is currently in the process of developing and constructing onto Lot 11 an office building containing approximately 110,000 gross square feet to be known as 134 National Business Park. Seller is willing to grant to Buyer an option to purchase the Property on the terms and conditions as set forth herein. Buyer is willing to accept said option on those terms and conditions and for the considerations provided and described herein.

NOW THEREFORE, in consideration of the premises and other good and valuable consideration, the adequacy of which is hereby acknowledged, Seller hereby grants to Buyer the exclusive right and option (irrevocable except upon the express terms and conditions of this Agreement) during the term hereof to purchase from Seller, the Property upon the terms and subject to the conditions hereinafter set forth.

1. Determination of Purchase Price. The Purchase Price for the Property shall be determined as of the date of "Settlement" (hereinafter defined) and shall be that sum which is equal to the "Seller's Book Value" (hereinafter defined) of the Property. For purposes of this Agreement "Seller's Book Value" shall mean that sum which is the net dollar amount shown as the value of the Property as same appears as an asset on the balance sheet of the Seller, which sum shall include all costs expended on the development and construction of buildings on the Property through the date of Settlement. Seller will provide to Buyer such access to Seller's books and accounting records as shall be reasonably required for such a determination to be

made. The Purchase Price as so determined shall be paid as provided in Paragraph 4 herein. Seller has dedicated Two Million One Hundred Eight Thousand Dollars (\$2,108,000.00) towards the development of the Property through August, 1998 and Seller represents that as of the date hereof, Seller's Book Value is One Million Nine Hundred Ninety-Three Thousand Seven Hundred Twenty-Six Dollars (\$1,993,726.00). Seller shall maintain its books in accordance with generally accepted accounting principles, consistently applied.

2. Term of Option; Exercise of Option; Settlement.

(a) The term of the Option as herein granted by Seller shall commence as of the date hereof and without need of written notice automatically terminate and expire on that date which is fifteen (15) days thereafter ("Option Period").

(b) If Buyer at any time during the Option Period desires to exercise the Option then Buyer shall give to Seller written notice to that effect together with the date on which Settlement is to occur, subject to the provisions of Section 2(c) below.

(c) Notwithstanding anything herein to the contrary, if Buyer exercises its Option hereunder, Settlement shall be on or before that date which is forty-five (45) days after the Closing under that certain Contribution Agreement of even date herewith by and between Corporate Office Properties Trust and Corporate Office Properties, L.P., as Buyer and various entities which are subsidiaries and affiliates of Constellation Properties, Inc. (the "Contribution Agreement").

3. Payment of Purchase Price; Deposit.

(a) It is hereby irrevocably acknowledged, confirmed and agreed by Seller that the mutual obligations and covenants of the parties hereunder and the entry by affiliates of Seller and Buyer into other agreements as of even date herewith, constitute adequate consideration for the Option herein granted.

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(b) The balance of the Purchase Price shall be paid as provided in Paragraph 5 following.

4. Right to Inspect.

From and after execution of this Agreement by both Buyer and Seller, Buyer and Buyer's consultants shall have the right to enter upon the Property and conduct, at Buyer's sole expense, any engineering tests, development and land use studies, environmental analysis, soil tests, topographical and other surveys, wetlands and flood plain delineations, and other surveys, tests and studies (collectively, "Site Investigations") as Buyer deems necessary. All lands, trees, shrubs, grass and field areas shall be restored as closely as possible to their pre-test conditions. Buyer and its consultants shall enter and test the Property at their own risk; and Buyer and/or its consultants shall carry adequate commercial general liability insurance of not less than \$1,000,000 combined single limit naming Seller as an additional insured. Buyer and/or its consultants shall provide Seller with a certificate evidencing such insurance promptly upon request. Further, Buyer shall indemnify and save Seller harmless from any and all suits, claims of injuries and judgements, and reasonable attorney's fees, in any way arising out or such entry and testing of the Property, which indemnification and obligation to hold the Seller harmless shall survive any termination of this Agreement.

5. Settlement.

(a) Settlement and transfer of title to the Property ("Settlement") shall be held in the Baltimore-Metropolitan area, at a location selected by the Buyer, and shall occur on that date which shall be noted on Buyer's notice of exercise of the Option.

(b) At Settlement, the Buyer shall pay Seller, in cash or by certified, cashier's, treasurer or title company check, or by wire transfer, the Purchase Price determined for the Property.

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(c) At Settlement, title to the Property shall be good and merchantable, free of all liens, encumbrances, encroachments and easements other than the Permitted Encumbrances (as hereinafter defined), and of the Property shall be given to Buyer free of all tenancies or other rights of use or occupancy. A deed containing covenants of special warranty and further assurances shall be executed by Seller, at Buyer's expense, which shall convey fee simple title to the Property together with all improvements, rights, alleys, ways, waters, privileges, easements, appurtenances and advantage benefitting the Property, and shall be delivered to Buyer at Settlement.

(d) As soon as possible after exercise of the Option the Buyer, at Buyer's expense, shall have the title to the Property examined by a reputable title insurance company and have such title insurance company issue a title insurance commitment (the "Title Commitment") to assure Buyer that, as of the examination date, title to the Property is good and merchantable and insurable at ordinary prevailing title insurance rates and that any exceptions to title contained in the Title Commitment are acceptable to Buyer. By the thirtieth (30th) day after receipt by Seller of notice of any exercise of the Option, Buyer shall provide to Seller a copy of the Title Commitment and either advise Seller in writing that all exceptions to title contained in the Title Commitment are acceptable to Buyer or advise Seller in writing of those exceptions to title contained in the Title Commitment that are unacceptable to Buyer; provided, however, that Buyer shall be required to accept (i) all matters shown on that Subdivision Plat depicting the Property and any amendments thereto. Failure of Buyer to examine title or to advise Seller of the acceptability of title within the time periods required hereunder shall be deemed an acceptance of all title matters. Within fifteen (15) days after receipt of a notice from Buyer advising Seller that certain title exceptions are unacceptable to Buyer, Seller shall notify Buyer whether Seller will cure any of the unacceptable title exceptions. Failure of Seller to provide notice within such time period shall be deemed an election by Seller not to cure the unacceptable title exceptions. If Buyer has timely notified Seller of unacceptable title matters then, unless Seller has timely elected to cure such title exceptions as provided hereunder, Buyer, by written notice to Seller, may, within fifteen (15) days after expiration of the time period for Seller to elect to cure, either waive such unacceptable title exceptions (in which case such exceptions shall be deemed acceptable to Buyer) or terminate the Option. Failure of Buyer to notify Seller in such fifteen

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(15) days period shall be deemed an election by Buyer to waive the unacceptable title exceptions. If Seller notifies Buyer that Seller will cure any unacceptable title exception, then Seller shall be obligated to promptly and, in all events, prior to Settlement, proceed to cure such title exception in such manner that the defect or objection to the title will not appear in the Buyer's title insurance policy. All exceptions to title accepted by Buyer or deemed to be accepted by Buyer under the provisions of this paragraph (other than mortgages, deeds of trust and other liens [excluding liens for taxes and assessments to be adjusted under subparagraph (e)], all of which shall be discharged by Seller at or prior to Settlement) shall constitute "Permitted

Encumbrances." Notwithstanding the foregoing, from and after the date hereof and continuing until the expiration of the Option Period, Seller shall not change or permit to be changed title to the Property or any portion thereof in a manner which would materially prevent or interfere with the development of the Property.

(e) All costs, including taxes, insurance and any and all costs relating to the ownership of the Property shall be borne by Seller until the time of any Settlement hereunder. All taxes, general or special, and all other public, governmental or other assessments against the Property payable on an annual basis are to be adjusted and apportioned as of the date of Settlement and are to be assumed and paid after Settlement by Buyer. The costs, if any, of all recordation taxes and transfer taxes shall be split and paid equally by Buyer and Seller. All agricultural transfer tax or taxes, if any, shall be paid by Seller. All other closing costs, including, without limitation, recording charges, document preparation charges, notary fees and title insurance premiums shall be paid by Buyer. Seller and Buyer shall each pay their respective legal costs.

(f) At Settlement hereunder, the Seller shall, execute and deliver to the Buyer an affidavit, in form sufficient to satisfy all Internal Revenue Service requirements, stating that Seller is not a "foreign person" (as defined by the Foreign Investment in Real Property Tax Act and the regulations promulgated thereunder) so that Buyer is not legally required to withhold any portion of the Purchase Price then being paid at Settlement hereunder.

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6. Potential Contribution of Member Interests in Lieu of Fee Simple Transfer.

If Buyer exercises its option to purchase all of the lots owned by Seller hereunder, Buyer shall have the right, exercisable by written notice to Seller given at least ten (10) days prior to Settlement, to structure the transfer as a purchase of 100% of the member interests of the Seller, rather than as a transfer of the underlying Property. In such event, at the time of Settlement, Seller(s) shall execute and deliver to Buyer:

(a) an Assignment and Assumption Agreement, an Amendment to the Operating Agreement, and Amendment of the Articles of Organization setting forth the assignment by each of the members of such member's membership interest and his, her or its withdrawal from the Seller and the admission of the Buyer and/or its designee(s) as members of the Seller, which amendment shall be executed and acknowledged by all withdrawing members and the Buyer;

(b) a release from each withdrawing member releasing the Buyer (and its designee(s)) as members of the limited liability company from any obligations and liabilities with respect to the formation of such limited liability company, and any other matter arising from business done, transactions entered into or events occurring prior to the Settlement;

(c) customary representations and warranties as to the member interests, consistent with those set forth in Section 11.1 of the Contribution Agreement; and

(d) such other documents and items as may be reasonably required to be delivered by Seller to Buyer under the terms of this Agreement or relating to the Property and the membership interest to reasonably effect the purposes of this Agreement.

All of such documentation shall be in substantially the same form as the documentation being delivered under the terms of the Contribution Agreement.

7. Risk of Loss. The Property and is to be held at the risk of the Seller until legal title has passed.

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8. Seller's Warranties and Representations. Seller warrants, represents and covenants to Buyer that the following items are true in all material respects and shall be deemed to have been restated at the time of Settlement hereunder:

(a) As of the date hereof and as of Settlement, Seller will be the owner of 100 percent fee simple interest in the Property and will not have entered into any contract of sale, option agreement, right of first refusal or other agreement for the sale of the Property.

(b) The Seller has full power and authority to execute, deliver and perform this Agreement in accordance with its terms.

(c) As of the date of this Agreement, the Property is zoned to permit its use for office and warehouse purposes and Seller, shall not join in

or consent to any change in the zoning of the Property which would prohibit its use for office and warehouse purposes.

(d) To the best of Seller's knowledge, there are no underground storage tanks on the Property.

(e) Seller has not used, generated, stored or disposed, and from and after the date of this Agreement will not use, generate, store or dispose, on, under or about the Property any hazardous waste, toxic substance or related materials or any friable asbestos or substance containing asbestos.

The foregoing warranties shall terminate twelve (12) months after Settlement hereunder.

9. Construction Costs and Obligations. If at the time of exercise of the Option Seller is in the process of construction of buildings on the Property it is agreed that:

(a) Seller will tender and transfer (as necessary) to Buyer all plans, specifications, contracts, permits and other materials related to such construction;

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(b) Seller will open its accounting records to Buyer and cooperate with Buyer's takeover of the responsibility of such construction; and

(c) Seller will if necessary give to Buyer appropriate bills of sale for personal property items then in the possession of Seller and related to such construction.

10. Miscellaneous.

(a) Seller and Buyer warrant that, in connection with this transaction, they have dealt with no broker, agent or other party who may be entitled to a commission or finder's fee, and each party agrees to indemnify the other from any claims or damages, including reasonable attorneys' fees, that the other may incur as a result of the violation of this warranty, which warranty and indemnification shall survive settlement and any termination of this Agreement.

(b) Any written notices required under the terms of this Agreement shall be sent by certified mail, return receipt requested and addressed as follows:

TO BUYER: Corporate Office Properties L.P.
One Logan Square, Suite 1105
Philadelphia, PA 19103
Att.: Clay W. Hamlin, III

with copies to: F. Michael Wysocki, Esquire
Saul, Ewing, Remick & Saul LLP
1500 Market Street
38th Floor
Philadelphia, Pennsylvania 19102-2186

TO SELLER: NBP-III, LLC
c/o Constellation Properties, Inc.
250 West Pratt Street
Baltimore, Maryland 21201
Att.: Dan R. Skowronski, Esquire

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Any party hereto may change its notice address by giving notice of such change in accordance with this paragraph.

(c) Time shall be the essence of this Agreement.

(d) If the last day of the Option Period or the date on which Settlement is to occur, or the last day of any time period specified herein, falls on a Saturday, Sunday or holiday, the period for the required action shall be extended until 5:00 PM on the next business day.

(e) This Agreement contains the final and entire agreement between the parties thereto, and neither party shall be bound by any terms, condition, statement or representation not herein contained. The Agreement may not be modified or changed orally, but only by agreement in writing, signed by the party against whom enforcement of any such change is sought.

(f) The Agreement shall be governed by the laws of the State

of Maryland. The titles of the paragraphs are inserted as a matter of convenience and for reference and in no way define, limit or describe the scope of this Agreement or the intent of any provision hereof.

(g) Upon any expiration or termination of this Agreement, the option to purchase the Property shall be deemed to expire and be null and void and Buyer shall enter into such documentation in recordable form as may be reasonably required to confirm such expiration as requested by Seller.

(h) Either party shall have the right to record a memorandum of this Agreement in the Land Records of Anne Arundel County, Maryland, with the prior written approval of the other party. The parties shall each pay one-half (1/2) of the recordation taxes and transfer taxes and fees associated with the recording of the memorandum.

10. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Buyer shall have the

right to freely assign this Agreement in whole or in part without the consent of Seller, provided that no such assignment or collateral assignment shall be effective unless and until Seller is given written notice thereof by Buyer.

IN WITNESS WHEREOF, each of the parties hereto has executed or caused this Agreement to be executed by its duly authorized representative on the day and year first above written.

WITNESS: NBP-III, LLC, a Maryland limited liability company
By: CPI National Business Park-III, Inc.
a Maryland corporation, Member

/s/

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

Name: Roger A. Waesche, Jr.
Title: Vice President

WITNESS: CORPORATE OFFICE PROPERTIES L.P.
by its sole general partner:
Corporate Office Properties Trust

/s/

By: /s/ Clay W. Hamlin, III

Clay W. Hamlin, III
President & Chief Executive Officer

Assented And Agreed To By
CONSTELLATION PROPERTIES, INC.

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

Vice President

STATE OF MARYLAND COUNTY OF ANNE ARUNDEL, TO WIT:

I HEREBY CERTIFY, that on this 14th day of May, 1998, before me, undersigned Notary Public of said State, personally appeared ROGER A. WAESCHE, JR., who acknowledged himself to be the Vice President of CPI National Business Park-III, Inc., a Maryland corporation, and Member of NBP-III, LLC, a Maryland limited liability company, known to me or satisfactorily proven to be the person whose name is subscribed to the within instrument, and acknowledged that he executed the same for the purposes therein contained as the duly authorized Vice President of said corporation by signing the name of the corporation himself as Vice President.

IN WITNESS WHEREOF, I have set my hand and Notarial Seal, the day and year first above written.

/s/

Notary Public

My commission expires: 5/1/02

STATE OF MARYLAND COUNTY OF ANNE ARUNDEL, TO WIT:

I HEREBY CERTIFY, that on this 14th day of May, 1998, before me, undersigned Notary Public of said State, personally appeared CLAY W. HAMLIN, III, known to me or satisfactorily proven to be the person whose name is subscribed to the within instrument, who acknowledged himself to be the President and Chief Executive Officer of Corporate Office Properties Trust, the sole general partner of Corporate Office Properties L.P., a limited partnership and acknowledged that he executed the same for the purposes therein contained as the duly authorized President and Chief Executive Officer of said trust company by signing the name of the trust company himself as President and Chief Executive Officer.

IN WITNESS WHEREOF, I have set my hand and Notarial Seal, the day and year first above written.

/s/

Notary Public

My commission expires: 05/01/02

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STATE OF MARYLAND COUNTY OF ANNE ARUNDEL, TO WIT:

I HEREBY CERTIFY, that on this 14th day of May, 1998, before me, undersigned Notary Public of said State, personally appeared ROGER A. WAESCHE, JR., known to me or satisfactorily proven to be the person whose name is subscribed to the within instrument, who acknowledged himself to be the Vice President of Constellation Properties, Inc., a Maryland corporation and acknowledged that he executed the same for the purposes therein contained as the duly authorized Vice President of said corporation by signing the name of the corporation himself as Vice President.

IN WITNESS WHEREOF, I have set my hand and Notarial Seal, the day and year first above written.

/s/

Notary Public

My commission expires: 05/01/98

ATTORNEY CERTIFICATION

THE UNDERSIGNED, an attorney admitted to practice before the Court of Appeals of Maryland, hereby certifies that the above instrument was prepared by me or under my supervision.

/s/ John Harris Gurley

John Harris Gurley, Attorney-at-Law

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EXHIBIT A

Description of the Property

Lot No. 11, as shown on those subdivision plats entitled, "Phase Three, An Industrial Resubdivision of Lots 3, 4 and Reserved Parcel 'D', NATIONAL BUSINESS PARK," dated October, 1991, Sheets 1 thru 10 of 10, which subdivision plats are recorded among the Land Records of Anne Arundel County, Maryland at Plat Book

OPTION AGREEMENT

THIS OPTION AGREEMENT ("Agreement") is made and executed this 14th day of May, 1998, by and between CONSTELLATION GATESPRING II, LLC ("Seller") and CORPORATE OFFICE PROPERTIES L.P., its successors and assigns ("Buyer").

RECITALS

Seller is the contract purchaser of that parcel of land known as Lot 8-20 within the Coplumbia Gateway Business Park (the "Property"), said parcel being more particularly described in Exhibit A attached hereto and by this reference made a part hereof. Seller intends to develop and construct on Lot S-20 an office building containing approximately 106,000 gross square feet to be known as Woodlands Two. Seller will acquire fee simple title to the Property and is willing to grant to Buyer an option to purchase the Property on the terms and conditions as set forth herein. Buyer is willing to accept said option on those terms and conditions and for the considerations provided and described herein.

NOW THEREFORE, in consideration of the premises and other good and valuable consideration, the adequacy of which is hereby acknowledged, Seller hereby grants to Buyer the exclusive right and option (irrevocable except upon the express terms and conditions of this Agreement) during the term hereof to purchase from Seller, the Property upon the terms and subject to the conditions hereinafter set forth.

1. Determination of Purchase Price. The Purchase Price for the Property shall be determined as of the date of "Settlement" (hereinafter defined) and shall be that sum which is equal to the "Seller's Book Value" (hereinafter defined) of the Property. For purposes of this Agreement "Seller's Book Value" shall mean that sum which is the net dollar amount shown as the value of the Property as same appears as an asset on the balance sheet of the Seller, which sum shall include all costs expended on the development and construction of buildings on the Property through the date of Settlement. Seller will provide to Buyer such access to Seller's books and accounting records as shall be reasonably required for such a determination to be

made. The Purchase Price as so determined shall be paid as provided in Paragraph 4 herein. Seller represents that as of the date of this Agreement, Seller has dedicated Two Million One Hundred Nine Thousand Dollars (\$2,109,000.00) to the development of the Property through August, 1998. Seller shall maintain its books in accordance with generally accepted accounting principles, consistently applied.

2. Term of Option; Exercise of Option; Settlement.

(a) The term of the Option as herein granted by Seller shall commence as of the date hereof and without need of written notice automatically terminate and expire on that date which is fifteen (15) days thereafter ("Option Period").

(b) If Buyer at any time during the Option Period desires to exercise the Option then Buyer shall give to Seller written notice to that effect together with the date on which Settlement is to occur, subject to the provisions of Section 2(c) below.

(c) Notwithstanding anything herein to the contrary, if Buyer exercises its Option hereunder, Settlement shall be on or before that date which is forty-five (45) days after the Closing under that certain Contribution Agreement of even date herewith by and between Corporate Office Properties Trust and Corporate Office Properties, L.P., as Buyer and various entities which are subsidiaries and affiliates of Constellation Properties, Inc. (the "Contribution Agreement").

3. Payment of Purchase Price; Deposit.

(a) It is hereby irrevocably acknowledged, confirmed and agreed by Seller that the mutual obligations and covenants of the parties hereunder and the entry by affiliates of Seller and Buyer into other agreements as of even date herewith, constitute adequate consideration for the Option herein granted.

(b) The balance of the Purchase Price shall be paid as provided in Paragraph 5 following.

4. Right to Inspect.

From and after execution of this Agreement by both Buyer and

Seller, Buyer and Buyer's consultants shall have the right to enter upon the Property and conduct, at Buyer's sole expense, any engineering tests, development and land use studies, environmental analysis, soil tests, topographical and other surveys, wetlands and flood plain delineations, and other surveys, tests and studies (collectively, "Site Investigations") as Buyer deems necessary. All lands, trees, shrubs, grass and field areas shall be restored as closely as possible to their pre-test conditions. Buyer and its consultants shall enter and test the Property at their own risk; and Buyer and/or its consultants shall carry adequate commercial general liability insurance of not less than \$1,000,000 combined single limit naming Seller as an additional insured. Buyer and/or its consultants shall provide Seller with a certificate evidencing such insurance promptly upon request. Further, Buyer shall indemnify and save Seller harmless from any and all suits, claims of injuries and judgements, and reasonable attorney's fees, in any way arising out or such entry and testing of the Property, which indemnification and obligation to hold the Seller harmless shall survive any termination of this Agreement.

5. Settlement.

(a) Settlement and transfer of title to the Property ("Settlement") shall be held in the Baltimore-Metropolitan area, at a location selected by the Buyer, and shall occur on that date which shall be noted on Buyer's notice of exercise of the Option.

(b) At Settlement, the Buyer shall pay Seller, in cash or by certified, cashier's, treasurer or title company check, or by wire transfer, the Purchase Price determined for the Property.

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(c) At Settlement, title to the Property shall be good and merchantable, free of all liens, encumbrances, encroachments and easements other than the Permitted Encumbrances (as hereinafter defined), and of the Property shall be given to Buyer free of all tenancies or other rights of use or occupancy. A deed containing covenants of special warranty and further assurances shall be executed by Seller, at Buyer's expense, which shall convey fee simple title to the Property together with all improvements, rights, alleys, ways, waters, privileges, easements, appurtenances and advantage benefitting the Property, and shall be delivered to Buyer at Settlement.

(d) As soon as possible after exercise of the Option the Buyer, at Buyer's expense, shall have the title to the Property examined by a reputable title insurance company and have such title insurance company issue a title insurance commitment (the "Title Commitment") to assure Buyer that, as of the examination date, title to the Property is good and merchantable and insurable at ordinary prevailing title insurance rates and that any exceptions to title contained in the Title Commitment are acceptable to Buyer. By the thirtieth (30th) day after receipt by Seller of notice of any exercise of the Option, Buyer shall provide to Seller a copy of the Title Commitment and either advise Seller in writing that all exceptions to title contained in the Title Commitment are acceptable to Buyer or advise Seller in writing of those exceptions to title contained in the Title Commitment that are unacceptable to Buyer; provided, however, that Buyer shall be required to accept (i) all matters shown on that Subdivision Plat depicting the Property and any amendments thereto. Failure of Buyer to examine title or to advise Seller of the acceptability of title within the time periods required hereunder shall be deemed an acceptance of all title matters. Within fifteen (15) days after receipt of a notice from Buyer advising Seller that certain title exceptions are unacceptable to Buyer, Seller shall notify Buyer whether Seller will cure any of the unacceptable title exceptions. Failure of Seller to provide notice within such time period shall be deemed an election by Seller not to cure the unacceptable title exceptions. If Buyer has timely notified Seller of unacceptable title matters then, unless Seller has timely elected to cure such title exceptions as provided hereunder, Buyer, by written notice to Seller, may, within fifteen (15) days after expiration of the time period for Seller to elect to cure, either waive such unacceptable title exceptions (in which case such exceptions shall be deemed acceptable to Buyer) or terminate the Option. Failure of Buyer to notify Seller in such fifteen

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(15) days period shall be deemed an election by Buyer to waive the unacceptable title exceptions. If Seller notifies Buyer that Seller will cure any unacceptable title exception, then Seller shall be obligated to promptly and, in all events, prior to Settlement, proceed to cure such title exception in such manner that the defect or objection to the title will not appear in the Buyer's title insurance policy. All exceptions to title accepted by Buyer or deemed to be accepted by Buyer under the provisions of this paragraph (other than mortgages, deeds of trust and other liens [excluding liens for taxes and assessments to be adjusted under subparagraph (e)], all of which shall be discharged by Seller at or prior to Settlement) shall constitute "Permitted Encumbrances." Notwithstanding the foregoing, from and after the date hereof and continuing until the expiration of the Option Period, Seller shall not change or

permit to be changed title to the Property or any portion thereof in a manner which would materially prevent or interfere with the development of the Property.

(e) All costs, including taxes, insurance and any and all costs relating to the ownership of the Property shall be borne by Seller until the time of any Settlement hereunder. All taxes, general or special, and all other public, governmental or other assessments against the Property payable on an annual basis are to be adjusted and apportioned as of the date of Settlement and are to be assumed and paid after Settlement by Buyer. The costs, if any, of all recordation taxes and transfer taxes shall be split and paid equally by Buyer and Seller. All agricultural transfer tax or taxes, if any, shall be paid by Seller. All other closing costs, including, without limitation, recording charges, document preparation charges, notary fees and title insurance premiums shall be paid by Buyer. Seller and Buyer shall each pay their respective legal costs.

(f) At Settlement hereunder, the Seller shall, execute and deliver to the Buyer an affidavit, in form sufficient to satisfy all Internal Revenue Service requirements, stating that Seller is not a "foreign person" (as defined by the Foreign Investment in Real Property Tax Act and the regulations promulgated thereunder) so that Buyer is not legally required to withhold any portion of the Purchase Price then being paid at Settlement hereunder.

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6. Potential Contribution of Member Interests in Lieu of Fee Simple Transfer. If Buyer exercises its option to purchase all of the lots owned by Seller hereunder, Buyer shall have the right, exercisable by written notice to Seller given at least ten (10) days prior to Settlement, to structure the transfer as a purchase of 100% of the member interests of the Seller, rather than as a transfer of the underlying Property. In such event, at the time of Settlement, Seller(s) shall execute and deliver to Buyer:

(a) an Assignment and Assumption Agreement, an Amendment to the Operating Agreement, and Amendment of the Articles of Organization setting forth the assignment by each of the members of such member's membership interest and his, her or its withdrawal from the Seller and the admission of the Buyer and/or its designee(s) as members of the Seller, which amendment shall be executed and acknowledged by all withdrawing members and the Buyer;

(b) a release from each withdrawing member releasing the Buyer (and its designee(s)) as members of the limited liability company from any obligations and liabilities with respect to the formation of such limited liability company, and any other matter arising from business done, transactions entered into or events occurring prior to the Settlement;

(c) customary representations and warranties as to the member interests, consistent with those set forth in Section 11.1 of the Contribution Agreement; and

(d) such other documents and items as may be reasonably required to be delivered by Seller to Buyer under the terms of this Agreement or relating to the Property and the membership interest to reasonably effect the purposes of this Agreement.

All of such documentation shall be in substantially the same form as the documentation being delivered under the terms of the Contribution Agreement.

7. Risk of Loss. The Property and is to be held at the risk of the Seller until legal title has passed.

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8. Seller's Warranties and Representations. Seller warrants, represents and covenants to Buyer that the following items are true in all material respects and shall be deemed to have been restated at the time of Settlement hereunder:

(a) As of the date hereof and as of Settlement, Seller will be the owner of 100 percent fee simple interest in the Property and will not have entered into any contract of sale, option agreement, right of first refusal or other agreement for the sale of the Property.

(b) The Seller has full power and authority to execute, deliver and perform this Agreement in accordance with its terms.

(c) As of the date of this Agreement, the Property is zoned to permit its use for office and warehouse purposes and Seller, shall not join in or consent to any change in the zoning of the Property which would prohibit its use for office and warehouse purposes.

(d) To the best of Seller's knowledge, there are no

underground storage tanks on the Property.

(e) Seller has not used, generated, stored or disposed, and from and after the date of this Agreement will not use, generate, store or dispose, on, under or about the Property any hazardous waste, toxic substance or related materials or any friable asbestos or substance containing asbestos.

The foregoing warranties shall terminate twelve (12) months after Settlement hereunder.

9. Construction Costs and Obligations. If at the time of exercise of the Option Seller is in the process of construction of buildings on the Property it is agreed that:

(a) Seller will tender and transfer (as necessary) to Buyer all plans, specifications, contracts, permits and other materials related to such construction;

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(b) Seller will open its accounting records to Buyer and cooperate with Buyer's takeover of the responsibility of such construction; and

(c) Seller will if necessary give to Buyer appropriate bills of sale for personal property items then in the possession of Seller and related to such construction.

10. Miscellaneous.

(a) Seller and Buyer warrant that, in connection with this transaction, they have dealt with no broker, agent or other party who may be entitled to a commission or finder's fee, and each party agrees to indemnify the other from any claims or damages, including reasonable attorneys' fees, that the other may incur as a result of the violation of this warranty, which warranty and indemnification shall survive settlement and any termination of this Agreement.

(b) Any written notices required under the terms of this Agreement shall be sent by certified mail, return receipt requested and addressed as follows:

TO BUYER: Corporate Office Properties L.P.
One Logan Square, Suite 1105
Philadelphia, PA 19103
Att.: Clay W. Hamlin, III

with copies to: F. Michael Wysocki, Esquire
Saul, Ewing, Remick & Saul LLP
1500 Market Street
38th Floor
Philadelphia, Pennsylvania 19102-2186

TO SELLER: Constellation Gatespring II, LLC
c/o Constellation Properties, Inc.
250 West Pratt Street
Baltimore, Maryland 21201
Att.: Dan R. Skowronski, Esquire

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Any party hereto may change its notice address by giving notice of such change in accordance with this paragraph.

(c) Time shall be the essence of this Agreement.

(d) If the last day of the Option Period or the date on which Settlement is to occur, or the last day of any time period specified herein, falls on a Saturday, Sunday or holiday, the period for the required action shall be extended until 5:00 PM on the next business day.

(e) This Agreement contains the final and entire agreement between the parties thereto, and neither party shall be bound by any terms, condition, statement or representation not herein contained. The Agreement may not be modified or changed orally, but only by agreement in writing, signed by the party against whom enforcement of any such change is sought.

(f) The Agreement shall be governed by the laws of the State of Maryland. The titles of the paragraphs are inserted as a matter of convenience and for reference and in no way define, limit or describe the scope of this Agreement or the intent of any provision hereof.

(g) Upon any expiration or termination of this Agreement, the

option to purchase the Property shall be deemed to expire and be null and void and Buyer shall enter into such documentation in recordable form as may be reasonably required to confirm such expiration as requested by Seller.

(h) Either party shall have the right to record a memorandum of this Agreement in the Land Records of Anne Arundel County, Maryland, with the prior written approval of the other party. The parties shall each pay one-half (1/2) of the recordation taxes and transfer taxes and fees associated with the recording of the memorandum.

10. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Buyer shall have the right to freely assign this Agreement in whole or in part without the consent of Seller, provided that no such assignment or collateral assignment shall be effective unless and until Seller is given written notice thereof by Buyer.

IN WITNESS WHEREOF, each of the parties hereto has executed or caused this Agreement to be executed by its duly authorized representative on the day and year first above written.

IN WITNESS WHEREOF, each of the parties hereto has executed or caused this Agreement to be executed by its duly authorized representative on the day and year first above written.

WITNESS: CORPORATE OFFICE PROPERTIES L.P.
by its sole general partner:
Corporate Office Properties Trust

/s/ _____
By: /s/ Clay W. Hamlin, III
Clay W. Hamlin, III
President & Chief Executive Officer

WITNESS: CONSTELLATION GATESPRING II, LLC
By: CPI Gatespring, II, Inc., its sole member

/s/ _____
By: /s/ Roger A. Waesche, Jr.
Roger A. Waesche, Jr.
Vice President

Assented and Agreed To By
CONSTELLATION PROPERTIES, INC.

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

Vice President

STATE OF MARYLAND COUNTY OF ANNE ARUNDEL, TO WIT:

I HEREBY CERTIFY, that on this 14th day of May, 1998, before me, undersigned Notary Public of said State, personally appeared CLAY W. HAMLIN, III, known to me or satisfactorily proven to be the person whose name is subscribed to the within instrument, who acknowledged himself to be the President and Chief Executive Officer of Corporate Office Properties Trust, the sole general partner of Corporate Office Properties L.P., a limited partnership and acknowledged that he executed the same for the purposes therein contained as the duly authorized President and Chief Executive Officer of said trust company by signing the name of the trust company himself as President and Chief Executive Officer.

IN WITNESS WHEREOF, I have set my hand and Notarial Seal, the day and year first above written.

/s/

Notary Public

STATE OF MARYLAND COUNTY OF ANNE ARUNDEL, TO WIT:

I HEREBY CERTIFY, that on this 14th day of May, 1998, before me, undersigned Notary Public of said State, personally appeared ROGER A. WAESCHE, JR., who acknowledged himself to be the Vice President of CPI Gatespring II, Inc., a Maryland corporation, the sole member of Constellation Gatespring II, LLC, a Maryland limited liability company, known to me or satisfactorily proven to be the person whose name is subscribed to the within instrument, and acknowledged that he executed the same for the purposes therein contained as the duly authorized Vice President of said corporation by signing the name of the corporation himself as Vice President.

IN WITNESS WHEREOF, I have set my hand and Notarial Seal, the day and year first above written.

/s/

Notary Public

My commission expires: 05/01/02

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ATTORNEY CERTIFICATION

THE UNDERSIGNED, an attorney admitted to practice before the Court of Appeals of Maryland, hereby certifies that the above instrument was prepared by me or under my supervision.

/s/ John Harris Gurley

John Harris Gurley, Attorney-at-Law

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EXHIBIT A

Description of the Property

Parcel S-20 which contains 8.637 acres, more or less, and being shown on that certain Subdivision Plat entitled, "Columiba Gateway, Parcels `S-19' thru `S-21', a Resubdivision of Columbia Gateway, Parcels S-4, S-5 & S-7 as shown on Plat No. 8803, Sheet 1 of 1," which Plat is recorded among the Land Records of Howard County aslat Number 12882.

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FIRST AMENDMENT TO OPTION AGREEMENT

THIS FIRST AMENDMENT TO OPTION AGREEMENT ("Amendment") is made and executed as of this 22nd day of June, 1998 by and between NBP-III, LLC ("Seller") and CORPORATE OFFICE PROPERTIES, L.P., its successors and assigns ("Buyer").

A. Seller and Buyer entered into an Option Agreement dated May 14, 1988 pursuant to which Seller granted to Buyer the option to purchase the Property known as Lot 11 of the National Business Park on which Seller intends to develop and construct an office building containing approximately 110,000 gross square feet (now planned for 90,000 gross square feet) to be known as 134 National Business Park (the "Option Agreement"). Capitalized terms used, but not defined, in this Amendment shall have the meanings set forth in the Option Agreement.

B. By notice dated May 28, 1998, Buyer exercised its option to purchase the Property.

C. Seller and Buyer desire to amend the Option Agreement as set forth in this Amendment.

NOW, THEREFORE, in consideration of the agreements contained herein and intending to be legally bound hereby, Seller and Buyer agree as follows:

1. The first sentence of Section 1 of the Option Agreement is hereby deleted, and the following sentence is substituted in its place: "The Purchase Price for the Property shall be determined as of the date of "Settlement" (hereinafter defined) and shall be that sum which is equal to the "Seller's Book Value" (hereinafter defined) of the Property, not to exceed \$12,287,130.00 as set forth on the attached Exhibit "Construction Budget" attached hereto assuming that the building of 90,000 gross square feet to be constructed on the Property is fully completed."

2. The following sentence is hereby added at the end of Section 1 of the Option Agreement: "The Construction Budget shown in Exhibit "Construction Budget" shall not be increased by more than \$50,000.00 without Buyer's prior written consent.

3. The following Section 9(d) is added to the Option Agreement:

"(d) Seller shall have paid all costs of any nature relating to the ownership, development and construction of the buildings and improvements on the Property through the date of Settlement and shall deliver evidence of such payment to Buyer. Seller shall execute and deliver, and shall cause all contractors to execute and deliver, all documents reasonably required to effectuate Buyer's takeover of the responsibility for such construction, free and clear of any pre-Settlement obligations or claims, which documents shall be reasonably acceptable to Seller and Buyer."

4. Exhibit "Construction Budget" attached hereto and made a part hereof is hereby attached to and made part of the Option Agreement.

5. As amended by this Amendment, the Option Agreement shall remain in full force and effect.

[SIGNATURES FOLLOW ON NEXT PAGE]

IN WITNESS WHEREOF, Seller and Buyer have executed this Amendment on the day and year first above written.

WITNESS: CORPORATE OFFICE PROPERTIES, L.P., by its sole general partner, Corporate Office Properties Trust

/s/ By: /s/ CLAY W. HAMLIN, III

Clay W. Hamlin, III
President and Chief Executive Officer

WITNESS: NBP-III, LLC, a Maryland limited liability company, by CPI National Business Park-III, Inc., a Maryland corporation, authorized

Member

/s/

By: /s/ ROGER A. WAESCHE, JR.

Roger A. Waesche, Jr.
Vice President

ASSENTED AND AGREED TO BY
CONSTELLATION PROPERTIES, INC.

By: /s/

Vice President

FIRST AMENDMENT TO OPTION AGREEMENT

THIS FIRST AMENDMENT TO OPTION AGREEMENT ("Amendment") is made and executed as of this 22nd day of June, 1998 by and between CONSTELLATION GATESPRING II, LLC ("Seller") and CORPORATE OFFICE PROPERTIES, L.P., its successors and assigns ("Buyer").

A. Seller and Buyer entered into an Option Agreement dated May 14, 1988 pursuant to which Seller granted to Buyer the option to purchase the Property known as Lot S-20 of the Columbia Gateway Business Park on which Seller intends to develop and construct an office building containing approximately 100,000 gross square feet to be known as Woodlands Two (the "Option Agreement"). Capitalized terms used, but not defined, in this Amendment shall have the meanings set forth in the Option Agreement.

B. By notice dated May 28, 1998, Buyer exercised its option to purchase the Property.

C. Seller and Buyer desire to amend the Option Agreement as set forth in this Amendment.

NOW, THEREFORE, in consideration of the agreements contained herein and intending to be legally bound hereby, Seller and Buyer agree as follows:

1. The first sentence of Section 1 of the Option Agreement is hereby deleted, and the following sentence is substituted in its place: "The Purchase Price for the Property shall be determined as of the date of "Settlement" (hereinafter defined) and shall be that sum which is equal to the "Seller's Book Value" (hereinafter defined) of the Property, not to exceed \$14,442,403.00 as set forth on the attached Exhibit "Construction Budget" attached hereto assuming that the building of 106,000 gross square feet to be constructed on the Property is fully completed."

2. The following sentence is hereby added at the end of Section 1 of the Option Agreement: "The Construction Budget shown in Exhibit "Construction Budget" shall not be increased by more than \$50,000.00 without Buyer's prior written consent.

3. The following Section 9(d) is added to the Option Agreement:

"(d) Seller shall have paid all costs of any nature relating to the ownership, development and construction of the buildings and improvements on the Property through the date of Settlement and shall deliver evidence of such payment to Buyer. Seller shall execute and deliver, and shall cause all contractors to execute and deliver, all documents reasonably required to effectuate Buyer's takeover of the responsibility for such construction, free and clear of any pre-Settlement obligations or claims, which documents shall be reasonably acceptable to Seller and Buyer."

4. Exhibit "Construction Budget" attached hereto and made a part hereof is hereby attached to and made part of the Option Agreement.

5. As amended by this Amendment, the Option Agreement shall remain in full force and effect.

[SIGNATURES FOLLOW ON NEXT PAGE]

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IN WITNESS WHEREOF, Seller and Buyer have executed this Amendment on the day and year first above written.

WITNESS: CORPORATE OFFICE PROPERTIES, L.P., by its sole general partner, Corporate Office Properties Trust

/s/

By: /s/ CLAY W. HAMLIN, III

Clay W. Hamlin, III
President and Chief Executive Officer

WITNESS: CONSTELLATION GATESPRING II, LLC, by
CPI Gatespring II, Inc., its sole member

/s/

By: /s/ ROGER A. WAESCHE, JR.

Roger A. Waesche, Jr.
Vice President

ASSENTED AND AGREED TO BY
CONSTELLATION PROPERTIES, INC.

By: /s/

Vice President

DEVELOPMENT PROPERTY ACQUISITION AGREEMENT

THIS AGREEMENT, made as of the 22nd day of June, 1998 (the "Contract Date"), by and between CONSTELLATION PROPERTIES, INC., a Maryland corporation ("Seller"), and CORPORATE OFFICE PROPERTIES, L.P., a Delaware limited partnership, and its assigns ("Buyer").

B A C K G R O U N D

Seller is the sole shareholder of CPI Springfield, Inc., a Maryland corporation ("CPI Springfield"). CPI Springfield is the sole member of Constellation-Springfield, LLC, a Maryland limited liability company ("Constellation-Springfield"). Constellation-Springfield is the holder of a sixty percent (60%) member interest (the "Member Interest") in Fran-Spring TSA, LLC, a Virginia limited liability company (the "Company"). Constellation-Springfield's Member Interest is a sixty percent (60%) capital, profits, voting and other interest in the Company. The Seller, Constellation-Springfield and CPI Springfield shall be referred to herein collectively from time to time as the "Constellation Parties" and individually as a "Constellation Party."

The Company is the record and beneficial owner of approximately 14.93 acres of land identified as Tax Map 90-2(1) Parcel 61 on the Tax Maps of Fairfax County, Virginia, as more particularly described on Exhibit "A" hereto, together with the buildings and other improvements now or hereafter situate thereon, and together with the appurtenances thereto (including, without limitation, all easements, rights-of-way, ancillary and/or adjacent lands and other real property rights and benefits belonging to or running with the owner of the property (collectively, the "Property"). The Company is in the process of completing construction of a retail shopping center consisting of approximately 119,099 rentable square feet of retail space and related improvements on the Property (the "Improvements") in accordance with the Plans (as defined on Exhibit "C").

Seller desires to sell and convey and the Buyer desires to purchase and accept, 100% of the issued and outstanding shares of stock in CPI Springfield (the "Shares") according to the terms and conditions of this Agreement.

Capitalized terms used in this Agreement shall have the meanings set forth herein, including the definitions set forth on Exhibit "C."

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein and intending to be legally bound hereby, the parties agree as follows:

1. SALE AND PURCHASE. Seller hereby agrees to sell and convey to Buyer, which hereby agrees, subject to the conditions set forth herein, to purchase from Seller, the Shares.

2. PURCHASE PRICE.

(a) Provided that the Property is generating NOI (as defined below) equal to at least \$2,372,000.00 at the time of Closing (as defined below), the purchase price for the Shares shall be equal to forty-eight percent (48%) of the difference between (i) Twenty Five Million Five Hundred Fifty Thousand Dollars (\$25,550,000.00) MINUS (ii) the principal balance plus accrued interest outstanding with respect to the Assumed Indebtedness (as defined in Section 8(o)), as certified by the holder of the Assumed Indebtedness (the "Purchase Price"). The Purchase Price shall be paid by the Buyer by delivery of immediately available wire transfer funds to Seller to such account as shall be designated by Seller.

(b) If NOI is less than \$2,372,000.00 at the time of Closing, the Purchase Price shall be reduced and shall be equal to the NOI at the time of Closing divided by a capitalization rate of 9.3%, provided, however that in no event shall Seller or Buyer be obligated to complete Closing hereunder unless and until NOI has reached \$2,000,000.00. Notwithstanding anything to the contrary contained in this Agreement, if NOI has not reached \$2,000,000.00 by July 1, 1999 for any reason whatsoever, Buyer and Seller shall each have the right, by written notice to the other, to terminate this Agreement, in which event neither party shall have any further liability or obligation hereunder.

(c) The term "NOI" means the net operating income for the Property determined as customarily calculated in the commercial real estate industry for retail shopping center properties similar to the Property, based on the annualized operating revenues to be received from the Property from Leases in effect on the Closing Date (as those terms are defined below) less the estimated annual operating expenses, including, without limitation, a management fee of three and one-half percent (3 1/2%) of revenues, and a vacancy reserve of two and one-half percent (2 1/2%) of the number of square feet of the Property times the anticipated average rent per square foot for

the Property. In computing NOI, credit shall be given for rental income from Leases in effect at Closing, but under which rent payment has not commenced as of the Closing Date (the "Open Leases"). The portion of the Purchase Price based upon such Open Leases (the "Open Lease Holdback") shall be placed in escrow at Closing with Commonwealth Land Title Insurance Company under an escrow agreement reasonably acceptable to Seller and Buyer. The Open Lease Holdback shall be paid to Seller only to the extent of the portion of the Open Lease Holdback based upon Open Leases under which rent payment commences within one hundred twenty (120) days after the Closing Date. If rent payment does not commence under any one (1) or more of the Open Leases within one hundred twenty (120) days after the Closing Date, the portion of the Open Lease Holdback based upon such Open Leases shall be paid to Buyer. The term "Leases" shall mean all leases and other agreements to occupy all or any portion of the Property executed and in effect on the Contract Date or into which the Company enters prior to the Closing (as defined below), but pursuant to the express terms of this Agreement.

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3. CLOSING.

(a) CLOSING DATE. The sale and transfer of the Shares, the payment of the Purchase Price and the completion of all other transactions contemplated by this Agreement ("Closing") shall take place at the offices of Seller set forth in Section 17 of this Agreement, or at such other place as may mutually agreed upon by the parties. The Closing shall commence at 10:00 a.m. on the date (the "Closing Date"), within fifteen (15) days after the Leasing Requirements Satisfaction Date (defined at Section 5(b)), specified by Buyer upon not less than five (5) days written notice to the Seller, and, in any event, subject to Section 2(b) above, the Closing Date shall be not later than July 1, 1999.

(b) SELLER DELIVERIES. At Closing, Seller shall deliver or cause to be delivered to Buyer the following in respect of the Shares, in form and substance reasonably acceptable to Buyer and Seller and their respective counsel:

(1) ASSIGNMENT DOCUMENTATION. An assignment and certificates representing all of the Shares sold hereunder, endorsed in blank or to Buyer or its nominee as Buyer may elect;

(2) ORGANIZATIONAL DOCUMENTS. The minute book, stock certificates book, corporate seal, articles of incorporation, bylaws, all books of account, all agreements, documents and other books, records, papers and instruments of or pertaining to the business and affairs of CPI Springfield (to the extent not previously delivered as part of Seller's Deliveries, as hereinafter defined);

(3) RESIGNATIONS AND APPOINTMENT. Written resignations of all directors and officers of CPI Springfield, and the written resignations of Constellation Springfield's two (2) members of the Company's Management Committee, and appointment to such Management Committee of two (2) members designated by Buyer;

(4) RELEASE. A release from Seller, releasing the Buyer (and its designee(s)) as the sole shareholder of CPI Springfield from any obligations and liabilities with respect to the formation of CPI Springfield and Constellation-Springfield, and any other matter arising from business done, transactions entered into or event occurring prior to the Closing;

(5) OPINIONS. (A) An opinion of Daniel R. Skowronski, Esquire, General Counsel of Constellation Holdings, Inc., the parent of Seller, in form and substance reasonably satisfactory to Buyer and Buyer's counsel, providing or with respect to: (i) the legal existence and good standing of each of the Constellation Parties and the Company in its state of formation; (ii) the due authorization, execution and delivery of this Agreement, and the other documents required (under the terms of this Agreement) to be delivered by Seller; (iii) that this Agreement and the other documents required (under the terms of this Agreement) to be delivered by Seller, constitute the legal, valid and binding obligations of Seller, enforceable against it in accordance with their respective terms, except to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and other similar laws of

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general applicability relating to or affecting the enforcement of creditors' rights and by the effect of general principles of equity (regardless of whether enforceability is considered in a proceeding of equity or at law; (iv) the execution and delivery of this Agreement and all other agreements delivered in connection herewith or at the Closing, the consummation of the transactions herein contemplated, and compliance with the terms of this Agreement and all other agreements delivered in connection herewith or at the Closing will not conflict with, or result in a breach of, any of the terms, conditions or

provisions of, or constitute a default under, any note, indenture, mortgage, deed of trust, contract or other agreement or instrument to which either the Constellation Parties or the Company is a party or by which the Constellation Parties or the Company is bound, or any law or order, rule, regulation, writ, injunction or decree of any government, governmental instrumentality or court, domestic or foreign; and (v) there is no litigation or investigation pending or, to the best of such counsel's knowledge, threatened against any of the Constellation Parties, the Company, the Property, or any part thereof, and (B) an opinion of Miles and Stockbridge, Baltimore, Maryland, in form and substance reasonably satisfactory to Buyer and Buyer's counsel, providing that (i) the Operating Agreement is in full force and effect and has not been amended; (ii) the transfer of Shares does not trigger the Right of First Refusal (as defined in Section 10(d) below); and (iii) the transfer of Shares does not require the consent of Fried (as defined in Section 10(d) below), does not constitute an impermissible transfer of the Member Interest, and does not otherwise constitute a breach of or default under the Operating Agreement (as defined in Section 10(d) below).

(6) ESTOPPEL CERTIFICATES. Using Seller's commercially reasonable efforts, Tenant estoppel certificate from Tenants occupying at least eighty percent (80%) of the Improvements or such larger percentage as Buyer's lender or lenders may require (provided, that Buyer advises Seller of lender requirements at least thirty (30) days before Closing) (the "Estoppel Certificate"), dated no earlier than 30 days prior to the Closing Date, from each of the Tenants. The Estoppel Certificate shall be certified to Buyer and any other party designated by Buyer. If the Constellation Parties (despite their required commercially reasonable efforts) are unable to obtain an Estoppel Certificate from the required percentage of Tenants, Buyer and Seller shall proceed to close and Buyer shall accept Seller's own Estoppel Certificate with respect to the Lease and tenancy for which the Constellation Parties failed to procure an Estoppel Certificate from the relevant Tenant (and any Estoppel Certificate so executed by a Seller shall also be tailored, in a manner mutually and reasonably acceptable to Buyer and Seller, to reflect its issuance by the landlord, rather than the Tenant in question). Each such Estoppel Certificate shall be substantially in the form attached hereto as Exhibit "B" or in such other form as Buyer's lender or lenders may require.

(7) LENDER'S APPROVAL. The Lender's Approval from the holder of the Assumed Indebtedness in conformity with Section 13(a)(4) below.

(8) CLOSING STATEMENT. A closing statement conforming to the proration and other relevant provisions of this Agreement (the "Closing Statement") duly executed by Seller;

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(9) PLANS AND SPECIFICATIONS. All plans and specifications relating to the Property (including the Plans) in the possession and control of the Company or any of the Constellation Parties, or otherwise available to such entities;

(10) TAX BILLS. Copies of the most currently available Tax Bills to the extent not previously delivered to Buyer;

(11) RENT ROLL AND OPERATING STATEMENTS. An updated Rent Roll and Operating Statements (as defined on Exhibit "C") for the Property, prepared as of the Closing Date, certified by the Seller to be true, complete and correct through the Closing Date;

(12) CERTIFICATES OF OCCUPANCY. Subject to Section 5 below, currently valid certificates of occupancy (or comparable permits or licenses) with respect to the entirety of the Property;

(13) ARCHITECT'S CERTIFICATE. A certificate from the architect for the Improvements (the "Architect") certifying that the Improvements have been completed in conformity with the Plans;

(14) CLOSING CERTIFICATE. A certificate, signed by Seller, on behalf of itself and each of the other Constellation Parties, certifying to the Buyer that the representations and warranties of Seller (for itself and for each of the other Constellation Parties) contained in this Agreement are true and correct in all material respects as of the Closing Date and that all covenants required to be performed by any of the Constellation Parties prior to the Closing Date have been performed in all material respects;

(15) RESOLUTIONS, CONSENTS, APPROVALS. Certified Resolutions, consents, and approvals of the Seller evidencing its authority to execute this Agreement and consummate the transactions contemplated by this Agreement.

(16) GOOD STANDING CERTIFICATES. Currently dated good standing certificates for the Company and each of the Constellation Parties.

(17) MISCELLANEOUS. Such other documents and items as reasonably may be required to be delivered by Seller or the other Constellation Parties to

Buyer under the terms of this Agreement or relating to the Shares or the Property to reasonably effect the purposes of this Agreement, including without limitation, affidavits of title in favor of the Buyer and the Company's title insurance company on the form used by such title company to enable such company to issue Fairway and Non-Imputation Endorsements to the Company's Owner's Policy of Title Insurance at the time of Closing.

(c) BUYER DELIVERIES. Buyer shall cause to be delivered to Seller the following, each in form and substance reasonably acceptable to Seller and Buyer and their respective counsel:

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(1) A copy certified by the Secretary of State of the State of Delaware of the Certificate of Limited Partnership of the Buyer and a good standing certificate for the Buyer;

(2) The Closing Statement, executed by Buyer;

(3) An opinion of counsel for Buyer, in form and substance reasonably satisfactory to Seller and Seller's counsel, providing or with respect to: (i) the legal existence and good standing of Buyer; (ii) the due authorization, execution and delivery of this Agreement, and the other documents required (under the terms of this Agreement) to be delivered by Buyer; (iii) that this Agreement and the other documents required (under the terms of this Agreement) to be delivered by Buyer, constitute the legal, valid and binding obligations of Buyer, enforceable against it in accordance with their respective terms, except to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and other similar laws of general applicability relating to or affecting the enforcement of creditors' rights and by the effect of general principles of equity (regardless of whether enforceability is considered in a proceeding of equity or at law; and

(4) Such other documents and instruments as may reasonably be required by Seller or its counsel and that are necessary to consummate the transaction which is the subject of this Agreement and to otherwise effect the agreements of the parties hereto.

(d) CONSTELLATION RELEASE. At Closing, Buyer shall cause the Constellation Release (hereinafter defined) to occur. As used in this Agreement, the term "Constellation Release" shall mean the release of Constellation Real Estate Group, Inc. (of which the Seller is a wholly-owned subsidiary) from its obligations under the Unconditional Guaranty of payment and performance dated as of April 27, 1998 guaranteeing the Company's payment and performance under the Existing Loan Documents (hereinafter defined). If Buyer elects to cause the Constellation Release to occur by replacing the Assumed Indebtedness with New Indebtedness satisfactory to Buyer (the "New Indebtedness"), Seller shall cooperate with Buyer, and shall use commercially reasonable efforts to cause Fried (hereinafter defined) to cooperate with Buyer to obtain such New Indebtedness, to cause the Company to incur the New Indebtedness, and to encumber the Property with such New Indebtedness.

(e) PRORATIONS AND ADJUSTMENTS. Operating Net Cash Flow (as defined below) allocable to Seller's Member Interests shall be apportioned between Seller and Buyer as of the Closing Date. If Seller receives, on or before the Closing Date, any Operating Net Cash Flow allocable to Constellation-Springfield for the period after the Closing Date, Buyer shall receive a credit in the amount of such Operating Net Cash Flow received by Seller on or before the Closing Date. If, after the Closing Date, Buyer receives any Operating Net Cash Flow for the fiscal year in which the Closing Date occurred and which is allocable to Constellation-Springfield for the period during which the Seller owned the Shares, Buyer shall pay to Seller the portion of Operating Net Cash Flow allocable to Seller. Buyer shall provide Seller with copies of the Company's financial statements for the fiscal year in which the Closing Date occurs within thirty (30) days after Buyer receives such financial statements. As used in

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this Section 3(d), the term "Operating Net Cash Flow" shall mean Net Cash Flow as defined in the Operating Agreement (defined below), expressly excluding, however, all proceeds from the financing or re-financing of any indebtedness of the Company, all proceeds from the sale or other transfer of all or any portion of the Property, and all proceeds from Capital Contributions (as defined in the Operating Agreement).

(f) EXPENSES. Seller will pay the entire cost of all fees imposed by its accountants and attorneys and consultants in connection with this Agreement and the transaction contemplated hereunder. Subject to the condition precedent that the Constellation Release shall have occurred, Seller shall pay any and all assumption fees, transfer fees, and other costs associated with Buyer's acquisition of the Shares with the Property subject to the Assumed Indebtedness.

Seller shall pay any prepayment fees, charges, or penalties in connection with the payoff of the Assumed Indebtedness. Although Seller and Buyer do not believe that any realty transfer taxes shall be due in connection with the transfer of the Shares, if it is finally determined that transfer taxes are due and payable, such transfer taxes shall be divided equally by Seller and Buyer. Seller and Buyer shall divide equally the cost of contesting such transfer taxes. Buyer shall pay all ordinary filing charges and all title insurance endorsement fees in connection with the transfer of the Shares and issuance of appropriate title endorsements, and all fees imposed by Buyer's accountants, attorneys, and environmental and engineering consultants.

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4. INSPECTION.

(a) At all times prior to the Closing, including times following the Inspection Period, Buyer, its agents and representatives shall be entitled to conduct an inspection of the Property, which will include the rights to: (i) enter upon the Property and improvements, on reasonable notice to Seller, to perform inspections and tests of the Property, including, but not limited to, inspection, evaluation and testing of the heating, ventilation and air-conditioning systems and all components thereof, all structural and mechanical systems within the improvements, including, but not limited to, sprinkler systems, power lines and panels, air lines and compressors, automatic doors, tanks, pumps, plumbing and all equipment, vehicles, and personal property; (ii) examine and copy any and all books, records, tax returns, correspondence, financial data, leases, and all other documents and matters, public or private, maintained by the Company, the Seller or its or their agents, relating to receipts and expenditures pertaining to the Property for the three most recent full calendar years and the current calendar year and all contracts, rental agreements and all other documents and matters, public or private, maintained by the Company, the Seller or its or their agents, relating to the construction and operation of the Property; (iii) make investigations with regard to zoning, environmental (including, but not limited to, an environmental assessment as specified in Section 4(b), which includes, but is not limited to, an analysis of the presence of any asbestos, chlordane, formaldehyde or other Hazardous Material in, under or upon the Property, or any underground storage tanks on, or under, the Property), building, code, regulatory and other legal or governmental requirements; (iv) make or obtain market studies and real estate tax analyses; and (v) interview Tenants with respect to their current and prospective occupancies. In connection with such investigations, Seller shall deliver to Buyer, or cause delivery to Buyer of, no later than 30 days after the date of this Agreement, copies of all documents listed on Exhibit "C" (the "Seller's Deliveries"). Without limitation of the foregoing, Buyer or its designated independent or other accountants may audit the Operating Statements (as defined in Exhibit "C" attached hereto), and Seller shall supply such documentation as Buyer or its accountants may reasonably request in order to complete such audit. Notwithstanding anything to the contrary contained in this Agreement, the effect of any representations, warranties or undertakings made by Seller in this Agreement shall not be diminished, abrogated, or compromised by the foregoing inspections, environmental assessments or other tests or investigations made by Buyer.

(b) ENVIRONMENTAL ASSESSMENT. Buyer or Buyer's agent(s) shall have the right to employ one or more environmental consultants or other professional(s) to perform or complete such environmental inspections and assessments of the Property as Buyer deems necessary or desirable. Buyer and its consultants shall also have the right to undertake or complete a technical review of all documentation, reports, plans, studies and information in possession or control of the Company or Seller, or its past or present environmental consultants, concerning or in any way related to the environmental condition of the Property. In order to facilitate the assessments and technical review, Seller shall extend its full cooperation (but without third party expense to Seller) to Buyer and its environmental consultants, including, without limitation, providing access to all files and fully and completely answering all questions.

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(c) BUYER'S UNDERTAKING. Buyer hereby covenants and agrees that it shall cause all studies, investigations and inspections performed at the Property pursuant to this Section 3 to be performed in a manner that does not materially or unreasonably disturb or disrupt the development of the Property or the tenancies or business operations of any of the tenants of the Property. In the event that, as a result of Buyer's exercise of its rights under Section 4(a) or Section 4(b), physical damage occurs to the Property, then Buyer shall promptly repair such damage, at Buyer's sole cost and expense, so as to return the Property to substantially the same condition as existed prior to such damage. Buyer hereby indemnifies, protects, defends and holds Seller harmless from and against any and all losses, damages, claims, causes of action, judgments, damages, costs and expenses that Seller actually suffers or incurs as a direct result of any physical damage caused to, in, or at the Property during the course of, or as a result of, any or all of the studies, investigations and

inspections that Buyer elects to perform (or causes to be performed) pursuant to this Section 4.

(d) CONFIDENTIALITY. Each party agrees to maintain in confidence, and not to disclose to tenants or tenants' employees, the information contained in this Agreement or pertaining to the transaction contemplated hereby and the information and data furnished or made available by Seller to Buyer, its agents and representatives in connection with Buyer's investigation of the Property and the transactions contemplated by this Agreement; provided, however, that each party, its agents and representatives may disclose such information and data (i) to such party's accountants, attorneys, existing or prospective lenders, investment bankers, accountants, underwriters, ratings agencies, partners, consultants and other advisors in connection with the transactions contemplated by this Agreement to the extent that such representatives reasonably need to know (in the disclosing party's reasonable discretion) such information and data in order to assist, and perform services on behalf of, the disclosing party; (ii) to the extent required by any applicable statute, law, regulation or any Governmental Authority (as defined below) (including, but not limited to, Form 8-K and other reports and filings required by the SEC and other regulatory entities, as described in Exhibit "D" attached hereto); (iii) in connection with any litigation that may arise between the parties in connection with the transactions contemplated by this Agreement or otherwise relating to the Property; (iv) to the extent such disclosure is required or appropriate in connection with any securities offering or other capital markets or financing transaction undertaken by the Corporate Office Properties Trust (the "REIT"); (v) to the extent such information and data become generally available to the public other than as a result of disclosure by such party or its agents or representatives; and (vi) to the extent such information and data become available to such party or its agents or representatives from a third party who, insofar as is known to such party, is not subject to a confidentiality obligation to the other party hereunder; and (vii) to the extent necessary in order to comply with each party's respective covenants, agreements and obligations under this Agreement. In the event the transactions contemplated by this Agreement shall not be consummated, such confidentiality shall be maintained indefinitely. Furthermore, Seller and Buyer acknowledge that, notwithstanding any contrary term of this Section 4(d), Buyer shall have the right to conduct tenant interviews during the Inspection Period, and the disclosure of the existence of this Agreement to the tenants shall not constitute a breach of the above restriction. Buyer shall also have the right to issue a press release mutually acceptable to Buyer and Seller upon the consummation of the transactions described in this Agreement. The term

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"Governmental Authority" shall mean any agency, commission, department or body of any municipal, township, county, local, state or Federal governmental or quasi-governmental regulatory unit, entity or authority having jurisdiction or authority over the Property or the management, operation, use or improvement thereof.

5. CONDITIONS/INSPECTION PERIOD. Each of the following shall be a condition precedent to Buyer's obligation to complete Closing under this Agreement (any of which may be waived in whole or in part by Buyer at or prior to Closing) (together with any other Buyer's conditions precedent under this Agreement, collectively, the "Conditions" or "Conditions Precedent" and each, individually, a "Condition" or "Condition Precedent"):

(a) All of the representations and warranties by Seller set forth in this Agreement shall be true and correct at and as of Closing in all material respects as though such representations and warranties were made at and as of Closing. Seller shall have performed, observed and complied with all covenants, agreements and conditions required by this Agreement to be performed on its part prior to or as of Closing.

(b) Buyer shall have the Inspection Period (as hereinafter defined) to conduct, at Buyer's sole cost and expense, due diligence investigations and analysis of the Company, the Constellation Parties, the Property and all information pertaining to such entities and the Property, including without limitation, reviewing environmental conditions, surveys, title reports, leases and the physical conditions of the Property. If Buyer, in its sole discretion, determines that either the Property, the Company, CPI Springfield, or Constellation-Springfield does not meet Buyer's (or its underwriters', investment bankers', lenders', rating agencies' or investors) criteria for the purchase of the Member Interest or for the purchase, financing or operation of the Property in the manner contemplated by the Buyer, and notifies Seller by 5:00 p.m. on the last day of the Inspection Period of Buyer's election to terminate this Agreement, this Agreement thereupon shall become void and there shall be no further obligation or liability on any of the parties. The "Inspection Period" shall mean the period commencing on the date of this Agreement and expiring sixty (60) days after the Contract Date.

(c) Company shall have satisfied the following requirements (the "Leasing Requirements"):

(1) Company shall have completed construction of the Improvements and certificates of occupancy (or comparable permits and licenses) for the Improvements shall have been issued by appropriate Governmental Authorities.

(2) Company or Seller shall have delivered true and correct copies of all of the Leases in effect as of the date the NOI reaches \$2,372,000.00, together with a Rent Roll as of such date, including a complete list of Tenants which have commenced paying rent, and a calculation of the NOI in accordance with Section 2(a); and

(3) The NOI shall have reached \$2,372,000.00.

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The date that Seller satisfies the Leasing Requirements to the satisfaction of Buyer shall be referred to in this Agreement as the "Leasing Requirements Satisfaction Date". The parties shall confirm the Leasing Requirements Satisfaction Date in writing.

(d) So long as the Buyer, or any entity related to Buyer, is the named Buyer under this Agreement, Closing shall have been completed under that certain Contribution Agreement dated May 14, 1998, among the Sellers identified therein, Buyer and REIT.

6. ENVIRONMENTAL WARRANTIES AND AGREEMENTS.

(a) DEFINITIONS. Unless the context otherwise requires:

(1) "Environmental Law" or "Environmental Laws" shall mean all applicable past, present or future federal, state and local statutes, regulations, directives, ordinances, rules, court orders, decrees, arbitration awards and the common law, which pertain to environmental matters, contamination of any type whatsoever or health and safety matters, as such have been amended, modified or supplemented from time to time (including all present and future amendments thereto and re-authorizations thereof). Environmental Laws include, without limitation, those relating to: (i) the manufacture, processing, use, distribution, treatment, storage, disposal, generation or transportation of Hazardous Materials; (ii) air, soil, surface, subsurface, groundwater or noise pollution; (iii) Releases; (iv) protection of wildlife, endangered species, wetlands or natural resources; (v) Tanks; (vi) health and safety of employees and other persons; and (vii) notification requirements relating to the foregoing. Without limiting the above, Environmental Law also includes the following: (i) the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. Sections 9601 ET SEQ.), as amended ("CERCLA"); (ii) the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act (42 U.S.C. Sections 6901 ET SEQ.), as amended ("RCRA"); (iii) the Emergency Planning and Community Right to Know Act of 1986 (42 U.S.C. Sections 11001 ET SEQ.), as amended; (iv) the Clean Air Act (42 U.S.C. Sections 7401 ET SEQ.), as amended; (v) the Clean Water Act (33 U.S.C. Section 1251 ET SEQ.), as amended; (vi) the Toxic Substances Control Act (15 U.S.C. Section 2601 ET SEQ.), as amended; (vii) the Hazardous Materials Transportation Act (49 U.S.C. Sections 1801 ET SEQ.), as amended; (viii) the Federal Insecticide, Fungicide and Rodenticide Act (7 U.S.C. Section 136 ET SEQ.), as amended; (ix) the Federal Safe Drinking Water Act (42 U.S.C. Section 300f ET SEQ.), as amended; (x) the Federal Radon and Indoor Air Quality Research Act (42 U.S.C. Section 7401 note, ET SEQ.); (xi) the Occupational Safety and Health Act (29 U.S.C. Section 651 ET SEQ.), as amended; (xii) any state, county, municipal or local statutes, laws or ordinances similar or analogous to (including counterparts of) any of the statutes listed above; and (xiii) any rules, regulations, directives, orders or the like adopted pursuant to or implementing any of the above.

(2) "Environmental Permit" or "Environmental Permits" shall mean licenses, certificates, permits, directives, requirements, registrations, government approvals, agreements, authorizations, and consents which are required under or are issued pursuant to an Environmental Law or are otherwise required by Governmental Authorities.

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(3) "Hazardous Conditions" refers to the existence or presence of any Hazardous Materials on, in, under, or at, the Property (including air, soil and groundwater) or any portion of the Property.

(4) "Hazardous Material" or "Hazardous Materials" shall mean:

(A) any chemical, pollutant, contaminant, pesticide, petroleum or petroleum product or by product, radioactive substance, solid waste (hazardous or extremely hazardous), special, dangerous or toxic waste, substance, chemical or material regulated, listed, limited or prohibited under any Environmental Law, including without limitation: (i) friable or damaged asbestos, asbestos-containing material, presumed asbestos-containing material,

polychlorinated biphenyls ("PCBs"), solvents and waste oil; (ii) any "hazardous substance" as defined under CERCLA; and (iii) any "hazardous waste" as defined under RCRA; and

(B) even if not prohibited, listed, limited or regulated by an Environmental Law, all pollutants, contaminants, hazardous, dangerous or toxic chemical materials, wastes or any other substances, including without limitation, any industrial process or pollution control waste (whether or not hazardous within the meaning of RCRA) which could pose a hazard to the environment, or the health and safety of any person or impair the use or value of any portion of the Property.

(5) "Release" means any spill, discharge, leak, migration, emission, escape, injection, dumping or other release or threatened release of any Hazardous Material into the environment, whether or not notification or reporting to any Governmental Authority was or is required. Release includes, without limitation, historical releases and the meaning of Release as defined under CERCLA.

(6) "Remedial Action" shall mean any and all corrective or remedial action, preventative measures, response, removal, transport, disposal, clean-up, abatement, treatment and monitoring of Hazardous Materials or Hazardous Conditions, whether voluntary or mandatory, and includes all studies, assessments, reports or investigations performed in connection therewith to determine if such actions are necessary or appropriate (including investigations performed to determine the progress or status of any such actions), all occurring on or after the Contract Date.

(7) "Remedial Costs" shall include all costs, liabilities expenses and fees incurred on or after the date of this Agreement in connection with Remedial Action, including but not limited to: (i) the fees of environmental consultants and contractors; (ii) reasonable attorneys' fees (including compensation for in-house and corporate counsel provided such compensation does not exceed customary rates for comparable services); (iii) the costs associated with the preparation of reports, and laboratory analysis (including charges for expedited results if reasonably necessary); (iv) regulatory, permitting and review fees; (v) costs of soil and/or water treatment (including groundwater monitoring) and/or transport and disposal; and (iv) the cost of supplies, equipment, material and utilities used in connection with Remedial Action.

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(8) "Tank" or "Tanks" means above-ground and underground storage tanks, vessels and related equipment, including appurtenant pipes, lines and fixtures containing or previously containing any Hazardous Material or fraction thereof.

(b) WARRANTIES. Seller, for itself, for the Constellation Parties and for the Company, hereby represents and warrants as follows with respect to the Property:

(1) The Constellation Parties and the Company has made available or delivered to Buyer originals (or true, complete and accurate copies) of all of the documents in their possession, custody or control, which documents include and/or relate to:

(A) All approvals, plans, specifications, test borings, percolation tests, engineering studies, surveys or other environmental data concerning the Property;

(B) All permits (including Environmental Permits), approvals, registrations, Tank registration and/or closure documentation, certificates, applications, notices, orders, directives, legal pleadings, correspondence or other documents of any nature that the Company or any of the Constellation Parties, any tenant of Company, any of Company's predecessors-in-title or any tenant of Company's predecessors-in-title have submitted to, or received from, any Governmental Authority regarding the Property and its use, compliance or non-compliance with Environmental Laws; and

(C) The results of any investigation of the Property including, but not limited to, Phase I or Phase II site assessments, asbestos inspection and/or removal reports, tests or investigations of soil or other substrate air, groundwater, surface water, or the building interior, and any testing or investigation results relating to the removal or abandonment of any Tanks from the Property.

(2) To the knowledge of each of the Constellation Parties, the Property has been and continues to be owned and operated in full compliance with all Environmental Laws and Environmental Permits.

(3) There are no pending or, to the knowledge of each of the Constellation Parties or the Company, threatened: (i) claims, complaints, notices, correspondence or requests for information received by the

Constellation Parties or the Company with respect to any violation or alleged violation of any Environmental Law or Environmental Permit or with respect to any corrective or remedial action for or cleanup of the Property or any portion thereof; and (ii) written correspondence, claims, complaints, notices, or requests for information from or to the Constellation Parties or Company regarding any actual, potential or alleged liability or obligation under or violation of any Environmental Law or Environmental Permit with respect to the Property or any portion thereof.

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(4) To the knowledge of each of the Constellation Parties, there have been no Releases and there has not been a threatened Release of a Hazardous Material on, in, under or at the Property or any portion thereof.

(5) The Property is not listed, proposed or nominated for listing on the National Priorities List pursuant to CERCLA (the "NPL"), the Comprehensive Environmental Response and Liability Information System ("CERCLIS") or on any other similar list of sites under analogous state laws.

(6) There are no Tanks at, on or under the Property. None of the Constellation Parties nor the Company has removed, closed or abandoned any Tanks at the Property, and none of the Constellation Parties nor the Company has any knowledge of the existence, abandonment, closure or removal of Tanks at the Property.

(7) To the knowledge of each of the Constellation Parties, there are no PCBs or friable or damaged asbestos at the Property.

(8) There has been no storage, treatment, disposal, generation, transportation or Release of any Hazardous Materials by the Company or any of the Constellation Parties or by any other person or entity for which the Constellation Parties or Company is or may be held responsible, at, on, under, or about the Property (or any portion thereof) in violation of, or which could give rise to any claim, obligation or liability under, Environmental Laws.

(c) INDEMNITY. Notwithstanding anything to the contrary in this Agreement, with respect to the Property, each of the Constellation Parties and each of Sellers' shareholders (collectively, jointly and severally, "Post Closing Seller") agree to and do hereby indemnify, defend and hold harmless Buyer, the REIT and each of their respective partners, shareholders, agents, contractors, employees, officers, directors, trustees, shareholders, and each of their successors and assigns (collectively, the "Buyer Indemnified Parties"), from and against any and all liabilities, claims, demands, suits, administrative proceedings, causes of action, costs, damages, personal injuries and property damages, losses and expenses, both known and unknown, present and future, at law or in equity (collectively, "Losses"), arising out of, by virtue of or related in any way to an breach by Seller of any of its representations and warranties under Section 6(b).

Without limiting any of Post-Closing Seller's above indemnification obligations, Post-Closing Seller further acknowledges and agrees that its obligation to indemnify the Buyer Indemnified Parties includes, without limitation with respect to any breach by any of the Constellation Parties of its representations and warranties under Section 6(b): (i) any and all Remedial Costs associated with any Tank, Hazardous Material, Hazardous Condition or any Release; (ii) to the maximum extent allowed by law, all fines and/or penalties that may be imposed in connection with any Tank or the existence of any Hazardous Material on, at, under, near, in or about the Property; (iii) the defense of any claim made by any individual or entity (including any government, governmental agency or entity) concerning any of the foregoing,

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which defense shall be conducted by counsel and with the assistance of environmental advisors and consultants, in all cases subject to the prior written approval of Buyer; and (iv) reasonable attorneys' fees and costs and environmental advisors' and consultants' fees incurred by any of the Buyer Indemnified Parties with respect to enforcing its rights under this indemnification provision. This Section 6 shall survive the Closing for a period of thirty (30) months.

7. TITLE. At the Closing, Seller agrees that the Company shall have good and marketable fee simple title to the Property, free and clear of all liens, claims and encumbrances except for the Permitted Exceptions. From and after the date of this Agreement, Company shall not take any action, or fail to take any action, that would cause title to the Property to be subject to any title exceptions or objections, other than the Permitted Exceptions.

(a) On or before forty-five (45) days after the Contract Date, Buyer shall furnish Seller with a preliminary title report covering the Property (the "Title Report") and a written notice specifying those title exceptions which are not acceptable to Buyer, which objection may include matters shown on any

updated or re-certified survey which Buyer may obtain (the "Disapproved Exceptions"). Buyer's failure to designate as one of the Disapproved Exceptions a title exception shown on the Title Report shall constitute Buyer's approval of such title exception (all title exceptions not designated by Buyer as Disapproved Exceptions are in this Agreement called "Permitted Exceptions" and, if Buyer has elected to purchase the Shares with the Property subject to the Assumed Indebtedness, the Assumed Indebtedness shall be a Permitted Exception). The Seller shall cause the Company to use its best efforts to cause the removal of all Disapproved Exceptions on or before ten (10) days after Buyer's notice to Seller of such Disapproved Exceptions, except that liens of an ascertainable amount and other items which can be removed by the payment of money shall be paid and discharged by Seller or the Company at or before Closing. Within such ten (10) day period, Seller shall notify Buyer of all Disapproved Exceptions that Seller, after using its best efforts, is unable to remove. Seller's failure to give Buyer notice of Seller's inability to remove any Disapproved Exceptions shall constitute Seller's covenant that such Disapproved Exceptions shall be removed at or prior to the Closing. Buyer shall have the rights set forth in 7(c) if any Disapproved Exceptions cannot be removed by Seller(s) at or prior to the Closing.

(b) It shall be a Condition under this Agreement that the marked-up Title Reports delivered on the Closing Date shall be in the form described in this Section 6 and have all standard and general printed exceptions deleted so as to afford full "extended form coverage," and shall further include an owner's comprehensive endorsement, an endorsement certifying that the bills for the real estate taxes pertaining to the Property do not include taxes pertaining to any other real estate; an access endorsement; a contiguity endorsement, if applicable; a subdivision or plat act endorsement; a survey endorsement; a non-imputation endorsement; a Fairway endorsement; and a creditors' rights endorsement.

(c) If Seller or the Company is unable to correct or remove any Disapproved Exceptions in accordance with the requirements of this Section 7, Buyer shall have the sole option of either (i) completing the Closing subject to such Disapproved Exceptions without any abatement of the Purchaser Price, except that liens of an ascertainable amount and other items

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which can be removed by payment of money shall be paid and discharged by Seller or Company prior to Closing or (ii) being immediately paid Buyer's Reasonable Costs (as defined below) and, in the latter event, the parties shall be released from all liability or obligation to the other and this Agreement shall then and thereafter be null and void. "Buyer's Reasonable Costs" shall mean all out-of-pocket costs and expenses incurred by Buyer in connection with this Agreement and the Property, including, but not limited to, legal fees, title company charges, engineering fees, environmental consultant's fees, architects' and surveyors' fees and other similar charges.

8. REPRESENTATIONS AND WARRANTIES AS TO THE PROPERTY. Seller represents and warrants to Buyer, for itself, the other Constellation Parties and the Company, that the following matters are true as of the Contract Date and shall be true as of the Closing Date and covenants as follows:

(a) TITLE. The Company is the legal fee simple titleholder of the Property, and, other than with respect to the Permitted Exceptions (including, as of the date of this Agreement, the Assumed Indebtedness), has, good, marketable and insurable title to the Property, free and clear of all mortgages and security interests (other than the Assumed Indebtedness), leases, agreements and tenancies (other than the Leases), licenses, claims, options, options to purchase, liens, covenants, conditions, restrictions, rights-of-way, easements, judgments and other matters affecting title to the Property. The Property is the only tangible assets owned by the Company. The sole business of the Company is its ownership and operation of the Property.

(b) SALES CONTRACT. The Company and Lynch Properties Limited Partnership ("Lynch") have performed all of their obligations under the Contract of Sale between them, a copy of which is attached hereto as Exhibit "G" (the "Lynch Sale Contract"). There are no defaults by the Company or Lynch under the Lynch Sale Contract. The only remaining obligations of the Company under the Lynch Sale Contract are the obligations under Section 2.04 and Section 2.05.

(c) SELLER'S DELIVERIES. All of Seller's Deliveries listed on Exhibit "C" attached hereto and all other items delivered by Seller pursuant to this Agreement are true, accurate, correct and complete in all material respects, and fairly present the information set forth in a manner that is not misleading. The copies of all documents and other agreements delivered or furnished and made available by Seller to Buyer pursuant to this Agreement constitute all of and the only Leases and other agreements relating to or affecting the ownership and operation of the Property, there being no material "side" or other agreements, written or oral, in force or effect, to which any of the Constellation Parties or the Company is a party or to which the Property is subject.

(d) DEFAULTS. None of the Constellation Parties nor the Company is in default under any of the documents, recorded or unrecorded, referred to in the title commitments. To the knowledge of each of the Constellation Parties, there are no defaults under any of the Major Construction Contracts, Contracts or Governmental Approvals (as such terms are defined in Exhibit "C" attached hereto).

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(e) CONTRACTS. There are no contracts of any kind relating to the management, leasing, operation, maintenance or repair of the Property, except the Contracts listed on Exhibit "E" attached hereto. The Company and each of the Constellation Parties, as applicable, has performed all material obligations required to be performed by it, and is not in default, under any of such Contracts.

(f) IMPROVEMENTS. The Improvements shall be completed and installed in accordance with the Plans (as defined in Exhibit "C"), which were approved by all Governmental Authorities having jurisdiction thereover, and there are not outstanding any notices of any material violation of any governmental laws, ordinances, rules or regulations with respect to such Improvements.

(g) EMPLOYEES. Neither CPI Springfield, Constellation-Springfield nor the Company has any employees.

(g)

(h) COMPLIANCE WITH LAWS AND CODES. At Closing, the Property and its use and operation shall be in material compliance with applicable municipal and other governmental laws, ordinances, regulations, codes, licenses, permits and authorizations, and there shall then be presently and validly in effect all licenses, permits and other authorizations necessary (including, without limitation, certificates of occupancy) for the use, occupancy and operation of the Property for a retail shopping center, whether required of the Company or any Tenant. Without limiting the foregoing, at the time of Closing, the Property shall comply in all material respects with all applicable requirements of the Americans With Disabilities Act of 1990 (42 U.S.C.A. Section 12101 ET SEQ.). The Property is zoned by the municipality in which they are located so as to permit retail uses and structures thereon, in a manner that accommodates and is fully compatible with the Improvements. No zoning, subdivision, environmental, Hazardous Material, building code, health, fire, safety or other law, order or regulation is, or, on the Closing Date will be, violated by the continued maintenance, operation or use of any Improvements or parking areas in the Property, and no notice of any such violation issued by any Governmental Authority having jurisdiction over the Property is outstanding. At the time of Closing, all existing streets and other improvements, including water lines, sewer lines, sidewalks, curbing and streets at each Property shall have been paid for and either enter the Property through adjoining public streets, or, if they enter through private lands, do so in accordance with valid, irrevocable easements running with the ownership of such Property.

(i) LITIGATION. No attachments, execution proceedings, assignments for the benefit of creditors, insolvency, bankruptcy, reorganization or other proceedings are pending against the Property, the Company, any of the Constellation Parties, or to the best of Seller's knowledge, threatened against the Property, the Company or any of the Constellation Parties, nor are any of such proceedings contemplated by such entities. In the event any proceeding of the character described in this Section is initiated or threatened against the Property, the Company or any of the Constellation Parties prior to the Closing, Seller shall promptly advise Buyer thereof in writing, the Constellation Parties shall remain jointly and severally responsible therefor, and the Constellation Parties shall indemnify, defend and hold Buyer from any claims, losses,

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liabilities and expenses (excluding, without limitation, reasonable counsel fees) relating to any such occurrence.

(j) INSURANCE. The Company now has in force customary and commercially reasonable amounts of property, liability and business interruption insurance relating to the Property from established and reputable insurers. Neither the Company nor any of the Constellation Parties has received any notice from any insurance carrier, nor are any of such entities aware of, any defects or inadequacies in the Property that, if not corrected, would result in termination of insurance coverage or increase in the normal and customary cost thereof.

(k) FINANCIAL INFORMATION. All Operating Statements (as defined in Exhibit "C") delivered to Buyer, and all of the Records (as defined in Exhibit "C") of the Company, CPI Springfield and Constellation-Springfield, are complete, accurate, true and correct, in all material respects; have been compiled in accordance with generally accepted accounting principles; and accurately set forth the results of the operation of the Property and the Company, CPI Springfield and Constellation-Springfield for the periods covered. There has been no material adverse change in the financial condition or

operation of the Property and such entities since the period covered by the Operating Statements.

(l) RE-ZONING. There is not now pending, and neither Company nor any of the Constellation Parties has knowledge of, any threatened proceeding for the rezoning of the Property or any portion thereof, or the taking of any other action by governmental authorities that would have an adverse impact on the value of the Property or use thereof.

(m) REAL ESTATE TAXES. True and complete copies of the most recent real estate "Tax Bill(s)" for (and the only real estate tax bills applicable to) the Property have been delivered to Buyer. Neither the Company nor any of the Constellation Parties has received notice of and does not have any actual knowledge of any proposed increase in the assessed valuation or rate of taxation of the Property from that reflected in the most recent Tax Bills. There is not now pending, and Company will not, without the prior written consent of Buyer, institute prior to the Closing Date, any proceeding or application for a reduction in the real estate tax assessment of the Property or any other relief for any tax year. There are no outstanding agreements with attorneys or consultants with respect to the Tax Bills that will be binding on Buyer or the Property after the Closing. Other than the amounts disclosed by the Tax Bills, no other real estate taxes have been, or will be, assessed against the Property, or any portion thereof, in respect of the year 1998 or any prior year, and no special assessments of any kind (special, bond or otherwise) are or have been levied against the Property, or any portion thereof, that are outstanding or unpaid, and, to the best knowledge of any of the Constellation Parties, none will be levied prior to the Closing. The Company has paid all real estate taxes presently due and owing with respect to the Property.

(n) EASEMENTS AND OTHER AGREEMENTS. To the knowledge of each of the Constellation Parties, neither the Company nor any of the Constellation Parties is in default in complying with the terms and provisions of any of the covenants, conditions, restrictions, rights-of-way or easements constituting one or more of the Permitted Exceptions.

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(o) ASSUMED INDEBTEDNESS/EXISTING LOAN DOCUMENTS.

(1) The Property is presently encumbered by a mortgage loan in the maximum principal amount of Nineteen Million Dollars (\$19,000,000.00) made by First Union National Bank to the Company (the "Assumed Indebtedness"). Subject to the condition precedent that the Constellation Release shall have occurred, Buyer may acquire the Shares subject to the Assumed Indebtedness at the time of the Closing. Seller and each of the other Constellation Parties acknowledge and agree that they are solely responsible for any and all assumption fees, transfer fees and other costs associated with the Buyer's acquisition of the Shares subject to the Assumed Indebtedness.

(2) Exhibit "G" sets forth true, correct and complete schedule of all of the notes, deeds of trust, and other loan documents evidencing or securing the Assumed Indebtedness (collectively, the "Existing Loan Documents"). Seller has delivered true, correct and complete copies of the Existing Loan Documents to Buyer prior to the date hereof as part of the Seller's Deliveries. The Company and each Constellation Party has complied with (and, prior to the Closing, shall continue to comply with) the terms of, and all notices or correspondence received from the holder of, the Existing Loan Documents. The Company and each Constellation Party has paid (and, at all times prior to the Closing, shall pay) all sums due under the Existing Loan Documents. Neither Company nor any of the Constellation Entities shall make any prepayment of any amount due under the Loan Documents or amend the Existing Loan Documents, without the prior written consent of Buyer. The Existing Loan Documents are in full force and effect, and, to the best knowledge of each of the Constellation Entities, neither the Company nor any Constellation Entity is in default thereunder, and there has not occurred any event which, with the giving of notice and/or the passage of time, or both, would constitute a default by Company or any Constellation Party thereunder or under any of the Existing Loan Documents.

(p) LEASE CONTROVERSIES. No material controversy, complaint, negotiation or renegotiation, proceeding, suit or litigation relating to all or any of the Leases, is pending or, to the knowledge of any of the Constellation Parties, threatened, whether in any tribunal or informally. Each of the Constellation Parties is and shall remain jointly and severally responsible after the Closing Date for defending (or continuing) any such suit, proceeding or other matter relating to periods prior to the Closing Date, and all damages, loss, expenses and costs related thereto.

(q) CONDEMNATION. None of the Constellation Parties nor the Company has knowledge of any pending or contemplated condemnation or other governmental taking proceedings affecting all or any part of the Property.

(r) DISCLOSURE. No representation or warranty made by Seller (whether for itself, the Company or any of the other Constellation Parties) in

this Agreement, no exhibit attached hereto with respect to the Property, and no schedule contained in this Agreement contains any untrue statement of a material fact, or omits to state a material fact necessary in

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order to make the statements contained therein not misleading, or necessary in order to provide a prospective Buyer of the Property with adequate information as to the Property and its management, operation, maintenance and repair. There is no fact known to Seller or the other Constellation Parties which has, or which could reasonably have been foreseen by Seller or any of the other Constellation Parties as likely to have, an adverse effect on the management, operation, maintenance and repair of the Property which has not been disclosed herein, in any schedule attached hereto, or in any written document furnished by any of the Constellation Parties to Buyer under this Agreement or in connection with the transactions contemplated hereby.

The representations and warranties in this Section 8 shall be deemed remade by Seller (for itself, the Company and the other Constellation Parties) as of the Closing Date with the same force and effect as if in fact specifically remade at that time. The representations and warranties made in this Section 8 shall survive the Closing for a period of eighteen (18) months. Notwithstanding anything to the contrary herein, the effect of the representations and warranties made in this Agreement by Seller shall not be diminished, abrogated or deemed to be waived by the inspections, assessments, or any other investigations made by Buyer.

9. LEASES--CONDITIONS PRECEDENT AND WARRANTIES WITH RESPECT THERETO.

(a) WARRANTIES AS TO LEASES. With respect to each of the tenants listed on the Rent Roll (as defined in Exhibit "C") provided to Buyer by any of the Constellation Parties and any other tenants leasing space in any or all of the Property as of the Closing Date (collectively, the "Tenants"), Seller, for itself, for the other Constellation Parties and for the Company, represents and warrants to Buyer as of the Contract Date and as of the Closing Date as follows:

(1) Each of the Leases is in full force and effect strictly according to the terms set forth therein and in the Rent Roll, and has not been modified, amended, or altered, in writing or otherwise. Each Tenant is legally required to pay all sums and perform all obligations set forth in the Leases, without concessions, abatements, offsets or other bases for relief or adjustment;

(2) All obligations of the lessor under the Leases that accrue to the date of the Closing have been or will be performed by the Closing Date, including, but not limited to, all required tenant improvements, cash or other inducements, rent abatements or moratoria, installations and construction (for which payment in full has been made in all cases), and each Tenant has unconditionally accepted lessor's performance of such obligations. No Tenant has asserted any offsets, defenses or claims available against rent payable by it or other performance or obligations otherwise due from it under any Lease;

(3) No Tenant is in default under or is in arrears in the payment of any sums or in the performance of any obligations required of it under its Lease. No Tenant has prepaid any rent or other charges;

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(4) The Company has no reason to believe that any Tenant is, or may become, unable or unwilling to perform any or all of its obligations under its Lease, whether for financial or legal reasons or otherwise;

(5) Neither base rent ("Base Rent"), nor regularly payable estimated Tenant contributions or operating expenses, insurance premiums, real estate taxes, common area charges, and similar or other "pass through" or non-base rent items including, without limitation, cost-of-living or so-called "C.P.I." or other such adjustments (collectively, "Additional Rent"), nor any other item payable by any Tenant under any Lease has been heretofore prepaid for more than one month nor shall it be prepaid between the Contract Date and the Closing Date for more than one month;

(6) No guarantor(s) of any Lease has been released or discharged, partially or fully, voluntarily or involuntarily, or by operation of law, from any obligation under or in connection with any Lease or any transaction related thereto;

(7) Except as specifically disclosed in detail on the Rent Roll delivered to Buyer, there are no brokers' commissions, finders' fees, or other charges payable or to become payable to any third party on behalf of the Company as a result of or in connection with any Lease or any transaction related thereto, including, but not limited to, any exercised or unexercised option(s) to expand or renew;

(8) No Tenant or any other party has asserted any claim (other than for customary refund at the expiration of a Lease) to all or any part of any security deposit;

(9) Seller shall have caused Company to pay, and retain sole and exclusive responsibility for, all expenses due on or before the Closing Date connected with or arising out of the negotiation, execution and delivery of the Leases, including, without limitation, brokers' commissions (including those applicable, if any, to future expansions or renewals by Tenants), leasing fees and recording fees (as well as the cost of all tenant improvements not paid for by Tenants); and Seller shall be deemed to have certified and warranted payment thereof to Buyer at Closing;

(10) No Tenant has, by virtue of its Lease or any other agreement or understanding, any purchase option with respect to the Property, or any portion thereof, or any right of first refusal to purchase any Property, or a portion thereof, whether triggered by the transactions contemplated by this Agreement or by a subsequent sale of the Property or a portion thereof. No Tenant has, by virtue of its Lease or any other agreement or understanding any of the following (a) the right or option to expand its tenancy into space at the Property other than the space that such Tenant is currently occupying; (b) the right or option to terminate its Lease; and (c) the right or option to contract the space at the Property that such Tenant is currently occupying; and

(11) (a) Except as specifically disclosed on the Rent Roll delivered to Buyer, no Tenant has sublet its leased premises; and (b) there are no outstanding requests from

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any Tenants to the Company or any of the Constellation Parties, requesting any consent to an assignment of the Tenant's Lease or to a sublease of all or some portion of a Tenant's leased premises.

Each of the Constellation Parties hereby indemnifies, defends and holds Buyer harmless from and against all loss, damage, liability, cost, expense (including, but not limited to, reasonable fees of attorneys of Buyer's choice) and charges which Buyer may incur, or to which Buyer may become subject, as a consequence of any breach of the warranties contained in this Section. The foregoing indemnity shall survive the Closing for a period of eighteen (18) months.

10. WARRANTIES AND REPRESENTATIONS OF SELLER AS TO SHARES/MEMBER INTEREST/SECURITIES AND RELATED MATTERS. The Seller, for itself and for each of the other Constellation Parties, represent and warrant to Buyer that the following matters are true as of the Contract Date and shall be true as of the Closing Date and covenant as follows:

(a) AUTHORITY. Seller is duly formed, validly existing, and in good standing under the laws of Maryland, and has the power and authority to own the Shares. CPI Springfield is a single purpose entity formed for the sole purpose of being the sole member of Constellation-Springfield. Constellation-Springfield is duly formed, validly existing, and in good standing under the laws of Maryland, and has the power and authority to own the Member Interest. Constellation-Springfield is a single purpose entity, formed for the sole purpose of owning the Member Interest. The execution and delivery of this Agreement by Seller, and the performance of this Agreement by Seller, have been duly authorized by Seller, and this Agreement is binding on Seller and enforceable against it in accordance with its terms. No consent of any creditor, investor, partner, shareholder, tenant-in-common, judicial or administrative body, Governmental Authority, or other governmental body or agency, or other party to such execution, delivery and performance by Seller is required. Neither the execution of this Agreement nor the consummation of the transactions contemplated hereby will (i) result in a breach of, default under, or acceleration of, any agreement to which any of the Constellation Parties is a party or by which any of the Constellation Parties or the Property is bound; or (ii) violate any restriction, court order, agreement or other legal obligation to which any of the Constellation Parties and/or the Property is subject.

(b) COMPANY. The Company is duly formed, validly existing, and in good standing under the laws of the Commonwealth of Virginia, and has the power and authority to own the Property. Seller has delivered to Buyer, as part of Seller's Deliveries, all of the documents relating to the formation or governance of the Company. The Company is a single purpose entity, organized for the sole purpose of owning the Property.

(c) SHARES. Seller owns one hundred percent (100%) of the Shares of CPI Springfield. Seller owns the Shares free and clear of all liens, charges, encumbrances, restrictive agreements and assessments. Upon the assignment of the Shares to Buyer (or its designee(s)), the Buyer will receive good and absolute title thereto, free from all liens, charges, encumbrances, restrictive agreements and assessments whatsoever. There are no outstanding

rights of first refusal, options, contracts, calls, commitments or demands of any nature relating to the Shares.

(d) OPERATING AGREEMENT. Without limiting the generality of any of the representations or warranties set forth in this Section 10, each of the Constellation Parties warrants and represents to Buyer that: (i) the transfer of the Shares does not trigger the right of first refusal (the "Right of First Refusal") in favor of Fried Springfield Commons, LLC ("Fried") set forth in the Company's Operating Agreement dated as of April 17, 1998 (the "Operating Agreement"); (ii) the transfer of the Shares to the Buyer does not require the consent of Fried, does not constitute an impermissible transfer of the Membership Interest, and does not otherwise constitute a default under the Operating Agreement; (iii) Fried has been paid any and all sums due to Fried under the Operating Agreement (including, without limitation, the zoning fee and development fee described in Section 7.5 and Section 7.6 of the Operating Agreement); and (iv) both Fried and Constellation-Springfield have performed all of their obligations, monetary and non-monetary, set forth in the Operating Agreement, and no default exists thereunder. The Operating Agreement is in full force and effect, and the Operating Statements include, among other things, an accurate statement of Capital Accounts and Capital Contributions of Constellation-Springfield and Fried under the Operating Agreement and an accurate statement of the Company's financial condition.

(e) MEMBER INTEREST. Constellation-Springfield owns a sixty percent (60%) Member Interest in the Company. Constellation-Springfield owns the Member Interest free and clear of all liens, charges, encumbrances, restrictive agreements and assessments, other than restrictions on transfers and other similar provisions as set forth in the Operating Agreement, which each of the Constellation Parties warrants and represents shall not be violated by the transfer of Shares contemplated by this Agreement. There are no outstanding rights of first refusal, options, contracts, calls, commitments or demands of any nature relating to the Member Interest.

(f) NO TRANSFERS OF INTERESTS. There will be no changes in the composition of the Company or any of the Constellation Parties between the date of this Agreement and Closing.

(g) TAX-RELATED ISSUES.

(1) The Company and Constellation-Springfield are, and at all times have been, properly treated as limited liability companies for federal income tax purposes and not as an "association" or "publicly traded partnership" taxable as a corporation.

(2) The Company and each of the Constellation Parties has filed or caused to be filed in a timely manner (within any applicable extension periods) all tax, information or other returns required to be filed by the Internal Revenue Code of 1986, as amended (the "Code") or by applicable state, or local tax laws (collectively, "Tax Returns"). Such Tax Returns are true, correct and complete in all respects; and all federal, state or local income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium,

unemployment, disability, personal property, sales, use, transfer, registration, estimated, or other tax of any kind whatsoever, including any interest, penalty or other addition thereto, whether disputed or not, (collectively, "Taxes") due, and Taxes due in respect of any person for the Company had an obligation to withhold and/or otherwise pay over Taxes, have been timely paid in full or will be timely paid in full by the due date thereof (and whether or not shown on a Tax Return). With respect to any taxable year for which a statute of limitations (or similar provision) has not yet run, none of the Tax Returns of the Company or any of the Constellation Parties has been audited by a government or taxing authority, nor is any such audit or other proceeding in process, pending, threatened (either in writing or verbally, formally or informally) or expected to be asserted with respect to Taxes (or the collection of Taxes) of the Company or any of the Constellation Parties, and neither the Company nor any of the Constellation Parties has received notice (either in writing or verbally, formally or informally) or expects to receive notice that it has not filed a Tax Return or not paid Taxes required to be filed, withheld, or paid by it. The Company and each of the Constellation Parties has disclosed on its federal income tax returns all positions taken therein that could give rise to a substantial understatement penalty within the meaning of Code Section 6662. No claim has ever been made by an authority in a jurisdiction where the Company or any of the Constellation Parties does not file Tax Returns that it is or may be subject to taxation by that jurisdiction.

(h) UNITED STATES PERSON. Each of the Constellation Parties and the Seller are each a "United States Person" within the meaning of Section 1445(f)(3) of the Code, as amended, and shall execute and deliver an "Entity Transferor" certification at Closing.

(i) LIABILITIES. Except for any normal and customary accrued liabilities and obligations of the Company in the ordinary course of the business of Company as set forth on the updated Operating Statements of Company to be delivered at Closing, neither the Company, CPI Springfield nor Constellation-Springfield shall have any liabilities or obligations, either accrued, absolute, contingent, or otherwise, which will not be paid or discharged on or before the Closing Date. In addition, except for the claims and liabilities described in the preceding sentence, neither the Company, CPI Springfield nor Constellation-Springfield has received notice of any claim against (or liability of) the Company, CPI Springfield or Constellation-Springfield arising from business done, transactions entered into or other events occurring prior to the Closing Date (and to the best knowledge of each of the Constellation Parties and the Company, no basis for any such claim or liability exists).

(j) The representations and warranties in this Section 10 shall be deemed remade by Seller (for itself, for the other Constellation Parties and for the Company), as of the Closing Date with the same force and effect as if in fact specifically remade at that time. The representations and warranties made in this Section 10 shall survive the Closing without time limitation.

11. REPRESENTATIONS AND WARRANTIES OF BUYER. Buyer hereby represents and warrants to, and covenants with Seller, as follows, which representations, warranties, and covenants are true, correct and complete on the date of this Agreement, shall be true, correct, and complete at Closing:

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(a) Neither its entering into this Agreement or its consummation of the transactions contemplated hereby does nor will violate any indenture, agreement or order by which Buyer is bound, or any rule, order, or law applicable to it.

(b) The execution and delivery of this Agreement has been approved by the directors or officers, as applicable, of Buyer and no further corporate action is required on the part of Buyer to consummate the transaction contemplated hereby. There are no proceedings pending or threatened by or against Buyer in bankruptcy, insolvency or reorganization in any state or federal court which adversely affect the ability of Buyer to enter into and perform its obligations under this Agreement

12. COVENANTS OF SELLER. Seller (for itself, for the other Constellation Parties and for the Company) hereby covenant with Buyer as follows:

(a) NEW LEASES. The Company shall not amend any Lease or execute any new lease, license, or other agreement affecting the ownership or operation of all or any portion of the Property or for personal property, equipment, or vehicles, without Buyer's prior written approval.

(b) NEW CONTRACTS. The Company shall not enter into any contract with respect to the ownership and operation of all or any portion of any or all of the Property that will survive the Closing, or that would otherwise affect the use, operation or enjoyment of the Property, without Buyer's prior written approval, except for service contracts entered into in the ordinary course of business that are terminable, without penalty, on not more than 30 days' notice, for which no consent shall be required. Neither Constellation-Springfield nor CPI Springfield shall enter into, or amend, any contract or agreement without the Buyer's written approval.

(c) OPERATING AGREEMENT. The Operating Agreement shall not be amended without Buyer's prior written approval. From and after the Leasing Requirements Satisfaction Date, there shall be no distributions of Net Cash Flow to members of the Company under the Operating Agreement.

(d) SALES CONTRACT. The Company shall not amend the Sales Contract or execute any new agreement pertaining thereto without Buyer's prior written approval.

(e) INSURANCE. The insurance policies described in Section 8 above shall remain continuously in force through and including the Closing Date.

(f) OPERATION OF THE PROPERTY. The Company shall construct, operate and manage the Property in a manner consistent with similar class "A" shopping centers in Fairfax County, Virginia, in good repair and working order; shall keep on hand sufficient materials, supplies, equipment and other personal property for the efficient operation and management of the Property in such manner; and shall perform, when due, all of the Company's

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obligations under the Leases, Contracts, Governmental Approvals and other

agreements relating to the Property and otherwise in accordance with applicable laws, ordinances, rules and regulations affecting the Property. Without the prior written consent of Buyer, the Company shall not incur any indebtedness, other than normal and customary current indebtedness for current payables necessary for the day-to-day operation of the Property.

(g) PRE-CLOSING EXPENSES. Seller has paid or will pay or cause to be paid in full, prior to the Closing, all bills and invoices for labor, goods, material and services of any kind relating to the Property and utility charges, relating to the period prior to the Closing. Except as the parties may otherwise agree at or prior to Closing, any alterations, installations, decorations and other work required to be performed under any and all agreements affecting the Property have been or will, by the Closing, be completed and paid for in full.

(h) GOOD FAITH. All actions required pursuant to this Agreement that are necessary to effectuate the transaction contemplated herein will be taken promptly and in good faith by the Constellation Parties or the Company, as applicable, and Seller shall furnish Buyer with such documents or further assurances as Buyer may reasonably require.

(i) NO ASSIGNMENT. After the Contract Date and prior to the Closing, none of the Constellation Parties shall assign, alienate, lien, encumber or otherwise transfer all or any part of any or all of the Shares, Member Interest, the Property or any interest in any or all of them.

(j) AVAILABILITY OF RECORDS, AUDIT REPRESENTATION LETTER.

(1) Upon Buyer's request, for a period of two years after the Closing, Seller shall (i) make the Records available to Buyer for inspection, copying and audit by Buyer's designated accountants; and (ii) cooperate with Buyer (without any third party expense to Seller) in obtaining any and all permits, licenses, authorizations, and other Governmental Approvals necessary for the operation of any or all of the Property. Without limitation of the foregoing in this Section, Seller agree to abide by the terms of Exhibit "D" attached hereto. At any time before or within two years after the Closing, Seller further agrees to provide to the Buyer's designated independent auditor, upon request of Buyer or such auditor: (x) access (to the same extent to which Buyer would be entitled to such access) to the books and records of the Property and all related information (including the information listed on Exhibit "D") regarding the period for which Buyer is required to have the Property audited under the regulations of the Securities and Exchange Commission, and (y) a representation letter delivered by each managing agent of the Property regarding the books and records of the Property, in substantially the form as attached hereto as Exhibit "E."

(2) In addition, Seller shall provide, and cooperate, in all respects, in providing, Buyer with copies of, or access to, such factual information as may be reasonably requested by Buyer, and in the possession or control of Seller, to enable the Buyer or the REIT to issue one or more mutually agreed upon press releases concerning the transaction that is the subject of this Agreement, to file a Current Report on Form 8-K (as specified on Exhibit "D"), if,

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as and when such filing may be required by the SEC and to make any other filings that may be required by any Governmental Authority. The obligation of Seller to cooperate in providing Buyer with such information for Buyer to file its Current Report on Form 8-K shall survive the Closing.

(k) CHANGE IN CONDITIONS. Seller shall promptly notify Buyer of any change in any condition with respect to the Company, the other Constellation Parties, the Property or of the occurrence of any event or circumstance that makes any representation or warranty of Seller to Buyer under this Agreement untrue or misleading, or any covenant of Buyer under this Agreement incapable or less likely of being performed, it being understood that Seller's obligation to provide notice to Buyer under this Section shall in no way relieve Seller of any liability for a breach by Seller of any of its representations, warranties or covenants under this Agreement.

(l) ENTITY STRUCTURE. From the Contract Date through and including the Closing Date, the Company and each of the Constellation Parties shall maintain the same composition of its members as exists on the Contract Date, unless otherwise expressly or consented to by Buyer in writing.

(m) CURE OF VIOLATIONS. On or before the Closing Date, Seller shall cure (or escrow sufficient funds at the Closing with the Buyer's Title Company to cure) (i) all violation(s) of law, code, ordinance or regulation that are the subject of any written notice issued by a Governmental Authority with respect to the Property, and (ii) legal deficiencies discovered at or in any Property before the Closing.

All covenants made in this Agreement by Seller shall survive the Closing

for a period of eighteen (18) months.

13. ADDITIONAL CONDITIONS PRECEDENT TO CLOSING.

(a) BUYER'S CONDITIONS PRECEDENT. In addition to any other Conditions Precedent of Buyer enumerated in this Agreement, the following shall be additional Buyer's Conditions Precedent (any of which may be waived by Buyer prior to Closing):

(1) PENDING ACTIONS. At the Closing, there shall be no administrative agency, litigation or governmental proceeding of any kind whatsoever, pending or threatened, that, after the Closing, would, in Buyer's sole and absolute discretion, materially and adversely affect the Company, Constellation-Springfield, CPI Springfield, the Shares or the Member Interest, the transfer of the Shares, or the value or marketability of the Property, or the ability of the Company to operate the Property in the manner intended.

(2) ZONING. On the Closing Date, no proceedings shall be pending or threatened that could or would involve the change, redesignation, redefinition or other modification of the zoning classifications of (or any building, environmental, or code requirements applicable to) the Property, or any portion thereof, or any property adjacent to the

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Property, in a manner which, in Buyer's sole and absolute discretion, would materially and adversely affect the value or marketability of the Property.

(3) FLOOD INSURANCE. As of the Closing Date, if the Property is located in a flood plain, Company shall have obtained flood plain insurance in form and substance acceptable to Buyer.

(4) ASSUMED INDEBTEDNESS. Subject to agreement of the holder of the Assumed Indebtedness to deliver the Constellation Release at Closing, Seller shall provide to Buyer a letter from First Union National Bank (or the then holder of the Assumed Indebtedness) dated no earlier than 30 days prior to the Closing Date, approving the transfer of the Shares to the Buyer, setting forth the amount of principal and interest outstanding as of the Closing Date, and stating that there has not been, and there does not currently exist, any default under any of the Assumed Indebtedness. Such letter shall be referred to as the "Lender's Approval."

(5) OWNERS. The composition of members of the Company and each of the Constellation Parties on the Closing Date shall be the same as on the Contract Date.

(6) BANKRUPTCY. As of the Closing Date, neither Seller, nor any of the Constellation Parties nor the Property shall be the subject of any bankruptcy proceeding for which approval of this transaction has not been given and issued by the applicable bankruptcy court.

(7) REPRESENTATIONS AND WARRANTIES TRUE. The representations and warranties of Seller (whether for itself, for the Company or for any of the other Constellation Parties) contained in this Agreement shall be true and correct as of the Closing Date in all material respects, as though such representations and warranties were made on such date.

(8) COVENANTS PERFORMED. All covenants and obligations of the Constellation Parties and Company required to be performed on or prior to the Closing Date shall have been performed, in all material respects.

(9) APPROVAL BY BUYER'S SHAREHOLDERS. REIT's Board of Trustees and shareholders shall have approved this Agreement and the consummation of the transactions contemplated by this Agreement.

(b) SELLER'S CONDITIONS PRECEDENT. The following shall be conditions precedent to the Seller's obligation to complete Closing under this Agreement (any of which may be waived by Seller at or prior to Closing):

(1) REPRESENTATIONS AND WARRANTIES. The representations and warranties of Buyer contained in this Agreement shall be true and correct as of the Closing Date, in all material respects, as though such representations and warranties were made on such date.

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(2) COVENANTS. All covenants of Buyer required to be performed on or prior to the Closing Date shall have been performed, in all material respects.

14. RISK OF LOSS OR DAMAGE.

(a) If, prior to the Closing, all or any portion of the Property is

damaged by fire or other natural casualty (collectively, "Damage"), or is taken or made subject to condemnation, eminent domain or other governmental acquisition proceedings (collectively, "Eminent Domain"), then the following procedures shall apply:

(1) If the aggregate cost of repair or replacement in connection with any Damage or the value of the Eminent Domain (collectively, "repair and/or replacement") is \$200,000.00 or less, in the mutual and reasonable opinions of Buyer and Seller, Buyer shall close and take the Property in question as diminished by the Damage or Eminent Domain, as the case may be. Any casualty insurance or condemnation proceeds shall be the sole property of the Company.

(2) If the aggregate cost of repair and/or replacement at the Property is greater than \$200,000.00, in the mutual and reasonable opinions of Buyer and Seller, then Buyer, in its sole and absolute discretion, may elect any of the following options: (i) Buyer may proceed to close on the Shares without diminution of the Purchase Price, or (ii) Buyer may elect to terminate this Agreement by written notice to Seller. Any casualty insurance or condemnation proceeds shall be the sole property of the Company.

(b) In the event of a dispute between Seller and Buyer with respect to the cost of repair and/or replacement with respect to the matters set forth in this Section 14, an engineer designated by Seller and an engineer designated by Buyer shall select an independent engineer licensed to practice in the Commonwealth of Virginia who shall resolve such dispute. All fees, costs and expenses of such third engineer so selected shall be shared equally by Buyer and Seller.

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15. DEFAULT.

(a) DEFAULT BY SELLER. If any of Seller's representations and warranties (whether for itself, for the Company or for any of the other Constellation Parties) contained herein shall not be true and correct on the Contract Date and continuing thereafter through and including the Closing Date, or if any of the Constellation Parties fails to perform any of the covenants and agreements contained herein to be performed by such party within the time for performance as specified herein (including Seller's obligation to close), or if any of the Buyer's Conditions Precedent shall not have been satisfied, Buyer may elect either to (i) terminate Buyer's obligations under this Agreement by written notice to Seller, in which event Buyer shall retain all rights and remedies available to it; or (ii) close, in which event Buyer may file an action for either or both of specific performance and damages to compel Seller to cure all or any of such default(s), in whole or in part, whereupon Buyer shall be entitled to deduct from the Purchase Price, the cost of such action and cure, and all reasonable expenses incurred by Buyer in connection therewith, including, but not limited to, attorneys' fees of Buyer's counsel. Notwithstanding anything to the contrary herein and in addition to any other remedies of Buyer, Buyer shall be entitled to recover actual (but not consequential) damages suffered by Buyer by reason of Seller's defaults hereunder and/or any delay occasioned thereby, including, without limitation, Buyer's Reasonable Costs. The remedies of Buyer set forth in this Section 15(a) shall be in addition to remedies otherwise applicable or provided in this Agreement or otherwise available to Buyer at law or in equity, including, without limitation, specific performance, it being understood that Buyer's rights and remedies under this Agreement shall always be non-exclusive and cumulative and that the exercise of one remedy or form of relief available to Buyer hereunder shall not be exclusive or constitute a waiver of any other.

(b) DEFAULT BY BUYER. In the event Buyer defaults in its obligations to acquire the Shares, then Seller may (i) pursue an action for specific performance, or (ii) terminate this Agreement and recover actual (but not consequential) damages suffered by Seller by reason of Buyer's defaults hereunder and/or any delay occasioned thereby, including, without limitation, the reasonable out-of-pocket costs and expenses incurred by Seller in connection with this Agreement.

(c) INDEMNIFICATION OF BUYER. Each of the Constellation Parties and Seller's shareholders, jointly and severally, as the case may be, shall and does hereby indemnify, protect, defend and hold the Buyer Indemnified Parties harmless from and against any claims, losses, demands, liabilities, suits, costs and damages suffered by the Buyer Indemnified Parties, including consequential as well as actual damages and attorneys' fees of counsel selected by the Buyer Indemnified Parties and other costs of defense, incurred, arising against, or suffered by, the Buyer Indemnified Parties or its assigns as a direct or indirect consequence of (i) any breach of any representation, warranty or covenant made in this Agreement by Seller (whether for itself, for the Company or for any of the other Constellation Parties), or any other default by Seller, whether discovered before or after the Closing or (ii) any default claim, action or omission arising or alleging to arise under the Existing Loan Documents and relating to the period prior to the Closing, whether asserted before or after the Closing. This indemnification obligation shall expire eighteen (18) months from the Closing Date, except as to claims under Section 6 of this

Agreement which may be made until thirty (30) months after the date of this Agreement, and except as to claims under Section 10 which may be made until the expiration of the time period under statute of limitation applicable to such claims.

(d) INDEMNIFICATION OF SELLER. Buyer shall indemnify, protect, defend and hold Seller and each of Seller's shareholders (the "Indemnified Parties") harmless from and against any claims, losses, demands, liabilities, suits, costs and damages suffered by the Seller Indemnified Parties, including consequential as well as actual damages and attorneys' fees of counsel selected by the Seller Indemnified Parties and other costs of defense, incurred, arising against, or suffered by, the Seller Indemnified Parties or its assigns as a direct or indirect consequence of any breach of any misrepresentation, warranty or covenant made in this Agreement by Buyer, or any other default by Buyer, whether discovered before or after the Closing. This indemnification obligation shall expire eighteen (18) months from the Closing Date, except as to claims under Section 11 which may be made until the expiration of the time period under the statute of limitation applicable to such claims.

(e) BUYER NOTICE AND RIGHT TO CURE. Anything contained in this Agreement to the contrary notwithstanding, any thing or act which would otherwise be a default hereunder by Buyer shall not be a default unless Seller shall have given Buyer notice of such default, and Buyer shall have failed to cure the same within thirty (30) days after such notice. No notice of default shall be required in the case of Buyer's default in failing to complete Closing on the required Closing Date.

(f) SELLER'S NOTICE AND RIGHT TO CURE. Anything contained in this Agreement to the contrary notwithstanding, any thing or act which would otherwise be a default hereunder by Seller shall not be a default unless Buyer shall have given Seller notice of such default, and Seller shall have failed to cure the same within thirty (30) days after such notice. No notice of default shall be required in the case of Seller's default in failing to complete Closing on the required Closing Date.

16. ENTIRE AGREEMENT.

This Agreement contains the entire agreement among Seller and Buyer pertaining to the Property, and there are no other terms, obligations, covenants, representations, statements or conditions, oral or otherwise, of any kind whatsoever concerning this sale. Any changes or additions to this Agreement must be made in writing and executed by the parties hereto. All Exhibits attached to this Agreement are made a part of this Agreement. This Agreement may be executed in counterparts, each of which is an original, but all of which are a single instrument.

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

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SELLER:

Constellation Properties, Inc.
c/o Constellation Real Estate, Inc.
8815 Centre Park Drive - Suite 400
Columbia, MD 21045
Attention: General Counsel

BUYER:

Corporate Office Properties, L.P.
c/o Corporate Office Properties Trust
One Logan Square, Suite 1105
Philadelphia, PA 19103
Attention: Clay W. Hamlin, III
President and Chief Executive Officer

WITH A COPY TO ITS ATTORNEYS:

F. Michael Wysocki, Esquire
Saul, Ewing, Remick & Saul LLP
Centre Square West
1500 Market Street - 38th Floor
Philadelphia, PA 19102

Notices shall be deemed properly delivered and received when and if either (i) personally delivered, including via facsimile; or (ii) on the first business day after deposit with a commercial overnight courier for delivery on the next

business day. Any party may change its address for delivery of notices by properly notifying the others pursuant to this Section.

18. NO RECORDING. This Agreement shall not be recorded in any Clerk's Office, Recorder's Office or in any office or place of public record. If Buyer records this Agreement or causes or permits this Agreement to be recorded, Seller may elect to treat such act as a breach of this Agreement and may declare this Agreement terminated, null and void by recording notice of such termination in the same records in which this Agreement has been recorded.

19. COMMISSIONS. Seller and Buyer each represents that it has not dealt with any brokers in connection with this transaction. Buyer and Seller will indemnify and defend the other from any and all claims, actual or threatened, for compensation by any third party by reason of breach of its or their representation or warranty contained in this Section. The provisions of this Section 19 shall survive Closing.

20. BINDING EFFECT. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, executors, administrators, legal representatives, successors and assigns.

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21. LITIGATION. Seller and Buyer waive all rights to a jury trial with respect to any disputes relating to this Agreement, whether arising before or after Closing. In the event of litigation between the parties with respect to the Property, this Agreement, the performance of their respective obligations hereunder or the effect of a termination under this Agreement, the losing party shall pay all costs and expenses incurred by the prevailing party in connection with such litigation, including, but not limited to, reasonable attorneys' fees of counsel selected by the prevailing party. The parties hereby further acknowledge and agree that in the event of litigation between them, as contemplated above, and the resolution of that litigation through compromise, settlement, or partial judgment, the court before which such litigation is initially brought shall have the right to allocate responsibility, between Seller and Buyer, for all costs and expenses (including, but not limited to, attorneys' reasonable fees) incurred by both Seller and Buyer in the pursuit of that litigation resolved through compromise, settlement or partial judgment. Notwithstanding any provision of this Agreement to the contrary, the obligations of the parties under this Section shall survive termination of this Agreement and the Closing, if applicable.

22. BENEFIT. This Agreement is for the benefit only of the parties hereto and their nominees, successors, beneficiaries and assignees as permitted in Section 27(a) below, above and no other person or entity shall be entitled to rely hereon, receive any benefit herefrom or enforce against any party hereto any provision hereof.

23. LIMITATION OF LIABILITY. Upon the Closing, neither the REIT nor the Buyer shall assume or undertake to pay, satisfy or discharge any liabilities, obligations or commitments of Seller other than those specifically agreed to between the parties and set forth in this Agreement. Except as otherwise specifically provided in this Agreement, neither the REIT nor the Buyer shall assume or discharge any debts, obligations, liabilities or commitments of Seller, whether accrued now or hereafter, fixed or contingent, known or unknown. Neither the holders of shares in the REIT, nor the trustees, officers, employees or agents of the REIT shall be liable under this Agreement and all parties hereto shall look solely to the REIT assets for the payment of any claim or for the performance of any obligation of the REIT as a party to this Agreement, both in its own capacity and in its capacity as a general partner of the Buyer.

24. MISCELLANEOUS.

(a) BUYER'S RIGHT TO ASSIGN. Buyer shall have the right to assign this Agreement, in whole or in part, without the prior consent of Seller, and upon notice from Buyer, Seller agrees to convey the Shares directly to Buyer's assignee, provided that Buyer and/or such assignee have fulfilled Buyer's obligations under this Agreement. Any such assignment shall not relieve the named Buyer of its obligations through the completion of Closing under this Agreement.

(b) ENTIRE AGREEMENT. This Agreement and the other agreements described in this Agreement constitutes the entire understanding between the parties with respect to the transaction contemplated herein, and all prior or contemporaneous oral agreements, understandings, representations and statements, and all prior written agreements, understandings,

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letters of intent and proposals are merged into this Agreement. Neither this Agreement nor any provisions hereof may be waived, modified, amended, discharged or terminated except by an instrument in writing signed by the party against which the enforcement of such waiver, modification, amendment, discharge or

termination is sought, and then only to the extent set forth in such instrument.

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

(d) CONDITIONS PRECEDENT. The obligations of Buyer to pay the Purchase Price and to close the transaction contemplated herein are subject to the express Buyer's Conditions Precedent set forth in this Agreement, each of which is for the sole benefit of Buyer and may be waived at any time by written notice thereof from Buyer to Seller. The waiver of any particular Buyer's Condition Precedent shall not constitute the waiver of any other.

(e) CONSTRUCTION. This Agreement shall not be construed more strictly against one party than against the other merely by virtue of the fact that it may have been prepared by counsel for one of the parties, it being recognized that both Seller and Buyer have contributed substantially and materially to the preparation of this Agreement. The headings of various Sections in this Agreement are for convenience only, and are not to be utilized in construing the content or meaning of the substantive provisions hereof.

(f) GOVERNING LAW. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Maryland (without giving effect to the conflict of law rules of that state).

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

(h) EXPENSES. Except and to the extent as otherwise expressly provided to the contrary herein, Buyer and Seller shall each bear its own respective costs and expenses relating to the transactions contemplated hereby, including, without limitation, fees and expenses of legal counsel or other representatives for the services used, hired or connected with the proposed transactions mentioned above.

(i) CONTROL OF DEFENSE COUNSEL. Each indemnified party shall give reasonably prompt notice to each indemnifying party of any action or proceeding commenced against the indemnified party in respect of which indemnity may be sought hereunder, but failure so to notify an indemnifying party (i) shall not relieve it from any liability which it may have

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under any indemnity provided herein unless and to the extent it did not otherwise learn of such action and the lack of notice by the indemnified party results in the forfeiture by the indemnifying party of substantial rights and defenses and (ii) shall not, in any event, relieve the indemnifying party from any obligations to any indemnified party hereunder other than its indemnification obligation if the indemnifying party so elects within a reasonable time after receipt of such notice, the indemnifying party may assume the defense of such action or proceeding at such indemnifying party's own expense with counsel chosen by the indemnifying party; provided, however, that, if such indemnified party or parties reasonably determine that a conflict of interest exists where it is advisable for such indemnified party or parties to be represented by separate counsel or that, upon advice of counsel, there may be legal defenses available to them which are different from or in addition to those available to the indemnifying party, then the indemnifying party shall not be entitled to one separate counsel at the indemnifying party's expense. If an indemnifying party is not so entitled to assume the defense of such action or does not assume such defense, after having received the notice referred to in the first sentence of this Section, the indemnifying party or parties will pay the reasonable fees and expenses of counsel for the indemnified party or parties. In such event however, no indemnifying party will be liable for any settlement effected without the written consent of such indemnifying party. If an indemnifying party is entitled to assume, and assumes, the defense of such action or proceeding in accordance with this Section, such indemnifying party shall not be liable for any fees and expenses of counsel for the indemnified parties incurred thereafter in connection with such action or proceeding.

(j) WAIVER OF CONDITIONS PRECEDENT. Buyer and Seller shall each have the right, in its sole and absolute discretion, to waive any Condition Precedent for its benefit contained in this Agreement.

(k) COUNTERPARTS. This Agreement may be executed in any number of identical counterparts, any of which may contain the signatures of less than all parties, and all of which together shall constitute a single agreement.

25. CALCULATION OF TIME PERIODS. Notwithstanding anything to the contrary contained in this Agreement, any period of time provided for in this Agreement that is intended to expire on or prior to the Closing Date, but that would extend beyond the Closing Date if permitted to run its full term, shall be deemed to expire upon the Closing.

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IN WITNESS WHEREOF, Buyer and Seller have executed this Agreement, intending to be legally bound hereby, as of the date and year first above written.

BUYER:

CORPORATE OFFICE PROPERTIES, L.P., a Delaware limited partnership, by its sole general partner, Corporate Office Properties Trust, a Maryland real estate investment trust

By: /s/ CLAY W. HAMLIN, III

Clay W. Hamlin, III, President

SELLER:

CONSTELLATION PROPERTIES, INC., a Maryland corporation

By: /s/

Name: -----

Title: -----

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DEVELOPMENT PROPERTY ACQUISITION AGREEMENT

THIS AGREEMENT, made as of the 22nd day of June, 1998 (the "Contract Date"), by and between CPI PINNEY ORCHARD VILLAGE CENTER, INC., a Maryland corporation ("Seller"), and CORPORATE OFFICE PROPERTIES, L.P., a Delaware limited partnership, and its assigns ("Buyer").

B A C K G R O U N D

Seller is the holder of a one hundred percent (100%) member interest (the "Member Interest") in Piney Orchard Village Center, LLC, a Maryland limited liability company (the "Company").

The Company is the record and beneficial owner of approximately 8.646 acres of land located in Anne Arundel County, Maryland, as more particularly described on Exhibit "A" hereto, together with the buildings and other improvements now or hereafter situate thereon, and together with the appurtenances thereto (including, without limitation, all easements, rights-of-way, ancillary and/or adjacent lands and other real property rights and benefits belonging to or running with the owner of the property (collectively, the "Property"). The Company is in the process of completing construction of a retail shopping center consisting of approximately 52,781 rentable square feet of retail space and related improvements on the Property (the "Improvements") in accordance with the Plans (as defined on Exhibit "C").

Seller desires to sell and convey and the Buyer desires to purchase and accept, the Member Interest according to the terms and conditions of this Agreement.

Capitalized terms used in this Agreement shall have the meanings set forth herein, including the definitions set forth on Exhibit "C."

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein and intending to be legally bound hereby, the parties agree as follows:

1. SALE AND PURCHASE. Seller hereby agrees to sell and convey to Buyer, which hereby agrees, subject to the conditions set forth herein, to purchase from Seller, the Member Interest.

2. PURCHASE PRICE.

(a) Provided that the Property is generating NOI (as defined below) equal to at least \$351,634.00 at the time of Closing (as defined below), the purchase price for the Member Interest shall be equal to Three Million Four Hundred Fifty Thousand Dollars (\$3,450,000.00) (the "Purchase Price"). The Purchase Price shall be paid by the Buyer by delivery of immediately available wire transfer funds to Seller to such account as shall be designated by Seller.

(b) If NOI is less than \$351,634.00 at the time of Closing, the Purchase Price shall be reduced and shall be equal to the NOI at the time of Closing divided by a capitalization rate of 10.19%, provided, however that in no event shall Buyer or Seller be obligated to complete Closing hereunder unless and until NOI has reached \$300,000.00. Notwithstanding anything to the contrary contained in this Agreement, if NOI has not reached \$300,000.00 by July 1, 1999 for any reason whatsoever, Buyer and Seller shall each have the right, by written notice to the other party, to terminate this Agreement, in which event neither party shall have any further liability or obligation hereunder.

(c) The term "NOI" means the net operating income for the Property determined as customarily calculated in the commercial real estate industry for retail shopping center properties similar to the Property, based on the annualized operating revenues to be received from the Property from Leases in effect on the Closing Date (as those terms are defined below) less the estimated annual operating expenses, including, without limitation, a management fee of three and one-half percent (3 1/2%) of revenues, and a vacancy reserve of five percent (5%) (excluding, for this purpose only, the space occupied by Food Lion) of the number of square feet of the Property times the anticipated average rent per square foot for the Property. In computing NOI, credit shall be given for rental income from Leases in effect at Closing, but under which rent payment has not commenced as of the Closing Date (the "Open Leases"). The portion of the Purchase Price based upon such Open Leases (the "Open Lease Holdback") shall be placed in escrow at Closing with Commonwealth Land Title Insurance Company under an escrow agreement reasonably acceptable to Seller and Buyer. The Open Lease Holdback shall be paid to Seller only to the extent of the portion of the Open Lease Holdback based upon Open Leases under which rent payment commences within one hundred twenty (120) days after the Closing Date. If rent payment does not commence under any one (1) or more of the Open Leases within one hundred twenty (120) days after the Closing Date, the portion of the Open Lease Holdback based upon such Open Leases shall be paid to Buyer. The term "Leases" shall mean all leases and other agreements to occupy all or any portion of the

Property executed and in effect on the Contract Date or into which the Company enters prior to the Closing (as defined below), but pursuant to the express terms of this Agreement.

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3. CLOSING.

(a) The sale and transfer of the Member Interest, the payment of the Purchase Price and the completion of all other transactions contemplated by this Agreement ("Closing") shall take place at the offices of Seller set forth in Section 17 of this Agreement, or at such other place as may mutually agreed upon by the parties. The Closing shall commence at 10:00 a.m. on the date (the "Closing Date"), within fifteen (15) days after the Leasing Requirements Satisfaction Date, specified by Buyer upon not less than five (5) days written notice to the Seller, and, in any event, subject to Section 2(b) above, the Closing Date shall be not later than July 1, 1999.

(b) At Closing, Seller shall deliver or cause to be delivered to Buyer the following in respect of the Member Interest, in form and substance reasonably acceptable to Buyer and Seller and their respective counsel:

(1) ASSIGNMENT DOCUMENTATION. An assignment and assumption agreement, an amendment to operating agreement and an amendment to the articles of organization of the Company, setting forth the assignment by the Seller of the Member Interest, its withdrawal from the Company, and the admission of the Buyer and/or its designee(s) as a member of the Company;

(2) ORGANIZATIONAL DOCUMENTS. The operating agreement, all books of account, all agreements, documents and other books, records, papers and instruments of or pertaining to the business and affairs of the Company (to the extent not previously delivered as part of Seller's Deliveries, as hereinafter defined);

(3) RELEASE. A release from Seller, releasing the Buyer (and its designee(s)) from any obligations and liabilities with respect to the formation of the Company, and any other matter arising from business done, transactions entered into or event occurring prior to the Closing;

(4) OPINIONS. An opinion of Daniel R. Skowronski, Esquire, General Counsel of Constellation Holdings, Inc., the parent of Seller, in form and substance reasonably satisfactory to Buyer and Buyer's counsel, providing or with respect to: (i) the legal existence and good standing of the Company in its state of formation; (ii) the due authorization, execution and delivery of this Agreement, and the other documents required (under the terms of this Agreement) to be delivered by Seller; (iii) that this Agreement and the other documents required (under the terms of this Agreement) to be delivered by Seller, constitute the legal, valid and binding obligations of Seller, enforceable against it in accordance with their respective terms, except to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and other similar laws of general applicability relating to or affecting the enforcement of creditors' rights and by the effect of general principles of equity (regardless of whether enforceability is considered in a proceeding of equity or at law; (iv) the execution and delivery of this Agreement and all other agreements delivered in connection herewith or at the Closing, the consummation of the transactions herein contemplated, and

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compliance with the terms of this Agreement and all other agreements delivered in connection herewith or at the Closing will not conflict with, or result in a breach of, any of the terms, conditions or provisions of, or constitute a default under, any note, indenture, mortgage, deed of trust, contract or other agreement or instrument to which the Seller or the Company is a party or by which the Seller or the Company is bound, or any law or order, rule, regulation, writ, injunction or decree of any government, governmental instrumentality or court, domestic or foreign; and (v) there is no litigation or investigation pending or, to the best of such counsel's knowledge, threatened against the Seller, the Company, the Property, or any part thereof.

(5) ESTOPPEL CERTIFICATES. Using Seller's commercially reasonable efforts, Tenant estoppel certificate from Tenants occupying at least eighty percent (80%) of the Improvements or such larger percentage as Buyer's lender or lenders may require (provided, that Buyer advises Seller of lender requirements at least thirty (30) days before Closing) (the "Estoppel Certificate"), dated no earlier than 30 days prior to the Closing Date, from each of the Tenants. The Estoppel Certificate shall be certified to Buyer and any other party designated by Buyer. If the Seller (despite its required commercially reasonable efforts) is unable to obtain an Estoppel Certificate from the required percentage of Tenants, Buyer and Seller shall proceed to close and Buyer shall accept Seller's own Estoppel Certificate with respect to the Lease and tenancy for which the Seller failed to procure an Estoppel Certificate

from the relevant Tenant (and any Estoppel Certificate so executed by a Seller shall also be tailored, in a manner mutually and reasonably acceptable to Buyer and Seller, to reflect its issuance by the landlord, rather than the Tenant in question). Each such Estoppel Certificate shall be substantially in the form attached hereto as Exhibit "B" or in such other form as Buyer's lender or lenders may require.

(6) CLOSING STATEMENT. A closing statement conforming to the proration and other relevant provisions of this Agreement (the "Closing Statement") duly executed by Seller;

(7) PLANS AND SPECIFICATIONS. All plans and specifications relating to the Property (including the Plans) in the possession and control of the Company or the Seller, or otherwise available to such entities;

(8) TAX BILLS. Copies of the most currently available Tax Bills to the extent not previously delivered to Buyer;

(9) RENT ROLL AND OPERATING STATEMENTS. An updated Rent Roll and Operating Statements (as defined on Exhibit "C") for the Property, prepared as of the Closing Date, certified by the Seller to be true, complete and correct through the Closing Date;

(10) CERTIFICATES OF OCCUPANCY. Subject to Section 5 below, currently valid certificates of occupancy (or comparable permits or licenses) with respect to the entirety of the Property;

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(11) ARCHITECT'S CERTIFICATE. A certificate from the architect for the Improvements (the "Architect") certifying that the Improvements have been completed in conformity with the Plans;

(12) CLOSING CERTIFICATE. A certificate, signed by Seller, on behalf of itself and the Company, certifying to the Buyer that the representations and warranties of Seller (for itself and for the Company) contained in this Agreement are true and correct in all material respects as of the Closing Date and that all covenants required to be performed by the Seller or the Company prior to the Closing Date have been performed in all material respects;

(13) RESOLUTIONS, CONSENTS, APPROVALS. Certified Resolutions, consents, and approvals of the Seller evidencing its authority to execute this Agreement and consummate the transactions contemplated by this Agreement.

(14) GOOD STANDING CERTIFICATES. Currently dated good standing certificates for the Company and the Seller.

(15) MISCELLANEOUS. Such other documents and items as reasonably may be required to be delivered by Seller or the Company to Buyer under the terms of this Agreement or relating to the Member Interest or the Property to reasonably effect the purposes of this Agreement, including without limitation, affidavits of title in favor of the Buyer and the Company's title insurance company on the form used by such title company to enable such company to issue Fairway and Non-Imputation Endorsements to the Company's Owner's Policy of Title Insurance at the time of Closing.

(c) Buyer shall cause to be delivered to Seller the following, each in form and substance reasonably acceptable to Seller and Buyer and their respective counsel:

(1) A copy certified by the Secretary of State of the State of Delaware of the Certificate of Limited Partnership of the Buyer and a good standing certificate for the Buyer;

(2) The Closing Statement, executed by Buyer;

(3) An opinion of counsel for Buyer, in form and substance reasonably satisfactory to Seller and Seller's counsel, providing or with respect to: (i) the legal existence and good standing of Buyer; (ii) the due authorization, execution and delivery of this Agreement, and the other documents required (under the terms of this Agreement) to be delivered by Buyer; (iii) that this Agreement and the other documents required (under the terms of this Agreement) to be delivered by Buyer, constitute the legal, valid and binding obligations of Buyer, enforceable against it in accordance with their respective terms, except to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and other similar laws of general applicability relating to or affecting the enforcement of creditors' rights and by the effect of general principles of equity (regardless of whether enforceability is considered in a proceeding of equity or at law; and

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(4) Such other documents and instruments as may reasonably be required by Seller or its counsel and that are necessary to consummate the transaction which is the subject of this Agreement and to otherwise effect the agreements of the parties hereto.

(d) PRORATIONS AND ADJUSTMENTS/EXPENSES. To the extent paid for by the Company (rather than by Tenants under Leases), the following shall be prorated and adjusted between Seller and Buyer as of the Closing Date:

(1) Water, electricity, sewer, gas, telephone and other utility charges based, to the extent practicable, on final meter readings and final invoices, or, in the event final readings and invoices are not available, based on the most currently available billing information, and re-prorated upon issuance of final utility bills;

(2) Amounts paid or payable under any Contracts shall be prorated based, to the extent practicable, on final invoices, or, in the event final invoices are not available, based on the most currently available billing information, and re-prorated upon issuance of final invoices;

(3) All real estate, personal property and ad valorem taxes applicable to the Property and levied with respect to current tax year shall be prorated as of the Closing Date, utilizing the actual final Tax Bills. Prior to or at the Closing, Seller shall pay or have paid all Tax Bills that are due and payable prior to or on the Closing Date and shall furnish evidence of such payment to Buyer and its title company. Each party's respective obligations to re-prorate real estate taxes shall survive the Closing.

(4) All assessments, general or special, shall be prorated as of the Closing Date on a "due date" basis such that the Seller shall be responsible for its share of any installments of assessments which are first due or payable prior to the Closing Date and Buyer shall be responsible for its share of any installments of assessments which are first due or payable on or after the Closing Date;

(5) Commissions of leasing and rental agents for any Lease entered into as of or prior to the Contract Date, whether with respect to base lease term or future expansions, shall be paid in full at or prior to the Closing by Company, without contribution or proration from Buyer except for renewal commissions as disclosed to Buyer in the Rent Roll. As to Leases entered into between the Contract Date and the Closing Date in accordance with this Agreement, commissions shall be prorated as of the Closing Date based upon the portion of the term of the Lease before Closing and the portion of the term of this Lease after Closing.

(6) All Base Rents and other charges, including, without limitation, all Additional Rent, shall be prorated as of the Closing Date. At the time(s) of final calculation and collection from Tenants of Additional Rent for the calendar year in which Closing is completed, there shall be a re-proration between Seller and Buyer as to Additional Rent adjustments, with such re-prorations being payable to the appropriate recipient in cash. Such re-proration shall be

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paid upon Buyer's presentation of its final accounting to Seller, certified as to accuracy by Buyer. At the Closing, no "Delinquent Rents" (rents or other charges that are due as of the Closing) shall be prorated in favor of Seller. The parties' respective obligations to re-prorate Additional Rent shall survive the Closing. Notwithstanding the foregoing, the Company shall use reasonable efforts after the Closing Date to collect any Delinquent Rents due from Tenants, but Company shall not be required to sue any Tenants. All rents and other charges received by (or for the benefit of) Company from any Tenant after the Closing shall be first applied against current and past due obligations owed to, or for the benefit of, Company (with respect to those obligations accruing subsequent to the Closing Date), and Seller's share of any excess shall be delivered to Seller, but only to the extent of amounts in default and owed to, and for the benefit of, Seller for the period prior to the Closing Date. In no event, however, shall any sums be paid to Seller to the extent Seller has been previously reimbursed for such default out of any security deposit and security deposits have been appropriately prorated hereunder; and

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

For purposes of calculating prorations, Buyer shall be deemed, through control of the Company, to be in title to the Property, and therefore entitled to the income therefrom and responsible for the expenses thereof, for the entire Closing Date. All such prorations shall be made on the basis of the actual number of days of the year and month that shall have elapsed as of the Closing Date. Bills received after the Closing that relate to expenses incurred, services performed or other amounts allocable to the period prior to the Closing Date shall be paid, in cash, by the Company, to the extent due and owing. Bills

received by the Company or Seller after the Closing Date that relate to expenses incurred, services performed or other amounts allocable to the period on or after the Closing Date, shall be paid, in cash, by the Company, to the extent due and owing.

(e) Seller will pay the entire cost of all fees imposed by its accountants and attorneys and consultants in connection with this Agreement and the transaction contemplated hereunder. Although Seller and Buyer do not believe that any realty transfer taxes shall be due in connection with the transfer of the Member Interest, if it is finally determined that transfer taxes are due and payable, such transfer taxes shall be divided equally by Seller and Buyer. Seller and Buyer shall divide equally the cost of contesting such transfer taxes. Buyer shall pay all ordinary filing charges and all title insurance endorsement fees in connection with the transfer of the Member Interest and issuance of appropriate title endorsements, and all fees imposed by Buyer's accountants, attorneys, and environmental and engineering consultants.

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INSPECTION.

(a) At all times prior to the Closing, including times following the Inspection Period, Buyer, its agents and representatives shall be entitled to conduct an inspection of the Property, which will include the rights to: (i) enter upon the Property and improvements, on reasonable notice to Seller, to perform inspections and tests of the Property, including, but not limited to, inspection, evaluation and testing of the heating, ventilation and air-conditioning systems and all components thereof, all structural and mechanical systems within the improvements, including, but not limited to, sprinkler systems, power lines and panels, air lines and compressors, automatic doors, tanks, pumps, plumbing and all equipment, vehicles, and personal property; (ii) examine and copy any and all books, records, tax returns, correspondence, financial data, leases, and all other documents and matters, public or private, maintained by the Company, the Seller or its or their agents, relating to receipts and expenditures pertaining to the Property for the three most recent full calendar years and the current calendar year and all contracts, rental agreements and all other documents and matters, public or private, maintained by the Company, the Seller or its or their agents, relating to the construction and operation of the Property; (iii) make investigations with regard to zoning, environmental (including, but not limited to, an environmental assessment as specified in Section 4(b), which includes, but is not limited to, an analysis of the presence of any asbestos, chlordane, formaldehyde or other Hazardous Material in, under or upon the Property, or any underground storage tanks on, or under, the Property), building, code, regulatory and other legal or governmental requirements; (iv) make or obtain market studies and real estate tax analyses; and (v) interview Tenants with respect to their current and prospective occupancies. In connection with such investigations, Seller shall deliver to Buyer, or cause delivery to Buyer of, no later than 30 days after the date of this Agreement, copies of all documents listed on Exhibit "C" (the "Seller's Deliveries"). Without limitation of the foregoing, Buyer or its designated independent or other accountants may audit the Operating Statements (as defined in Exhibit "C" attached hereto), and Seller shall supply such documentation as Buyer or its accountants may reasonably request in order to complete such audit. Notwithstanding anything to the contrary contained in this Agreement, the effect of any representations, warranties or undertakings made by Seller in this Agreement shall not be diminished, abrogated, or compromised by the foregoing inspections, environmental assessments or other tests or investigations made by Buyer.

(b) ENVIRONMENTAL ASSESSMENT. Buyer or Buyer's agent(s) shall have the right to employ one or more environmental consultants or other professional(s) to perform or complete such environmental inspections and assessments of the Property as Buyer deems necessary or desirable. Buyer and its consultants shall also have the right to undertake or complete a technical review of all documentation, reports, plans, studies and information in possession or control of the Company or Seller, or its past or present environmental consultants, concerning or in any way related to the environmental condition of the Property. In order to facilitate the assessments and technical review, Seller shall extend its full cooperation (but without third party expense to Seller) to Buyer and its environmental consultants, including, without limitation, providing access to all files and fully and completely answering all questions.

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(c) BUYER'S UNDERTAKING. Buyer hereby covenants and agrees that it shall cause all studies, investigations and inspections performed at the Property pursuant to this Section 3 to be performed in a manner that does not materially or unreasonably disturb or disrupt the development of the Property or the tenancies or business operations of any of the tenants of the Property. In the event that, as a result of Buyer's exercise of its rights under Section 4(a) or Section 4(b), physical damage occurs to the Property, then Buyer shall promptly repair such damage, at Buyer's sole cost and expense, so as to return

the Property to substantially the same condition as existed prior to such damage. Buyer hereby indemnifies, protects, defends and holds Seller harmless from and against any and all losses, damages, claims, causes of action, judgments, damages, costs and expenses that Seller actually suffers or incurs as a direct result of any physical damage caused to, in, or at the Property during the course of, or as a result of, any or all of the studies, investigations and inspections that Buyer elects to perform (or causes to be performed) pursuant to this Section 4.

(d) CONFIDENTIALITY. Each party agrees to maintain in confidence, and not to disclose to tenants or tenants' employees, the information contained in this Agreement or pertaining to the transaction contemplated hereby and the information and data furnished or made available by Seller to Buyer, its agents and representatives in connection with Buyer's investigation of the Property and the transactions contemplated by this Agreement; provided, however, that each party, its agents and representatives may disclose such information and data (i) to such party's accountants, attorneys, existing or prospective lenders, investment bankers, accountants, underwriters, ratings agencies, partners, consultants and other advisors in connection with the transactions contemplated by this Agreement to the extent that such representatives reasonably need to know (in the disclosing party's reasonable discretion) such information and data in order to assist, and perform services on behalf of, the disclosing party; (ii) to the extent required by any applicable statute, law, regulation or any Governmental Authority (as defined below) (including, but not limited to, Form 8-K and other reports and filings required by the SEC and other regulatory entities, as described in Exhibit "D" attached hereto); (iii) in connection with any litigation that may arise between the parties in connection with the transactions contemplated by this Agreement or otherwise relating to the Property; (iv) to the extent such disclosure is required or appropriate in connection with any securities offering or other capital markets or financing transaction undertaken by the Corporate Office Properties Trust (the "REIT"); (v) to the extent such information and data become generally available to the public other than as a result of disclosure by such party or its agents or representatives; and (vi) to the extent such information and data become available to such party or its agents or representatives from a third party who, insofar as is known to such party, is not subject to a confidentiality obligation to the other party hereunder; and (vii) to the extent necessary in order to comply with each party's respective covenants, agreements and obligations under this Agreement. In the event the transactions contemplated by this Agreement shall not be consummated, such confidentiality shall be maintained indefinitely. Furthermore, Seller and Buyer acknowledge that, notwithstanding any contrary term of this Section 4(d), Buyer shall have the right to conduct tenant interviews during the Inspection Period, and the disclosure of the existence of this Agreement to the tenants shall not constitute a breach of the above restriction. Buyer shall also have the right to issue a press release mutually acceptable to Buyer and Seller upon the consummation of the transactions described in this Agreement. The term

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"Governmental Authority" shall mean any agency, commission, department or body of any municipal, township, county, local, state or Federal governmental or quasi-governmental regulatory unit, entity or authority having jurisdiction or authority over the Property or the management, operation, use or improvement thereof.

(5) CONDITIONS/INSPECTION PERIOD. Each of the following shall be a condition precedent to Buyer's obligation to complete Closing under this Agreement (any of which may be waived in whole or in part by Buyer at or prior to Closing) (together with any other Buyer's conditions precedent under this Agreement, collectively, the "Conditions" or "Conditions Precedent" and each, individually, a "Condition" or "Condition Precedent"):

(a) All of the representations and warranties by Seller set forth in this Agreement shall be true and correct at and as of Closing in all material respects as though such representations and warranties were made at and as of Closing. Seller shall have performed, observed and complied with all covenants, agreements and conditions required by this Agreement to be performed on its part prior to or as of Closing.

(b) Buyer shall have the Inspection Period (as hereinafter defined) to conduct, at Buyer's sole cost and expense, due diligence investigations and analysis of the Company, the Property and all information pertaining to the Company and the Property, including without limitation, reviewing environmental conditions, surveys, title reports, leases and the physical conditions of the Property. If Buyer, in its sole discretion, determines that either the Property, or the Company does not meet Buyer's (or its underwriters', investment bankers', lenders', rating agencies' or investors) criteria for the purchase of the Member Interest or for the purchase, financing or operation of the Property in the manner contemplated by the Buyer, and notifies Seller by 5:00 p.m. on the last day of the Inspection Period of Buyer's election to terminate this Agreement, this Agreement thereupon shall become void and there shall be no further obligation or liability on any of the parties. The "Inspection Period" shall mean the period commencing on the date of this Agreement and expiring

sixty (60) days after the Contract Date.

(c) Company shall have satisfied the following requirements (the "Leasing Requirements"):

(1) Company shall have completed, or caused completion of, the construction of the Improvements and certificates of occupancy (or comparable permits and licenses) for the Improvements shall have been issued by appropriate Governmental Authorities.

(2) Company or Seller shall have delivered true and correct copies of all of the Leases in effect as of the date the NOI reaches \$351,634.00, together with a Rent Roll as of such date, including a complete list of Tenants which have commenced paying rent, and a calculation of the NOI in accordance with Section 2(a); and

(3) The NOI shall have reached \$351,634.00.

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The date that Seller satisfies the Leasing Requirements to the satisfaction of Buyer shall be referred to in this Agreement as the "Leasing Requirements Satisfaction Date". The parties shall confirm the Leasing Requirements Satisfaction Date in writing.

(d) So long as the Buyer, or any entity related to Buyer, is the named Buyer under this Agreement, Closing shall have been completed under that certain Contribution Agreement dated May 14, 1998, among the sellers identified therein, Buyer and REIT.

6. ENVIRONMENTAL WARRANTIES AND AGREEMENTS.

(a) DEFINITIONS. Unless the context otherwise requires:

(1) "Environmental Law" or "Environmental Laws" shall mean all applicable past, present or future federal, state and local statutes, regulations, directives, ordinances, rules, court orders, decrees, arbitration awards and the common law, which pertain to environmental matters, contamination of any type whatsoever or health and safety matters, as such have been amended, modified or supplemented from time to time (including all present and future amendments thereto and re-authorizations thereof). Environmental Laws include, without limitation, those relating to: (i) the manufacture, processing, use, distribution, treatment, storage, disposal, generation or transportation of Hazardous Materials; (ii) air, soil, surface, subsurface, groundwater or noise pollution; (iii) Releases; (iv) protection of wildlife, endangered species, wetlands or natural resources; (v) Tanks; (vi) health and safety of employees and other persons; and (vii) notification requirements relating to the foregoing. Without limiting the above, Environmental Law also includes the following: (i) the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. Sections 9601 ET SEQ.), as amended ("CERCLA"); (ii) the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act (42 U.S.C. Sections 6901 ET SEQ.), as amended ("RCRA"); (iii) the Emergency Planning and Community Right to Know Act of 1986 (42 U.S.C. Sections 11001 ET SEQ.), as amended; (iv) the Clean Air Act (42 U.S.C. Sections 7401 ET SEQ.), as amended; (v) the Clean Water Act (33 U.S.C. Section 1251 ET SEQ.), as amended; (vi) the Toxic Substances Control Act (15 U.S.C. Section 2601 ET SEQ.), as amended; (vii) the Hazardous Materials Transportation Act (49 U.S.C. Sections 1801 ET SEQ.), as amended; (viii) the Federal Insecticide, Fungicide and Rodenticide Act (7 U.S.C. Section 136 ET SEQ.), as amended; (ix) the Federal Safe Drinking Water Act (42 U.S.C. Section 300f ET SEQ.), as amended; (x) the Federal Radon and Indoor Air Quality Research Act (42 U.S.C. Section 7401 note, ET SEQ.); (xi) the Occupational Safety and Health Act (29 U.S.C. Section 651 ET SEQ.), as amended; (xii) any state, county, municipal or local statutes, laws or ordinances similar or analogous to (including counterparts of) any of the statutes listed above; and (xiii) any rules, regulations, directives, orders or the like adopted pursuant to or implementing any of the above.

(2) "Environmental Permit" or "Environmental Permits" shall mean licenses, certificates, permits, directives, requirements, registrations, government approvals, agreements, authorizations, and consents which are required under or are issued pursuant to an Environmental Law or are otherwise required by Governmental Authorities.

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(3) "Hazardous Conditions" refers to the existence or presence of any Hazardous Materials on, in, under, or at, the Property (including air, soil and groundwater) or any portion of the Property.

(4) "Hazardous Material" or "Hazardous Materials" shall mean:

(A) any chemical, pollutant, contaminant, pesticide, petroleum or petroleum product or by product, radioactive substance, solid waste (hazardous or extremely hazardous), special, dangerous or toxic waste, substance, chemical or material regulated, listed, limited or prohibited under any Environmental Law, including without limitation: (i) friable or damaged asbestos, asbestos-containing material, presumed asbestos-containing material, polychlorinated biphenyls ("PCBs"), solvents and waste oil; (ii) any "hazardous substance" as defined under CERCLA; and (iii) any "hazardous waste" as defined under RCRA; and

(B) even if not prohibited, listed, limited or regulated by an Environmental Law, all pollutants, contaminants, hazardous, dangerous or toxic chemical materials, wastes or any other substances, including without limitation, any industrial process or pollution control waste (whether or not hazardous within the meaning of RCRA) which could pose a hazard to the environment, or the health and safety of any person or impair the use or value of any portion of the Property.

(5) "Release" means any spill, discharge, leak, migration, emission, escape, injection, dumping or other release or threatened release of any Hazardous Material into the environment, whether or not notification or reporting to any Governmental Authority was or is required. Release includes, without limitation, historical releases and the meaning of Release as defined under CERCLA.

(6) "Remedial Action" shall mean any and all corrective or remedial action, preventative measures, response, removal, transport, disposal, clean-up, abatement, treatment and monitoring of Hazardous Materials or Hazardous Conditions, whether voluntary or mandatory, and includes all studies, assessments, reports or investigations performed in connection therewith to determine if such actions are necessary or appropriate (including investigations performed to determine the progress or status of any such actions), all occurring on or after the Contract Date.

(7) "Remedial Costs" shall include all costs, liabilities expenses and fees incurred on or after the date of this Agreement in connection with Remedial Action, including but not limited to: (i) the fees of environmental consultants and contractors; (ii) reasonable attorneys' fees (including compensation for in-house and corporate counsel provided such compensation does not exceed customary rates for comparable services); (iii) the costs associated with the preparation of reports, and laboratory analysis (including charges for expedited results if reasonably necessary); (iv) regulatory, permitting and review fees; (v) costs of soil and/or water treatment (including groundwater monitoring) and/or transport and disposal; and (iv) the cost of supplies, equipment, material and utilities used in connection with Remedial Action.

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(8) "Tank" or "Tanks" means above-ground and underground storage tanks, vessels and related equipment, including appurtenant pipes, lines and fixtures containing or previously containing any Hazardous Material or fraction thereof.

(b) WARRANTIES. Seller, for itself and for the Company, hereby represents and warrants as follows with respect to the Property:

(1) The Seller and the Company have made available or delivered to Buyer originals (or true, complete and accurate copies) of all of the documents in their possession, custody or control, which documents include and/or relate to:

(A) All approvals, plans, specifications, test borings, percolation tests, engineering studies, surveys or other environmental data concerning the Property;

(B) All permits (including Environmental Permits), approvals, registrations, Tank registration and/or closure documentation, certificates, applications, notices, orders, directives, legal pleadings, correspondence or other documents of any nature that the Company or the Seller, any tenant of Company, any of Company's predecessors-in-title or any tenant of Company's predecessors-in-title have submitted to, or received from, any Governmental Authority regarding the Property and its use, compliance or non-compliance with Environmental Laws; and

(C) The results of any investigation of the Property including, but not limited to, Phase I or Phase II site assessments, asbestos inspection and/or removal reports, tests or investigations of soil or other substrate air, groundwater, surface water, or the building interior, and any testing or investigation results relating to the removal or abandonment of any Tanks from the Property.

(2) To the knowledge of the Seller and the Company, the Property has been and continues to be owned and operated in full compliance with all

(3) There are no pending or, to the knowledge of the Seller or the Company, threatened: (i) claims, complaints, notices, correspondence or requests for information received by the Seller or the Company with respect to any violation or alleged violation of any Environmental Law or Environmental Permit or with respect to any corrective or remedial action for or cleanup of the Property or any portion thereof; and (ii) written correspondence, claims, complaints, notices, or requests for information from or to the Seller or Company regarding any actual, potential or alleged liability or obligation under or violation of any Environmental Law or Environmental Permit with respect to the Property or any portion thereof.

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(4) To the knowledge of the Seller and the Company, there have been no Releases and there has not been a threatened Release of a Hazardous Material on, in, under or at the Property or any portion thereof.

(5) The Property is not listed, proposed or nominated for listing on the National Priorities List pursuant to CERCLA (the "NPL"), the Comprehensive Environmental Response and Liability Information System ("CERCLIS") or on any other similar list of sites under analogous state laws.

(6) There are no Tanks at, on or under the Property. Neither the Seller nor the Company has removed, closed or abandoned any Tanks at the Property, and neither the Seller nor the Company has any knowledge of the existence, abandonment, closure or removal of Tanks at the Property.

(7) To the knowledge of the Seller and the Company, there are no PCBs or friable or damaged asbestos at the Property.

(8) There has been no storage, treatment, disposal, generation, transportation or Release of any Hazardous Materials by the Company or the Seller or by any other person or entity for which the Seller or Company is or may be held responsible, at, on, under, or about the Property (or any portion thereof) in violation of, or which could give rise to any claim, obligation or liability under, Environmental Laws.

(c) INDEMNITY. Notwithstanding anything to the contrary in this Agreement, with respect to the Property, the Seller and each of Seller's shareholders (collectively, jointly and severally, "Post Closing Seller") agree to and do hereby indemnify, defend and hold harmless Buyer, the REIT and each of their respective partners, shareholders, agents, contractors, employees, officers, directors, trustees, shareholders, and each of their successors and assigns (collectively, the "Buyer Indemnified Parties"), from and against any and all liabilities, claims, demands, suits, administrative proceedings, causes of action, costs, damages, personal injuries and property damages, losses and expenses, both known and unknown, present and future, at law or in equity (collectively, "Losses"), arising out of, by virtue of or related in any way to an breach by Seller of any of its representations and warranties under Section 6(b).

Without limiting any of Post-Closing Seller's above indemnification obligations, Post-Closing Seller further acknowledges and agrees that its obligation to indemnify the Buyer Indemnified Parties includes, without limitation with respect to any breach by the Company or the Seller of its representations and warranties under Section 6(b): (i) any and all Remedial Costs associated with any Tank, Hazardous Material, Hazardous Condition or any Release; (ii) to the maximum extent allowed by law, all fines and/or penalties that may be imposed in connection with any Tank or the existence of any Hazardous Material on, at, under, near, in or about the Property; (iii) the defense of any claim made by any individual or entity (including any government, governmental agency or entity) concerning any of the foregoing, which defense shall be conducted by counsel and with the assistance of environmental advisors and consultants, in all cases subject to the prior written approval of Buyer; and (iv) reasonable attorneys' fees and

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costs and environmental advisors' and consultants' fees incurred by any of the Buyer Indemnified Parties with respect to enforcing its rights under this indemnification provision. This Section 6 shall survive the Closing for a period of thirty (30) months.

7. TITLE. At the Closing, Seller agrees that the Company shall have good and marketable fee simple title to the Property, free and clear of all liens, claims and encumbrances except for the Permitted Exceptions. From and after the date of this Agreement, Company shall not take any action, or fail to take any action, that would cause title to the Property to be subject to any title exceptions or objections, other than the Permitted Exceptions.

(a) On or before forty-five (45) days after the Contract Date, Buyer

shall furnish Seller with a preliminary title report covering the Property (the "Title Report") and a written notice specifying those title exceptions which are not acceptable to Buyer, which objection may include matters shown on any updated or re-certified survey which Buyer may obtain (the "Disapproved Exceptions"). Buyer's failure to designate as one of the Disapproved Exceptions a title exception shown on the Title Report shall constitute Buyer's approval of such title exception (all title exceptions not designated by Buyer as Disapproved Exceptions are in this Agreement called "Permitted Exceptions). The Seller shall cause the Company to use its best efforts to cause the removal of all Disapproved Exceptions on or before ten (10) days after Buyer's notice to Seller of such Disapproved Exceptions, except that liens of an ascertainable amount and other items which can be removed by the payment of money shall be paid and discharged by Seller or the Company at or before Closing. Within such ten (10) day period, Seller shall notify Buyer of all Disapproved Exceptions that Seller, after using its best efforts, is unable to remove. Seller's failure to give Buyer notice of Seller's inability to remove any Disapproved Exceptions shall constitute Seller's covenant that such Disapproved Exceptions shall be removed at or prior to the Closing. Buyer shall have the rights set forth in 7(c) if any Disapproved Exceptions cannot be removed by Seller(s) at or prior to the Closing.

(b) It shall be a Condition under this Agreement that the marked-up Title Reports delivered on the Closing Date shall be in the form described in this Section 6 and have all standard and general printed exceptions deleted so as to afford full "extended form coverage," and shall further include an owner's comprehensive endorsement, an endorsement certifying that the bills for the real estate taxes pertaining to the Property do not include taxes pertaining to any other real estate; an access endorsement; a contiguity endorsement, if applicable; a subdivision or plat act endorsement; a survey endorsement; a non-imputation endorsement; a Fairway endorsement; and a creditors' rights endorsement.

(c) If Seller or the Company is unable to correct or remove any Disapproved Exceptions in accordance with the requirements of this Section 7, Buyer shall have the sole option of either (i) completing the Closing subject to such Disapproved Exceptions without any abatement of the Purchaser Price, except that liens of an ascertainable amount and other items which can be removed by payment of money shall be paid and discharged by Seller or Company prior to Closing or (ii) being immediately paid Buyer's Reasonable Costs (as defined below) and, in the latter event, the parties shall be released from all liability or obligation to the other and this Agreement shall then and thereafter be null and void. "Buyer's Reasonable Costs" shall mean all

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out-of-pocket costs and expenses incurred by Buyer in connection with this Agreement and the Property, including, but not limited to, legal fees, title company charges, engineering fees, environmental consultant's fees, architects' and surveyors' fees and other similar charges.

8. REPRESENTATIONS AND WARRANTIES AS TO THE PROPERTY. Seller represents and warrants to Buyer, for itself and the Company, that the following matters are true as of the Contract Date and shall be true as of the Closing Date and covenants as follows:

(a) TITLE. The Company is the legal fee simple titleholder of the Property, and, other than with respect to the Permitted Exceptions, has, good, marketable and insurable title to the Property, free and clear of all mortgages and security interests, leases, agreements and tenancies (other than the Leases), licenses, claims, options, options to purchase, liens, covenants, conditions, restrictions, rights-of-way, easements, judgments and other matters affecting title to the Property. The Property is the only tangible asset owned by the Company. The sole business of the Company is its ownership and operation of the Property.

(b) SELLER'S DELIVERIES. All of Seller's Deliveries listed on Exhibit "C" attached hereto and all other items delivered by Seller pursuant to this Agreement are true, accurate, correct and complete in all material respects, and fairly present the information set forth in a manner that is not misleading. The copies of all documents and other agreements delivered or furnished and made available by Seller to Buyer pursuant to this Agreement constitute all of and the only Leases and other agreements relating to or affecting the ownership and operation of the Property, there being no material "side" or other agreements, written or oral, in force or effect, to which the Seller or the Company is a party or to which the Property is subject.

(c) DEFAULTS. Neither the Seller nor the Company is in default under any of the documents, recorded or unrecorded, referred to in the title commitments. To the knowledge of the Seller and the Company, there are no defaults under any of the Major Construction Contracts, Contracts or Governmental Approvals (as such terms are defined in Exhibit "C" attached hereto).

(d) CONTRACTS. There are no contracts of any kind relating to the

management, leasing, operation, maintenance or repair of the Property, except the Contracts listed on Exhibit "E" attached hereto. The Company and the Seller, as applicable, has performed all material obligations required to be performed by it, and is not in default, under any of such Contracts.

(e) IMPROVEMENTS. The Improvements shall be completed and installed in accordance with the Plans (as defined in Exhibit "C"), which were approved by all Governmental Authorities having jurisdiction thereover, and there are not outstanding any notices of any material violation of any governmental laws, ordinances, rules or regulations with respect to such Improvements.

(f) EMPLOYEES. The Company does not have any employees.

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(g) COMPLIANCE WITH LAWS AND CODES. At Closing, the Property and its use and operation shall be in material compliance with applicable municipal and other governmental laws, ordinances, regulations, codes, licenses, permits and authorizations, and there shall then be presently and validly in effect all licenses, permits and other authorizations necessary (including, without limitation, certificates of occupancy) for the use, occupancy and operation of the Property for a retail shopping center, whether required of the Company or any Tenant. Without limiting the foregoing, at the time of Closing, the Property shall comply in all material respects with all applicable requirements of the Americans With Disabilities Act of 1990 (42 U.S.C.A. Section 12101 ET SEQ.). The Property is zoned by the municipality in which they are located so as to permit retail uses and structures thereon, in a manner that accommodates and is fully compatible with the Improvements. No zoning, subdivision, environmental, Hazardous Material, building code, health, fire, safety or other law, order or regulation is, or, on the Closing Date will be, violated by the continued maintenance, operation or use of any Improvements or parking areas in the Property, and no notice of any such violation issued by any Governmental Authority having jurisdiction over the Property is outstanding. At the time of Closing, all existing streets and other improvements, including water lines, sewer lines, sidewalks, curbing and streets at each Property shall have been paid for and either enter the Property through adjoining public streets, or, if they enter through private lands, do so in accordance with valid, irrevocable easements running with the ownership of such Property.

(h) LITIGATION. No attachments, execution proceedings, assignments for the benefit of creditors, insolvency, bankruptcy, reorganization or other proceedings are pending against the Property, the Company, the Seller, or to the best of Seller's knowledge, threatened against the Property, the Company or the Seller, nor are any of such proceedings contemplated by such entities. In the event any proceeding of the character described in this Section is initiated or threatened against the Property, the Company or the Seller prior to the Closing, Seller shall promptly advise Buyer thereof in writing, the Seller shall remain responsible therefor, and the Seller shall indemnify, defend and hold Buyer from any claims, losses, liabilities and expenses (excluding, without limitation, reasonable counsel fees) relating to any such occurrence.

(i) INSURANCE. The Company now has in force customary and commercially reasonable amounts of property, liability and business interruption insurance relating to the Property from established and reputable insurers. Neither the Company nor the Seller has received any notice from any insurance carrier, nor are any of such entities aware of, any defects or inadequacies in the Property that, if not corrected, would result in termination of insurance coverage or increase in the normal and customary cost thereof.

(j) FINANCIAL INFORMATION. All Operating Statements (as defined in Exhibit "C") delivered to Buyer, and all of the Records (as defined in Exhibit "C") of the Company are complete, accurate, true and correct, in all material respects; have been compiled in accordance with generally accepted accounting principles; and accurately set forth the results of the operation of the Property and the Company for the periods covered. There has been no material adverse change in the financial condition or operation of the Property and such entities since the period covered by the Operating Statements.

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(k) RE-ZONING. There is not now pending, and neither Company nor the Seller has knowledge of, any threatened proceeding for the rezoning of the Property or any portion thereof, or the taking of any other action by governmental authorities that would have an adverse impact on the value of the Property or use thereof.

(l) REAL ESTATE TAXES. True and complete copies of the most recent real estate "Tax Bill(s)" for (and the only real estate tax bills applicable to) the Property have been delivered to Buyer. Neither the Company nor the Seller has received notice of and does not have any actual knowledge of any proposed increase in the assessed valuation or rate of taxation of the Property from that reflected in the most recent Tax Bills. There is not now pending, and Company will not, without the prior written consent of Buyer, institute prior to the

Closing Date, any proceeding or application for a reduction in the real estate tax assessment of the Property or any other relief for any tax year. There are no outstanding agreements with attorneys or consultants with respect to the Tax Bills that will be binding on Buyer or the Property after the Closing. Other than the amounts disclosed by the Tax Bills, no other real estate taxes have been, or will be, assessed against the Property, or any portion thereof, in respect of the year 1998 or any prior year, and no special assessments of any kind (special, bond or otherwise) are or have been levied against the Property, or any portion thereof, that are outstanding or unpaid, and, to the best knowledge of the Seller, none will be levied prior to the Closing. The Company has paid all real estate taxes presently due and owing with respect to the Property.

(m) EASEMENTS AND OTHER AGREEMENTS. To the knowledge of the Seller, neither the Company nor the Seller is in default in complying with the terms and provisions of any of the covenants, conditions, restrictions, rights-of-way or easements constituting one or more of the Permitted Exceptions.

(n) LEASE CONTROVERSIES. No material controversy, complaint, negotiation or renegotiation, proceeding, suit or litigation relating to all or any of the Leases, is pending or, to the knowledge of the Seller or the Company, threatened, whether in any tribunal or informally. The Seller is and shall remain responsible after the Closing Date for defending (or continuing) any such suit, proceeding or other matter relating to periods prior to the Closing Date, and all damages, loss, expenses and costs related thereto.

(o) CONDEMNATION. Neither the Seller nor the Company has knowledge of any pending or contemplated condemnation or other governmental taking proceedings affecting all or any part of the Property.

(p) DISCLOSURE. No representation or warranty made by Seller (whether for itself or the Company) in this Agreement, no exhibit attached hereto with respect to the Property, and no schedule contained in this Agreement contains any untrue statement of a material fact, or omits to state a material fact necessary in order to make the statements contained therein not misleading, or necessary in order to provide a prospective Buyer of the Property with adequate information as to the Property and its management, operation, maintenance and repair. There is no fact known to Seller or the Company which has, or which could reasonably have been foreseen by Seller or the Company as likely to have, an adverse effect on the management,

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operation, maintenance and repair of the Property which has not been disclosed herein, in any schedule attached hereto, or in any written document furnished by the Seller or the Company to Buyer under this Agreement or in connection with the transactions contemplated hereby.

The representations and warranties in this Section 8 shall be deemed remade by Seller (for itself and the Company) as of the Closing Date with the same force and effect as if in fact specifically remade at that time. The representations and warranties made in this Section 8 shall survive the Closing for a period of eighteen (18) months. Notwithstanding anything to the contrary herein, the effect of the representations and warranties made in this Agreement by Seller shall not be diminished, abrogated or deemed to be waived by the inspections, assessments, or any other investigations made by Buyer.

9. LEASES--CONDITIONS PRECEDENT AND WARRANTIES WITH RESPECT THERETO.

(a) WARRANTIES AS TO LEASES. With respect to each of the tenants listed on the Rent Roll (as defined in Exhibit "C") provided to Buyer by the Company or the Seller and any other tenants leasing space in any or all of the Property as of the Closing Date (collectively, the "Tenants"), Seller, for itself and for the Company, represents and warrants to Buyer as of the Contract Date and as of the Closing Date as follows:

(1) Each of the Leases is in full force and effect strictly according to the terms set forth therein and in the Rent Roll, and has not been modified, amended, or altered, in writing or otherwise. Each Tenant is legally required to pay all sums and perform all obligations set forth in the Leases, without concessions, abatements, offsets or other bases for relief or adjustment;

(2) All obligations of the lessor under the Leases that accrue to the date of the Closing have been or will be performed by the Closing Date, including, but not limited to, all required tenant improvements, cash or other inducements, rent abatements or moratoria, installations and construction (for which payment in full has been made in all cases), and each Tenant has unconditionally accepted lessor's performance of such obligations. No Tenant has asserted any offsets, defenses or claims available against rent payable by it or other performance or obligations otherwise due from it under any Lease;

(3) No Tenant is in default under or is in arrears in the

payment of any sums or in the performance of any obligations required of it under its Lease. No Tenant has prepaid any rent or other charges;

(4) The Company has no reason to believe that any Tenant is, or may become, unable or unwilling to perform any or all of its obligations under its Lease, whether for financial or legal reasons or otherwise;

(5) Neither base rent ("Base Rent"), nor regularly payable estimated Tenant contributions or operating expenses, insurance premiums, real estate taxes, common area charges, and similar or other "pass through" or non-base rent items including, without limitation,

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cost-of-living or so-called "C.P.I." or other such adjustments (collectively, "Additional Rent"), nor any other item payable by any Tenant under any Lease has been heretofore prepaid for more than one month nor shall it be prepaid between the Contract Date and the Closing Date for more than one month;

(6) No guarantor(s) of any Lease has been released or discharged, partially or fully, voluntarily or involuntarily, or by operation of law, from any obligation under or in connection with any Lease or any transaction related thereto;

(7) Except as specifically disclosed in detail on the Rent Roll delivered to Buyer, there are no brokers' commissions, finders' fees, or other charges payable or to become payable to any third party on behalf of the Company as a result of or in connection with any Lease or any transaction related thereto, including, but not limited to, any exercised or unexercised option(s) to expand or renew;

(8) No Tenant or any other party has asserted any claim (other than for customary refund at the expiration of a Lease) to all or any part of any security deposit;

(9) Seller shall cause the Company to pay, and retain sole and exclusive responsibility for, all expenses due on or before the Closing Date connected with or arising out of the negotiation, execution and delivery of the Leases, including, without limitation, brokers' commissions (including those applicable, if any, to future expansions or renewals by Tenant), leasing fees and recording fees (as well as the cost of all tenant improvements not paid for by Tenants), and the Seller shall be deemed to have certified and warranted payment thereof to Buyer at the Closing;

(10) No Tenant has, by virtue of its Lease or any other agreement or understanding, any purchase option with respect to the Property, or any portion thereof, or any right of first refusal to purchase any Property, or a portion thereof, whether triggered by the transactions contemplated by this Agreement or by a subsequent sale of the Property or a portion thereof. No Tenant has, by virtue of its Lease or any other agreement or understanding any of the following (a) the right or option to expand its tenancy into space at the Property other than the space that such Tenant is currently occupying; (b) the right or option to terminate its Lease; and (c) the right or option to contract the space at the Property that such Tenant is currently occupying; and

(11) (a) Except as specifically disclosed on the Rent Roll delivered to Buyer, no Tenant has sublet its leased premises; and (b) there are no outstanding requests from any Tenants to the Company or the Seller, requesting any consent to an assignment of the Tenant's Lease or to a sublease of all or some portion of a Tenant's leased premises.

The Seller hereby indemnifies, defends and holds Buyer harmless from and against all loss, damage, liability, cost, expense (including, but not limited to, reasonable fees of attorneys of Buyer's choice) and charges which Buyer may incur, or to which Buyer may become subject,

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as a consequence of any breach of the warranties contained in this Section. The foregoing indemnity shall survive the Closing for a period of eighteen (18) months.

10. WARRANTIES AND REPRESENTATIONS OF SELLER AS TO MEMBER INTEREST/SECURITIES AND RELATED MATTERS. The Seller, for itself and for the Company, represents and warrants to Buyer that the following matters are true as of the Contract Date and shall be true as of the Closing Date and covenant as follows:

(a) AUTHORITY. Seller is duly formed, validly existing, and in good standing under the laws of Maryland, and has the power and authority to own the Member Interest. Seller is a single purpose entity formed for the sole purpose of being the sole member of the Company. The execution and delivery of this Agreement by Seller, and the performance of this Agreement by Seller, have been

duly authorized by Seller, and this Agreement is binding on Seller and enforceable against it in accordance with its terms. No consent of any creditor, investor, partner, shareholder, tenant-in-common, judicial or administrative body, Governmental Authority, or other governmental body or agency, or other party to such execution, delivery and performance by Seller is required. Neither the execution of this Agreement nor the consummation of the transactions contemplated hereby will (i) result in a breach of, default under, or acceleration of, any agreement to which the Seller or the Company is a party or by which the Seller, the Company or the Property is bound; or (ii) violate any restriction, court order, agreement or other legal obligation to which the Seller, the Company and/or the Property is subject.

(b) COMPANY. The Company is duly formed, validly existing, and in good standing under the laws of the State of Maryland, and has the power and authority to own the Property. Seller has delivered to Buyer, as part of Seller's Deliveries, all of the documents relating to the formation or governance of the Company. The Company is a single purpose entity, organized for the sole purpose of owning the Property.

(c) MEMBER INTEREST. Seller owns one hundred percent (100%) of the Member Interest of the Company. Seller owns the Member Interest free and clear of all liens, charges, encumbrances, restrictive agreements and assessments. Upon the assignment of the Member Interest to Buyer (or its designee(s)), the Buyer will receive good and absolute title thereto, free from all liens, charges, encumbrances, restrictive agreements and assessments whatsoever. There are no outstanding rights of first refusal, options, contracts, calls, commitments or demands of any nature relating to the Member Interest.

(d) OPERATING AGREEMENT. The Operating Agreement of the Company is in full force and effect, and the Operating Statements include, among other things, an accurate statement of the Company's financial condition.

(e) NO TRANSFERS OF INTERESTS. There will be no changes in the composition of the Company or the Seller between the date of this Agreement and Closing.

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(f) TAX-RELATED ISSUES.

(1) The Company is, and at all times has been, properly treated as a partnership for federal income tax purposes and not as an "association" or "publicly traded partnership" taxable as a corporation.

(2) The Company and the Seller has filed or caused to be filed in a timely manner (within any applicable extension periods) all tax, information or other returns required to be filed by the Internal Revue Code of 1986, as amended (the "Code") or by applicable state, or local tax laws (collectively, "Tax Returns"). Such Tax Returns are true, correct and complete in all respects; and all federal, state or local income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, unemployment, disability, personal property, sales, use, transfer, registration, estimated, or other tax of any kind whatsoever, including any interest, penalty or other addition thereto, whether disputed or not, (collectively, "Taxes") due, and Taxes due in respect of any person for the Company had an obligation to withhold and/or otherwise pay over Taxes, have been timely paid in full or will be timely paid in full by the due date thereof (and whether or not shown on a Tax Return). With respect to any taxable year for which a statute of limitations (or similar provision) has not yet run, none of the Tax Returns of the Company or the Seller has been audited by a government or taxing authority, nor is any such audit or other proceeding in process, pending, threatened (either in writing or verbally, formally or informally) or expected to be asserted with respect to Taxes (or the collection of Taxes) of the Company or the Seller, and neither the Company nor the Seller has received notice (either in writing or verbally, formally or informally) or expects to receive notice that it has not filed a Tax Return or not paid Taxes required to be filed, withheld, or paid by it. The Company and the Seller has disclosed on its federal income tax returns all positions taken therein that could give rise to a substantial understatement penalty within the meaning of Code Section 6662. No claim has ever been made by an authority in a jurisdiction where the Company or the Seller does not file Tax Returns that it is or may be subject to taxation by that jurisdiction.

(g) UNITED STATES PERSON. The Company and the Seller are each a "United States Person" within the meaning of Section 1445(f)(3) of the Code, as amended, and shall execute and deliver an "Entity Transferor" certification at Closing.

(h) LIABILITIES. Except for any normal and customary accrued liabilities and obligations of the Company that are being adjusted at Closing pursuant to Section 3(d), the Company shall not have any liabilities or obligations, either accrued, absolute, contingent, or otherwise, which will not be paid or discharged on or before the Closing Date. In addition, except for the claims and liabilities described in the preceding sentence, neither the

Company nor the Seller has received notice of any claim against (or liability of) the Company or Seller arising from business done, transactions entered into or other events occurring prior to the Closing Date (and to the best knowledge of the Seller and the Company, no basis for any such claim or liability exists).

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(i) The representations and warranties in this Section 10 shall be deemed remade by Seller (for itself and for the Company), as of the Closing Date with the same force and effect as if in fact specifically remade at that time. The representations and warranties made in this Section 10 shall survive the Closing without time limitation.

11. REPRESENTATIONS AND WARRANTIES OF BUYER. Buyer hereby represents and warrants to, and covenants with Seller, as follows, which representations, warranties, and covenants are true, correct and complete on the date of this Agreement, shall be true, correct, and complete at Closing:

(a) Neither its entering into this Agreement or its consummation of the transactions contemplated hereby does nor will violate any indenture, agreement or order by which Buyer is bound, or any rule, order, or law applicable to it.

(b) The execution and delivery of this Agreement has been approved by the directors or officers, as applicable, of Buyer and no further corporate action is required on the part of Buyer to consummate the transaction contemplated hereby. There are no proceedings pending or threatened by or against Buyer in bankruptcy, insolvency or reorganization in any state or federal court which adversely affect the ability of Buyer to enter into and perform its obligations under this Agreement

12. COVENANTS OF SELLER. Seller (for itself and for the Company) hereby covenant with Buyer as follows:

(a) NEW LEASES. The Company shall not amend any Lease or execute any new lease, license, or other agreement affecting the ownership or operation of all or any portion of the Property or for personal property, equipment, or vehicles, without Buyer's prior written approval.

(b) NEW CONTRACTS. The Company shall not enter into any contract with respect to the ownership and operation of all or any portion of any or all of the Property that will survive the Closing, or that would otherwise affect the use, operation or enjoyment of the Property, without Buyer's prior written approval, except for service contracts entered into in the ordinary course of business that are terminable, without penalty, on not more than 30 days' notice, for which no consent shall be required. Neither the Company nor the Seller shall enter into, or amend, any contract or agreement without the Buyer's written approval.

(c) OPERATING AGREEMENT. The Operating Agreement of the Company shall not be amended without Buyer's prior written approval.

(d) INSURANCE. The insurance policies described in Section 8 above shall remain continuously in force through and including the Closing Date.

(e) OPERATION OF THE PROPERTY. The Company shall construct, operate and manage the Property in a manner consistent with similar class "A" shopping centers in

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Anne Arundel County, Maryland, in good repair and working order; shall keep on hand sufficient materials, supplies, equipment and other personal property for the efficient operation and management of the Property in such manner; and shall perform, when due, all of the Company's obligations under the Leases, Contracts, Governmental Approvals and other agreements relating to the Property and otherwise in accordance with applicable laws, ordinances, rules and regulations affecting the Property. Without the prior written consent of Buyer, the Company shall not incur any indebtedness, other than normal and customary current indebtedness for current payable necessary for the day-to-day operation of the Property.

(f) PRE-CLOSING EXPENSES. Seller has paid or will pay or cause to be paid in full, prior to the Closing, all bills and invoices for labor, goods, material and services of any kind relating to the Property and utility charges, relating to the period prior to the Closing. Except as the parties may otherwise agree at or prior to Closing, any alterations, installations, decorations and other work required to be performed under any and all agreements affecting the Property have been or will, by the Closing, be completed and paid for in full.

(g) GOOD FAITH. All actions required pursuant to this Agreement that are necessary to effectuate the transaction contemplated herein will be taken

promptly and in good faith by the Seller or the Company, as applicable, and Seller shall furnish Buyer with such documents or further assurances as Buyer may reasonably require.

(h) NO ASSIGNMENT. After the Contract Date and prior to the Closing, neither the Company nor the Seller shall assign, alienate, lien, encumber or otherwise transfer all or any part of any or all of the Member Interest, the Property or any interest therein.

(i) AVAILABILITY OF RECORDS, AUDIT REPRESENTATION LETTER.

(1) Upon Buyer's request, for a period of two years after the Closing, Seller shall (i) make the Records available to Buyer for inspection, copying and audit by Buyer's designated accountants; and (ii) cooperate with Buyer (without any third party expense to Seller) in obtaining any and all permits, licenses, authorizations, and other Governmental Approvals necessary for the operation of any or all of the Property. Without limitation of the foregoing in this Section, Seller agree to abide by the terms of Exhibit "D" attached hereto. At any time before or within two years after the Closing, Seller further agrees to provide to the Buyer's designated independent auditor, upon request of Buyer or such auditor: (x) access (to the same extent to which Buyer would be entitled to such access) to the books and records of the Property and all related information (including the information listed on Exhibit "D") regarding the period for which Buyer is required to have the Property audited under the regulations of the Securities and Exchange Commission, and (y) a representation letter delivered by each managing agent of the Property regarding the books and records of the Property, in substantially the form as attached hereto as Exhibit "E."

(2) In addition, Seller shall provide, and cooperate, in all respects, in providing, Buyer with copies of, or access to, such factual information as may be reasonably requested by Buyer, and in the possession or control of Seller, to enable the Buyer or the REIT to

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issue one or more mutually agreed upon press releases concerning the transaction that is the subject of this Agreement, to file a Current Report on Form 8-K (as specified on Exhibit "D"), if, as and when such filing may be required by the SEC and to make any other filings that may be required by any Governmental Authority. The obligation of Seller to cooperate in providing Buyer with such information for Buyer to file its Current Report on Form 8-K shall survive the Closing.

(j) CHANGE IN CONDITIONS. Seller shall promptly notify Buyer of any change in any condition with respect to the Company, the Seller, the Property or of the occurrence of any event or circumstance that makes any representation or warranty of Seller to Buyer under this Agreement untrue or misleading, or any covenant of Buyer under this Agreement incapable or less likely of being performed, it being understood that Seller's obligation to provide notice to Buyer under this Section shall in no way relieve Seller of any liability for a breach by Seller of any of its representations, warranties or covenants under this Agreement.

(k) ENTITY STRUCTURE. From the Contract Date through and including the Closing Date, the Company and the Seller shall maintain the same composition of its members as exists on the Contract Date, unless otherwise expressly or consented to by Buyer in writing.

(l) CURE OF VIOLATIONS. On or before the Closing Date, Seller shall cure (or escrow sufficient funds at the Closing with the Buyer's Title Company to cure) (i) all violation(s) of law, code, ordinance or regulation that are the subject of any written notice issued by a Governmental Authority with respect to the Property, and (ii) legal deficiencies discovered at or in any Property before the Closing.

All covenants made in this Agreement by Seller shall survive the Closing for a period of eighteen (18) months.

13. ADDITIONAL CONDITIONS PRECEDENT TO CLOSING.

(a) BUYER'S CONDITIONS PRECEDENT. In addition to any other Conditions Precedent of Buyer enumerated in this Agreement, the following shall be additional Buyer's Conditions Precedent (any of which may be waived by Buyer at or prior to Closing):

(1) PENDING ACTIONS. At the Closing, there shall be no administrative agency, litigation or governmental proceeding of any kind whatsoever, pending or threatened, that, after the Closing, would, in Buyer's sole and absolute discretion, materially and adversely affect the Company, the Member Interest, the transfer of the Member Interest, or the value or marketability of the Property, or the ability of the Company to operate the Property in the manner intended.

(2) ZONING. On the Closing Date, no proceedings shall be pending or threatened that could or would involve the change, redesignation, redefinition or other modification of the zoning classifications of (or any building, environmental, or code requirements applicable to) the Property, or any portion thereof, or any property adjacent to the

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Property, in a manner which, in Buyer's sole and absolute discretion, would materially and adversely affect the value or marketability of the Property.

(3) FLOOD INSURANCE. As of the Closing Date, if the Property is located in a flood plain, Company shall have obtained flood plain insurance in form and substance acceptable to Buyer.

(4) OWNERS. The composition of members of the Company and the Seller on the Closing Date shall be the same as on the Contract Date.

(5) BANKRUPTCY. As of the Closing Date, neither Seller nor the Company nor the Property shall be the subject of any bankruptcy proceeding for which approval of this transaction has not been given and issued by the applicable bankruptcy court.

(6) REPRESENTATIONS AND WARRANTIES TRUE. The representations and warranties of Seller (whether for itself or for the Company) contained in this Agreement shall be true and correct as of the Closing Date in all material respects, as though such representations and warranties were made on such date.

(7) COVENANTS PERFORMED. All covenants and obligations of the Seller and Company required to be performed on or prior to the Closing Date shall have been performed, in all material respects.

(8) APPROVAL BY BUYER'S SHAREHOLDERS. REIT's Board of Trustees and shareholders shall have approved this Agreement and the consummation of the transactions contemplated by this Agreement.

(b) SELLER'S ADDITIONAL CONDITIONS PRECEDENT. The following shall be conditions precedent to the Seller's obligations to complete Closing under this Agreement (any of which may be waived by Seller at or prior to Closing):

(1) REPRESENTATIONS AND WARRANTIES. The representations and warranties of Buyer contained in this Agreement shall be true and correct as of the Closing Date, in all material respects, as though such representations and warranties were made on such date.

(2) COVENANTS. All covenants of Buyer required to be performed on or prior to the Closing Date shall have been performed, in all material respects.

14 RISK OF LOSS OR DAMAGE.

(a) If, prior to the Closing, all or any portion of the Property is damaged by fire or other natural casualty (collectively, "Damage"), or is taken or made subject to condemnation, eminent domain or other governmental acquisition proceedings (collectively, "Eminent Domain"), then the following procedures shall apply:

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(1) If the aggregate cost of repair or replacement in connection with any Damage or the value of the Eminent Domain (collectively, "repair and/or replacement") is \$200,000.00 or less, in the mutual and reasonable opinions of Buyer and Seller, Buyer shall close and take the Property in question as diminished by the Damage or Eminent Domain, as the case may be. Any casualty insurance or condemnation proceeds shall be the sole property of the Company.

(2) If the aggregate cost of repair and/or replacement at the Property is greater than \$200,000.00, in the mutual and reasonable opinions of Buyer and Seller, then Buyer, in its sole and absolute discretion, may elect any of the following options: (i) Buyer may proceed to close on the Member Interest without diminution of the Purchase Price, or (ii) Buyer may elect to terminate this Agreement by written notice to Seller. Any casualty insurance or condemnation proceeds shall be the sole property of the Company.

(b) In the event of a dispute between Seller and Buyer with respect to the cost of repair and/or replacement with respect to the matters set forth in this Section 14, an engineer designated by Seller and an engineer designated by Buyer shall select an independent engineer licensed to practice in the State of Maryland who shall resolve such dispute. All fees, costs and expenses of such third engineer so selected shall be shared equally by Buyer and Seller.

15. DEFAULT.

(a) DEFAULT BY SELLER. If any of Seller's representations and warranties (whether for itself or for the Company) contained herein shall not be true and correct on the Contract Date and continuing thereafter through and including the Closing Date, or if the Seller or the Company fails to perform any of the covenants and agreements contained herein to be performed by such party within the time for performance as specified herein (including Seller's obligation to close), or if any of the Buyer's Conditions Precedent shall not have been satisfied, Buyer may elect either to (i) terminate Buyer's obligations under this Agreement by written notice to Seller, in which event Buyer shall retain all rights and remedies available to it; or (ii) close, in which event Buyer may file an action for either or both of specific performance and damages to compel Seller to cure all or any of such default(s), in whole or in part, whereupon Buyer shall be entitled to deduct from the Purchase Price, the cost of such action and cure, and all reasonable expenses incurred by Buyer in connection therewith, including, but not limited to, attorneys' fees of Buyer's counsel. Notwithstanding anything to the contrary herein and in addition to any other remedies of Buyer, Buyer shall be entitled to recover actual (but not consequential) damages suffered by Buyer by reason of Seller's defaults hereunder and/or any delay occasioned thereby, including, without limitation, Buyer's Reasonable Costs. The remedies of Buyer set forth in this Section 15(a) shall be in addition to remedies otherwise applicable or provided in this Agreement or otherwise available to Buyer at law or in equity, including, without limitation, specific performance, it being understood that Buyer's rights and remedies under this Agreement shall always be non-exclusive and cumulative and that the exercise of one remedy or form of relief available to Buyer hereunder shall not be exclusive or constitute a waiver of any other.

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(b) DEFAULT BY BUYER. In the event Buyer defaults in its obligations to acquire the Member Interest, then Seller may (i) pursue an action for specific performance, or (ii) terminate this Agreement and recover actual (but not consequential) damages suffered by Seller by reason of Buyer's defaults hereunder and/or any delay occasioned thereby, including, without limitation, the reasonable out-of-pocket costs and expenses incurred by Seller in connection with this Agreement.

(c) INDEMNIFICATION OF BUYER. The Seller and Seller's shareholders, jointly and severally, as the case may be, shall and does hereby indemnify, protect, defend and hold the Buyer Indemnified Parties harmless from and against any claims, losses, demands, liabilities, suits, costs and damages suffered by the Buyer Indemnified Parties, including consequential as well as actual damages and attorneys' fees of counsel selected by the Buyer Indemnified Parties and other costs of defense, incurred, arising against, or suffered by, the Buyer Indemnified Parties or its assigns as a direct or indirect consequence of (i) any breach of any representation, warranty or covenant made in this Agreement by Seller (whether for itself or for the Company), or any other default by Seller, whether discovered before or after the Closing or (ii) any default claim, action or omission arising or alleging to arise under the Existing Loan Documents and relating to the period prior to the Closing, whether asserted before or after the Closing. This indemnification obligation shall expire eighteen (18) months from the Closing Date, except as to claims under Section 6 of this Agreement which may be made until thirty (30) months after the date of this Agreement, and except as to claims under Section 10 which may be made until the expiration of the time period under statute of limitation applicable to such claims.

(d) INDEMNIFICATION OF SELLER. Buyer shall indemnify, protect, defend and hold Seller and each of Seller's shareholders (the "Indemnified Parties") harmless from and against any claims, losses, demands, liabilities, suits, costs and damages suffered by the Seller Indemnified Parties, including consequential as well as actual damages and attorneys' fees of counsel selected by the Seller Indemnified Parties and other costs of defense, incurred, arising against, or suffered by, the Seller Indemnified Parties or its assigns as a direct or indirect consequence of any breach of any misrepresentation, warranty or covenant made in this Agreement by Buyer, or any other default by Buyer, whether discovered before or after the Closing. This indemnification obligation shall expire eighteen (18) months from the Closing Date, except as to claims under Section 11 which may be made until the expiration of the time period under the statute of limitation applicable to such claims.

(e) BUYER NOTICE AND RIGHT TO CURE. Anything contained in this Agreement to the contrary notwithstanding, any thing or act which would otherwise be a default hereunder by Buyer shall not be a default unless Seller shall have given Buyer notice of such default, and Buyer shall have failed to cure the same within thirty (30) days after such notice. No notice of default shall be required in the case of Buyer's default in failing to complete Closing on the required Closing Date.

(f) SELLER'S NOTICE AND RIGHT TO CURE. Anything contained in this Agreement to the contrary notwithstanding, any thing or act which would otherwise be a default hereunder by Seller shall not be a default unless Buyer shall have given Seller notice of such

default, and Seller shall have failed to cure the same within thirty (30) days after such notice. No notice of default shall be required in the case of Seller's default in failing to complete Closing on the required Closing Date.

16. ENTIRE AGREEMENT.

This Agreement contains the entire agreement among Seller and Buyer pertaining to the Property, and there are no other terms, obligations, covenants, representations, statements or conditions, oral or otherwise, of any kind whatsoever concerning this sale. Any changes or additions to this Agreement must be made in writing and executed by the parties hereto. All Exhibits attached to this Agreement are made a part of this Agreement. This Agreement may be executed in counterparts, each of which is an original, but all of which are a single instrument.

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

SELLER:

CPI Piney Orchard Village Center, Inc.
c/o Constellation Real Estate, Inc.
8815 Centre Park Drive - Suite 400
Columbia, MD 21045
Attention: General Counsel

BUYER:

Corporate Office Properties, L.P.
c/o Corporate Office Properties Trust
One Logan Square, Suite 1105
Philadelphia, PA 19103
Attention: Clay W. Hamlin, III
President and Chief Executive Officer

WITH A COPY TO ITS ATTORNEYS:

F. Michael Wysocki, Esquire
Saul, Ewing, Remick & Saul LLP
Centre Square West
1500 Market Street - 38th Floor
Philadelphia, PA 19102

Notices shall be deemed properly delivered and received when and if either (i) personally delivered, including via facsimile; or (ii) on the first business day after deposit with a commercial

overnight courier for delivery on the next business day. Any party may change its address for delivery of notices by properly notifying the others pursuant to this Section.

18. NO RECORDING. This Agreement shall not be recorded in any Clerk's Office, Recorder's Office or in any office or place of public record. If Buyer records this Agreement or causes or permits this Agreement to be recorded, Seller may elect to treat such act as a breach of this Agreement and may declare this Agreement terminated, null and void by recording notice of such termination in the same records in which this Agreement has been recorded.

19. COMMISSIONS. Seller and Buyer each represents that it has not dealt with any brokers in connection with this transaction. Buyer and Seller will indemnify and defend the other from any and all claims, actual or threatened, for compensation by any third party by reason of breach of its or their representation or warranty contained in this Section. The provisions of this Section 19 shall survive Closing.

20. BINDING EFFECT. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, executors, administrators, legal representatives, successors and assigns.

21. LITIGATION. Seller and Buyer waive all rights to a jury trial with respect to any disputes relating to this Agreement, whether arising before or after Closing. In the event of litigation between the parties with respect to the Property, this Agreement, the performance of their respective obligations hereunder or the effect of a termination under this Agreement, the losing party shall pay all costs and expenses incurred by the prevailing party in connection with such litigation, including, but not limited to, reasonable attorneys' fees of counsel selected by the prevailing party. The parties hereby further acknowledge and agree that in the event of litigation between them, as

contemplated above, and the resolution of that litigation through compromise, settlement, or partial judgment, the court before which such litigation is initially brought shall have the right to allocate responsibility, between Seller and Buyer, for all costs and expenses (including, but not limited to, attorneys' reasonable fees) incurred by both Seller and Buyer in the pursuit of that litigation resolved through compromise, settlement or partial judgment. Notwithstanding any provision of this Agreement to the contrary, the obligations of the parties under this Section shall survive termination of this Agreement and the Closing, if applicable.

22. BENEFIT. This Agreement is for the benefit only of the parties hereto and their nominees, successors, beneficiaries and assignees as permitted in Section 24(a) below, above and no other person or entity shall be entitled to rely hereon, receive any benefit herefrom or enforce against any party hereto any provision hereof.

23. LIMITATION OF LIABILITY. Upon the Closing, neither the REIT nor the Buyer shall assume or undertake to pay, satisfy or discharge any liabilities, obligations or commitments of Seller other than those specifically agreed to between the parties and set forth in this Agreement. Except as otherwise specifically provided in this Agreement, neither the REIT nor the Buyer shall assume or discharge any debts, obligations, liabilities or commitments of Seller, whether accrued now or hereafter, fixed or contingent, known or unknown. Neither the holders of shares

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in the REIT, nor the trustees, officers, employees or agents of the REIT shall be liable under this Agreement and all parties hereto shall look solely to the REIT assets for the payment of any claim or for the performance of any obligation of the REIT as a party to this Agreement, both in its own capacity and in its capacity as a general partner of the Buyer.

24. MISCELLANEOUS.

(a) BUYER'S RIGHT TO ASSIGN. Buyer shall have the right to assign this Agreement, in whole or in part, without the prior consent of Seller, and upon notice from Buyer, Seller agrees to convey the Member Interest directly to Buyer's assignee, provided that Buyer and/or such assignee have fulfilled Buyer's obligations under this Agreement. Any such assignment shall not relieve the named Buyer of its obligations under this Agreement through the completion of Closing under this Agreement.

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

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

(d) CONDITIONS PRECEDENT. The obligations of Buyer to pay the Purchase Price and to close the transaction contemplated herein are subject to the express Buyer's Conditions Precedent set forth in this Agreement, each of which is for the sole benefit of Buyer and may be waived at any time by written notice thereof from Buyer to Seller. The waiver of any particular Buyer's Condition Precedent shall not constitute the waiver of any other.

(e) CONSTRUCTION. This Agreement shall not be construed more strictly against one party than against the other merely by virtue of the fact that it may have been prepared by counsel for one of the parties, it being recognized that both Seller and Buyer have contributed substantially and materially to the preparation of this Agreement. The headings of various Sections in this Agreement are for convenience only, and are not to be utilized in construing the content or meaning of the substantive provisions hereof.

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(f) GOVERNING LAW. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Maryland (without giving effect to the conflict of law rules of that state).

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

(h) EXPENSES. Except and to the extent as otherwise expressly provided to the contrary herein, Buyer and Seller shall each bear its own respective costs and expenses relating to the transactions contemplated hereby, including, without limitation, fees and expenses of legal counsel or other representatives for the services used, hired or connected with the proposed transactions mentioned above.

(i) CONTROL OF DEFENSE COUNSEL. Each indemnified party shall give reasonably prompt notice to each indemnifying party of any action or proceeding commenced against the indemnified party in respect of which indemnity may be sought hereunder, but failure so to notify an indemnifying party (i) shall not relieve it from any liability which it may have under any indemnity provided herein unless and to the extent it did not otherwise learn of such action and the lack of notice by the indemnified party results in the forfeiture by the indemnifying party of substantial rights and defenses and (ii) shall not, in any event, relieve the indemnifying party from any obligations to any indemnified party hereunder other than its indemnification obligation if the indemnifying party so elects within a reasonable time after receipt of such notice, the indemnifying party may assume the defense of such action or proceeding at such indemnifying party's own expense with counsel chosen by the indemnifying party; provided, however, that, if such indemnified party or parties reasonably determine that a conflict of interest exists where it is advisable for such indemnified party or parties to be represented by separate counsel or that, upon advice of counsel, there may be legal defenses available to them which are different from or in addition to those available to the indemnifying party, then the indemnifying party shall not be entitled to one separate counsel at the indemnifying party's expense. If an indemnifying party is not so entitled to assume the defense of such action or does not assume such defense, after having received the notice referred to in the first sentence of this Section, the indemnifying party or parties will pay the reasonable fees and expenses of counsel for the indemnified party or parties. In such event however, no indemnifying party will be liable for any settlement effected without the written consent of such indemnifying party. If an indemnifying party is entitled to assume, and assumes, the defense of such action or proceeding in accordance with this Section, such indemnifying party shall not be liable for any fees and expenses of counsel for the indemnified parties incurred thereafter in connection with such action or proceeding.

(j) WAIVER OF CONDITIONS PRECEDENT. Buyer and Seller shall each have the right, in its sole and absolute discretion, to waive any Condition Precedent for its benefit contained in this Agreement.

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(k) COUNTERPARTS. This Agreement may be executed in any number of identical counterparts, any of which may contain the signatures of less than all parties, and all of which together shall constitute a single agreement.

25. CALCULATION OF TIME PERIODS. Notwithstanding anything to the contrary contained in this Agreement, any period of time provided for in this Agreement that is intended to expire on or prior to the Closing Date, but that would extend beyond the Closing Date if permitted to run its full term, shall be deemed to expire upon the Closing.

IN WITNESS WHEREOF, Buyer and Seller have executed this Agreement, intending to be legally bound hereby, as of the date and year first above written.

BUYER:

CORPORATE OFFICE PROPERTIES, L.P., a Delaware limited partnership, by its sole general partner, Corporate Office Properties Trust, a Maryland real estate investment trust

By: /s/ CLAY W. HAMLIN, III

Clay W. Hamlin, III, President

SELLER:

CPI PINEY ORCHARD VILLAGE CENTER, INC., a Maryland corporation

By: /s/

Name: -----

Title: -----

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

FORM 10-K

(Mark one)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the fiscal year ended December 31, 1997 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

CORPORATE OFFICE PROPERTIES TRUST

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation or organization)

23-2947217
(IRS Employer
Identification No.)

One Logan Square, Suite 1105, Philadelphia, PA
(Address of principal executive offices)

19103
(Zip Code)

(215) 567-1800

(Registrant's telephone number, including area code)

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

Securities registered pursuant to Section 12(g) of the Act:
Common shares of beneficial interest, .01 par value

Indicate by check mark whether the (1)registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not 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-K or any amendment to this Form 10-K.

The aggregate market value of the voting stock held by non-affiliates of the registrant was approximately \$18,340,000.00 based on the last trade on March 18, 1998 on NASDAQ.

(APPLICABLE ONLY TO CORPORATE REGISTRANTS)

At March 20, 1998, 2,271,083 shares of the Registrant's Common Shares of Beneficial Interest, .01 par value, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

List hereunder the following documents if incorporated by reference and the Part of the 10-K (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 security holders for fiscal year ended December 24, 1980).

CORPORATE OFFICE PROPERTIES TRUST

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This report contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1993, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The Company intends such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Reform Act of 1995, and is including this statement for purposes of complying with these safe harbor provisions. Forward-looking statements, which are based on certain assumptions and describe future plans, strategies and expectations of the Company, are generally identifiable by use of the words "believe," "expect," "intend," "anticipate," "estimate," "project," or similar expressions. The Company's ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors which could have a material adverse affect on the operations and future prospects of the Company on a consolidated basis include, but are not limited to, changes in: economic conditions generally and the real estate market specifically, legislative/regulatory changes (including changes to laws governing the taxation of REITs), availability of capital, interest rates, competition, supply and demand for office properties in the Company's current and proposed market areas and general accounting principles, policies and guidelines applicable to REITs. These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. Further information concerning the Company and its business, including additional factors that could materially affect the Company's financial results, is included herein and in the Company's other filings with the Securities and Exchange Commission.

PART I

ITEM 1. BUSINESS

THE COMPANY

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 (the "Office Properties") and seven retail properties located in the Midwest containing approximately 370,000 rentable square feet (the "Retail Properties" and, together with the Office Properties, the "Properties"). As of December 31, 1997, the Properties were over 99% leased. In addition, the Company has options to purchase 44.27 acres of land contiguous to certain of the Office Properties owned by related parties.

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 self-administered. At that time, 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. On March 16, 1998, the Company was reformed as a Maryland real estate investment trust (the "Reformation") and changed its name to Corporate Office Properties Trust. In connection with the Reformation, each share of common stock of Corporate Office Properties Trust, Inc. ("Common Stock") was exchanged for one share of beneficial interest ("Common Share") in Corporate Office Properties Trust. On March 6, 1998, the Company filed a preliminary Registration Statement on Form S-11 for the issuance of 7,500,000 Common Shares (the "Offering").

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 directly owns the Retail Properties. The Company's interests in the Office Properties are held through its subsidiary partnership, Corporate Office Properties, L.P. (formerly FCO, L.P.) (the "Operating Partnership") and its wholly owned subsidiary Corporate Office Properties Holdings, Inc. (formerly FCO Holdings, Inc.) ("Holdings"), and four subsidiary partnerships in which Holdings is the general partner and the Operating Partnership is the majority limited partnership (the "Properties Partnerships") as described below.

On October 14, 1997, the Company completed the Transactions. For the purposes of the Transactions, the Properties Partnerships (including the Retained Interests as defined below) were treated as having a value of \$170 million (which includes the \$100 million of indebtedness collateralized by the Properties) (the "Property Financing"). The aggregate consideration issued in the Transactions by the Company and the Operating Partnership 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

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\$5.50 per share), (y) an aggregate of 2,899,310 partnership units that, subject to certain conditions and beginning on September 1, 1998, are convertible into Common Shares at a rate of one common share for every one unit ("Partnership Units") (including 600,000 issued to the Company in consideration for limited partner 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 that, subject to certain conditions and beginning on October 1, 1999, are convertible into Partnership Units at a rate of 3.5714 Partnership Units for every one preferred unit ("Preferred Units"). Partnership Interests representing 11% of three of the Properties Partnerships ("the Retained Interests") are required to be contributed to the Operating Partnership in November 2000 in consideration for the issuance of an aggregate of 282,508 Partnership Units and 186,455 Preferred Units. Concurrently with the closing of the Transactions, the then existing advisory agreement (the "Advisory Agreement") between Crown Advisors, Inc. ("Crown") and the Company was terminated, and the Company entered into a management agreement (the "Management Agreement") with Glacier Realty LLC, a Minnesota limited liability company ("Glacier") owned by Messrs. Beck and Parsinen, officers of the Company. A non-recurring termination expense of \$1.4 million, paid in the form of shares of Common Stock (net of certain shares retired), was incurred as a result of the termination of the Advisory Agreement. As a result of the Transactions, the Company became self-administered.

BUSINESS OBJECTIVES AND GROWTH STRATEGIES

The Company has filed a registration statement on Form S-11 which, if completed, will result in the issuance of a significant amount of Common Shares. In addition, the Company is likely to issue directly, or through the issuance of Partnership Units and Preferred Units (together "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.

INDUSTRY SEGMENTS

The Company operates in only one industry segment.

EMPLOYEES

As of December 31, 1997, the Company employed nine persons.

COMPETITION

Numerous commercial properties compete with the Company's properties in attracting tenants to lease space, and additional properties can be expected to be built in the markets in which the Company's properties are located. The number and quality of competitive commercial properties in a particular area will have a material effect on the rents charged and on the Company's ability to lease space at its current properties or at newly acquired properties. Some of these competing properties may be newer or better located than the Company's properties. In addition, the commercial real estate market is highly competitive, particularly within the Mid-Atlantic region in which the Company 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. Accordingly, it is possible that the Company 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 Company's expected growth in operations.

MAJOR TENANTS

During 1997, four major tenants comprised 64% of total rental income, each individually represented 10% or more of the Company's Total Rental Revenue. See "Properties -- Major Properties." In the event that one or more of these tenants experience financial difficulties, or default on their obligation to make rental payments to the Company, the Company's financial performance and ability to make expected distributions to shareholders would be materially adversely affected.

All of the Office Properties are located in the greater Philadelphia and Harrisburg, Pennsylvania regions and the Princeton, New Jersey region. See "Properties -- The Office Properties." As a result, the Company 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 Company, the Company's financial performance and ability to make expected distributions to shareholders is dependent upon the Philadelphia, Harrisburg and Princeton markets. There can be no assurance as to the stability or growth conditions of the Philadelphia, Harrisburg and Princeton markets.

ENVIRONMENTAL MATTERS

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 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 release hazardous substances, including ACMs. As the owner of real properties, the Company may be potentially liable for any such costs.

Phase I ESAs have been obtained for each of the 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 Company, the Company believes would have a material adverse effect on the Company's business, assets or results of operations, nor is the Company aware of any such material environmental liability.

Nevertheless, it is possible that the indemnification would be unavailable at the time the Company 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 Company 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 Company'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 Company.

INVESTMENT POLICIES

INVESTMENTS IN REAL ESTATE OR INTERESTS IN REAL ESTATE. The Company owns 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 Company's investment objectives are to provide quarterly cash distributions and achieve long-term capital appreciation through increases in the value of the Company's portfolio of properties and its operations. For a discussion of the Properties, see "Properties." The Company's policies are to (i) purchase income-producing suburban office 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 Company intends to grow through the selective development, redevelopment and construction of commercial properties. The Company 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 and Units. Investments are also subject to the Company's policy not to be treated as an investment company under the Investment Company Act of 1940.

The Company 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 Company's assets. While the Company intends to seek diversity in its investments in terms of property locations, size and market, the Company 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 Company 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.

INVESTMENTS IN REAL ESTATE MORTGAGES. While the Company's current portfolio consists of, and the Company's business objectives emphasize, equity investments in suburban office properties, the Company may, at the discretion of the Board of Trustees, invest in mortgages and deeds of trust, consistent with the Company's continued qualification as a REIT for federal income tax purposes, including participating or convertible mortgages if the Company 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

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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 Company to recoup its full investment.

SECURITIES OF OR INTERESTS IN PERSONS PRIMARILY ENGAGED IN REAL ESTATE ACTIVITIES AND OTHER ISSUES. Subject to the limitations on ownership of certain types of assets and the gross income tests imposed by the Code, the Company 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. The Company may enter into joint ventures or partnerships for the purpose of obtaining an equity interest in a particular property in accordance with the Company's investment policies. Such investments may permit the Company to own interests in larger assets without unduly restricting diversification and, therefore, add flexibility in structuring its portfolio. The Company has no plans to 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 growth strategies, the Company has developed a two-phase capitalization strategy. The Company intends during the first phase of this strategy, a period of rapid growth of the Company, to emphasize the issuance of Units as tax-deferred consideration to sellers in entity and portfolio acquisitions. To accelerate growth in FFO per share during this period, the Company will utilize a minimum cash flow to debt service coverage ratio of approximately 1.6 to 1.0, which is anticipated to equate to a ratio of debt to total market capitalization of between 40% and 60%. The Company believes a 1.6 times cash flow coverage ratio is conservative for a seasoned pool of suburban office buildings and is a more appropriate measure of entity leverage than the conventional REIT measure of total debt outstanding to total market capitalization. During the second phase of this strategy, the Company plans to gradually reduce its debt as a percentage of total market capitalization while continuing to grow FFO per share. The Company's plan to reduce its debt in the future is designed to achieve an investment grade rating and provide the Company access to the corporate unsecured debt market. The Declaration of Trust and the

Bylaws, however, do not limit the amount or percentage of indebtedness that the Company may incur, and the Company 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 Company'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 Company and the Company's ability to make distributions to shareholders. The Company 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 Company as a whole to generate sufficient cash flow to cover expected debt service.

The Company 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 Company 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 Company 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 Company. The Company presently anticipates that any additional borrowings would be made through the Operating Partnership, although the Company 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 Company, 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 Company, the Operating Partnership or any existing or new property owning partnership. Indebtedness incurred by the Company 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 Company 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.

MORTGAGE DEBT

The following table sets forth the Company's mortgage indebtedness outstanding at December 31, 1997:

<TABLE>
<CAPTION>

PRE- PAYMENT PROPERTY/LOCATION PREMIUMS	FACE AMOUNT OF MORTGAGE	PRINCIPAL BALANCE AS OF 12/31/97	ACCUMULATED AMORTIZATION	INTEREST RATE AT 12/31/97	ANNUAL DEBT SERVICE (1)	MATURITY DATE
	<C>	<C>	<C>	<C>	<C>	<C>
Plymouth, MN and Indianapolis, IN.....	\$ 4,800,000	\$ 4,660,648	\$139,352	9.500%	\$ 490,684	06/01/02 (2)
Yld. Maint. Peru, IL.....	2,650,000	2,429,348	220,652	8.000%	257,868	11/01/13
Yld. Maint. Minot, ND.....	2,850,000	2,628,356	221,644	8.000%	277,331	02/01/14
Yld. Maint. Glendale, WI.....	1,200,000	1,055,731	144,269	7.750%	127,224	04/01/11
(3) Oconomowac, WI.....	1,800,000	1,737,046	62,954	7.625%	153,000	06/10/14
Yld. Maint. Delafield, WI.....	2,000,000	1,864,231	135,769	8.125% (4)	202,617	12/10/04 (5)
Yld. Maint. Office Properties.....	100,000,000	100,000,000	0	7.500%	7,500,000	10/13/00 (6)
None						
Total Mortgage Indebtedness.....	\$115,300,000	\$114,375,360	\$924,640		\$9,008,724	

</TABLE>

- (1) "Annual Debt Service" is calculated for the twelve-month period ending December 31, 1997. For loans that bear interest at a variable rate, the rates in effect at December 31, 1997 have been assumed to remain constant for the balance of 1997. The debt service has been annualized for the Property Financing.
- (2) A balloon payment of \$4,434,000 is due on June 1, 2002.
- (3) Until May 1, 1999, there is a prepayment premium of 5.0%. As of May 1, for each year thereafter, the prepayment premium decreases by 0.5%.
- (4) Until November 30, 1999, the interest rate is 8.125%. Thereafter, the interest rate is the greater of the current 5 year U.S. Treasury Yield plus 1.80% or 8.125%.
- (5) A balloon payment of \$1,401,000 is due on December 10, 2004.
- (6) A balloon payment of any amount then outstanding under the Property Financing is due on October 13, 2000.

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 was contributed to the Operating Partnership in connection with the Transactions. The Operating Partnership used approximately \$2.9 million of these funds to pay

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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 lender may declare the then outstanding loans due and payable.

In March 1998, the Company entered into a conditional agreement with Bankers Trust Company regarding the Property Financing to repay up to \$70 million from the proceeds of the Offering pursuant to which the Company has been granted the right to reborrow, in minimum amounts of \$20 million (or the remaining undrawn amount, if less), the entire \$70 million repaid with the net proceeds of the Offering for the purpose of acquiring commercial office building real property and paying related fees and expenses. This right must be exercised within nine months of the date of the Offering. Prior to the end of the nine-month period, the Company may reborrow the remaining amount of the prepayment not previously reborrowed and use the proceeds to purchase marketable securities in which Bankers Trust Company will have a security interest. The Company may not reborrow the \$70 million unless there are no defaults or events of default under the Property Financing, the Company provides Bankers Trust Company with satisfactory assurances that Bankers Trust Company has a first priority lien on the existing Office Properties for the entire amount of the loan outstanding under the

Property Financing and the Company pays certain draw down fees. The Company will pay an unused facility fee for the period between prepayment and reborrowing.

ITEM 2. PROPERTIES

THE OFFICE PROPERTIES

Set forth below is certain information with respect to the Office Properties for the year ended December 31, 1997.

<TABLE>
<CAPTION>

MAJOR TENANTS (10% OR MORE OF PROPERTY LOCATION RENTABLE SQUARE FEET)	YEAR BUILT/ RENOVATED	RENTABLE SQUARE FEET	PERCENTAGE LEASED (AS OF 12/31/97)	TOTAL BASE RENT FOR THE 12 MONTHS ENDED 12/31/97 (1)	PERCENTAGE OF TOTAL BASE RENT	TOTAL BASE RENT PER SQUARE FOOT (1)	
Philadelphia Region							
Unisys World Hdqtrs 751 Jolly Rd.....	1966/1991	112,958	100.0%	\$ 1,597,964	8.5%	\$14.15(2)	
Unisys(100%) 753 Jolly Rd.....	1960/1992-94	424,380	100.0%	3,287,716	47.5%	7.75	
Unisys(100%) Combined Total..		537,338		4,885,680	26.0%	9.09	
760 Jolly Rd. Unisys(100%)	1974/1994	199,380	100.0%	2,821,560	15.1%	14.15(2)	
Combined Total..		736,718		7,707,240	41.1%	10.46	
Merck Building 785 Jolly Rd. with 100% sublease to Merck.	1970/1996	218,219	100.0%	2,318,232	12.3%	10.62	Unisys
Region Total.....		954,937		10,025,472	53.4%	\$10.50	
Harrisburg Region							
Gateway Corporate Ctr. 6385 Flank Dr.....	1995	32,800	100.0%	340,949	1.8%	\$10.39	Cowles
Magazine(35%) Capital(26%) Commerce Court 2601 Market Pl.... State	1989	67,377	98.2%	985,369	5.2%	14.62	Penn
Geisinger(38%) & Young(26%)							Ernst
Texas-Eastern Gas							
Pipeline Co.(26%) 2605 Interstate Dr. Emergency Mgmt.	1990	84,268	100.0%	1,168,119	6.2%	13.86	PA

Agency(56%)							
USF&G(24%)							
Health Central(15%)							
Region Total.....	184,445			2,494,437	13.2%		\$13.52
Princeton Region							
Teleport National							
Hdqtrs.							
429 Ridge Rd.....	1966/1996	142,385	100.0%	1,950,810	10.4%		\$13.70
TCG(100%) (3)							
437 Ridge Rd.....	1962/1996	30,000	100.0%	349,500	1.9%		11.65 IBM
with 100%							
sublease to TCG							
IBM Building							
431 Ridge Rd.	1958/1967	170,000	100.0%	1,445,000	7.7%		8.50
IBM(100%)							
Region Total.....	342,385			3,745,310	20.0%		\$10.94
Total/Weighted Average	1,481,767		99.9%	\$16,265,219	86.6%		\$10.98

</TABLE>

- - - - -

(1) "Total Base Rent" for the twelve months ended December 31, 1997 represents base rents received during the period, excluding tenant reimbursements, calculated in accordance with generally accepted accounting principals determined on a straight-line basis. Tenant reimbursements generally include payment of real estate taxes, operating expenses, and escalations and common area maintenance and utility charges. These amounts reflect the annualized revenue of the Office Properties acquired by the Company on October 14, 1997.

(2) Property is triple net leased.

(3) On January 8, 1998, TCG announced its intention to merge with a subsidiary of AT&T Corporation.

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THE RETAIL PROPERTIES

Set forth below is certain information with respect to the Company's retail properties for the year ended December 31, 1997. All of the Retail Properties are leased on a triple net basis.

<TABLE>
<CAPTION>

PROPERTY LOCATION	YEAR BUILT/RENOVATED	RENTABLE SQUARE FEET	PERCENTAGE LEASED (AS OF 12/31/97)	TOTAL BASE RENT (1)	PERCENTAGE OF TOTAL BASE RENT (1)	TOTAL BASE RENT PER SQUARE FOOT (1)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
SuperValu Stores, Inc.						
Indianapolis, IN						
5835 West 10th St.	1991	67,541	100.0%	\$ 548,196	2.90%	\$ 8.12
Plymouth, MN						
3550 Vicksburg Ln.	1991	67,510	100.0%	522,813	2.80%	7.74
Nash-Finch Stores						
Minot, ND						
2100 S. Broadway	1993	46,134	100.0%	317,040	1.70%	6.87
Peru, IL						
1351 38th St. North	1993	60,232	100.0%	347,208	1.80%	5.76
Fleming Companies Stores						
Delafield, WI						
3265 Golf Rd.	1994	52,800	100.0%	330,564	1.80%	6.26
Glendale, WI						
7601 N. Port Washington Rd.	1992	36,248	100.0%	177,984	1.00%	4.91
Oconomowac, WI						
630 E. Wisconsin Ave.	1994	39,272	100.0%	264,799	1.40%	6.74
Total/Weighted Average		369,737	100.0%	\$2,508,604	13.40%	\$ 6.78

<CAPTION> PROPERTY LOCATION	TENANTS
<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.	Fleming Companies, Inc.
Glendale, WI 7601 N. Port Washington Rd.	Fleming Companies, Inc.
Oconomowac, WI 630 E. Wisconsin Ave.	Fleming Companies, Inc.
Total/Weighted Average	

(1) "Total Base Rent" for the twelve months ended December 31, 1997 represents base rents received during the period, excluding tenant reimbursements, calculated in accordance with generally accepted accounting principals determined on a straight-line basis. Tenant reimbursements generally include payment of real estate taxes, operating expenses, and escalations and common area maintenance and utility charges.

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Lease Expiration -- Portfolio Total

The following table sets forth a summary schedule of the lease expirations for the Company's Properties for leases in place as of December 31, 1997, assuming that none of the tenants exercise renewal options.

<TABLE>
<CAPTION>

EXPIRING	YEAR OF LEASE EXPIRATION	NUMBER OF LEASES EXPIRING	SQUARE FOOTAGE OF EXPIRING LEASES	PERCENTAGE OF TOTAL LEASED SQUARE FEET	TOTAL BASE RENT OF EXPIRING LEASES (\$000) (1)	TOTAL BASE RENT OF LEASES PER RENTABLE SQUARE FOOT
(1)						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
1998.....		0	0	0.0%	\$ 0	\$ 0.00
1999.....		2	4,420	0.2%	56	12.65
2000.....		3	33,766	1.8%	503	14.90
2001.....		4	71,263	3.9%	972	13.63
2002.....		6	208,632	11.3%	1,940	9.30
2003.....		0	0	0.0%	0	0
2004.....		0	0	0.0%	0	0
2005.....		0	0	0.0%	0	0
2006.....		2	97,510	5.3%	1,068	10.96
2007.....		2	35,164	1.9%	650	18.50
2008 and beyond.....		10	1,399,549	75.6%	14,710	10.51
		--				
Total.....		29	1,850,304	100.0%	\$ 19,900	\$ 10.76
		--				
		--				

<CAPTION>

YEAR OF LEASE EXPIRATION	PERCENTAGE OF TOTAL BASE RENT EXPIRING (1)
--------------------------------	---

<S>	<C>	
1998.....		0.0%
1999.....		0.3%
2000.....		0.4%
2001.....		0.4%
2002.....		16.5%
2003.....		0.0%
2004.....		0.0%
2005.....		0.0%
2006.....		2.9%
2007.....		2.9%
2008 and beyond.....		69.9%

Total.....		100.0%

</TABLE>

(1) "Total Base Rent" represents base rents for expiring leases, excluding tenant reimbursements, calculated in accordance with generally accepted accounting principals determined on a straight-line basis. Tenant reimbursements generally include payment of real estate taxes, operating expenses, and escalations and common area maintenance and utility charges.

MAJOR PROPERTIES

PHILADELPHIA REGION

The Company owns four properties in the Blue Bell/Plymouth Meeting/Fort Washington submarket.

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 has exercised its option to occupy 100% of the building commencing 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 commencing on January 1, 1999. Under

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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.

The aggregate undepreciated tax basis of depreciable real property for 785 Jolly Road for Federal income tax purposes was \$9,987,000 as of December 31, 1997. Depreciation is computed on the straight-line method over 40 years.

The current real estate tax for 785 Jolly Road is \$31.622 per \$100 of assessed value. The total annual tax for 785 Jolly Road at this rate for the 1997-1998 tax year is \$289,942 (at an assessed value of \$916,900). The entire county was revalued in 1998 and as a result, the real estate assessment increased to \$16,114,020. As a result of the revaluation, the taxing authorities will adjust downward the real estate tax rates.

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 though 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 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.

The aggregate undepreciated tax basis of depreciable real property for 751 Jolly Road and 753 Jolly Road for Federal income tax purposes was \$24,592,000 as of December 31, 1997. Depreciation is computed on the straight-line method over 40 years.

The 1997 real estate tax for 751 Jolly Road and 753 Jolly Road is \$31.622 per \$100 of assessed value. The total annual tax for 751 Jolly Road and 753 Jolly Road at this rate for the 1997-98 tax year is \$389,614 (at an assessed value of \$1,232,100). The entire county was revalued in 1998 and as a result, the real estate assessment increased to

\$29,050,890. As a result of the revaluation, the taxing authorities will adjust downward the real estate tax rates.

- 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.

The aggregate undepreciated tax basis of depreciable real property for 760 Jolly Road for Federal income tax purposes was \$9,125,000 as of December 31, 1997. Depreciation is computed on the straight-line method over 40 years.

The current real estate tax for 760 Jolly Road is \$31.622 per \$100 of assessed value. The total annual tax for 760 Jolly Road at this rate for the 1997-1998 tax year is \$235,078 (at an assessed value of \$743,400). The entire county was revalued in 1998 and as a result, the real estate assessment increased to \$15,703,760). As a result of the revaluation, the taxing authorities will adjust downward the real estate tax rates.

The following table sets forth information for 785 Jolly Road, 751 Jolly Road, 753 Jolly Road and 760 Jolly Road, collectively:

<TABLE>
<CAPTION>

YEAR-END	PERCENT LEASED	ANNUALIZED RENT PER LEASED SQUARE FOOT	ANNUAL NET EFFECTIVE RENT PER LEASED SQUARE FOOT
-----	-----	-----	-----
<S>	<C>	<C>	<C>
1997	100%	\$ 9.27	\$ 9.27
1996	100%	9.09	9.09
1995	100%	8.91	8.91
1994	100%	8.74	8.74
1993	100%	8.57	8.57

</TABLE>

PRINCETON REGION

The Company owns three properties in the Exit 8A--Cranbury submarket.

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 square feet three-story building on 14 acres. TCG is a 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 1997 and provides the latest in technologically advanced telecommunications and electronics capabilities.

The following table sets forth certain information for 429 Ridge Road:

<TABLE>
 <CAPTION>

YEAR-END	PERCENT LEASED	ANNUALIZED RENT PER LEASED SQUARE FOOT	ANNUAL NET EFFECTIVE RENT PER LEASED SQUARE FOOT
-----	-----	-----	-----
<S>	<C>	<C>	<C>
1997	100%	\$ 17.62	\$ 12.62
1996	61%	17.62	12.62
1995	0%	0.00	0.00

</TABLE>

The aggregate undepreciated tax basis of depreciable real property for 429 Ridge Road for Federal income tax purposes was \$7,770,000 as of December 31, 1997. Depreciation is computed on the straight-line method over 40 years.

The current real estate tax for 429 Ridge Road is \$2.48 per \$100 of assessed value. The total annual tax for 429 Ridge Road at this rate for the 1997-1998 tax year is \$119,640 (at an assessed value of \$4,824,200).

- 437 Ridge Road: The second of the buildings leased to TCG consists of a 30,000 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. The Chief Executive Officer and other executive officers work out of this facility. 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 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 following table sets forth certain information for 431 Ridge Road:

<TABLE>
 <CAPTION>

YEAR-END	PERCENT LEASED	ANNUALIZED RENT PER LEASED SQUARE FOOT	ANNUAL NET EFFECTIVE RENT PER LEASED SQUARE FOOT
-----	-----	-----	-----
<S>	<C>	<C>	<C>
1997	100%	\$ 16.28	\$ 8.50
1996	100%	16.35	8.50
1995	100%	16.68	8.50

</TABLE>

The aggregate undepreciated tax basis of depreciable real property for 431 Ridge Road for Federal income tax purposes was \$7,082,000 as of December 31, 1997. Depreciation is computed on the straight-line method over 40 years.

The current real estate tax for 431 and 437 Ridge Road is \$2.48 per \$100 of assessed value. The total annual tax for 431 and 437 Ridge Road at this rate for the 1997-1998 tax year is \$190,305 (at an assessed value of \$7,673,600).

ITEM 3. LEGAL PROCEEDINGS

The Company is not currently involved in any material litigation nor, to the Company's knowledge, is any material litigation 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 4. SUBMISSIONS OF MATTERS TO A VOTE OF SECURITY HOLDERS

The following matter was submitted to a vote of security holders during the Company's fourth quarter:

<TABLE>		<C>	
<S>		<C>	
(a) Meeting type and date		Special Meeting held on December 22, 1997	
(b) Directors elected at meeting		Not applicable	
(c) Description of each matter voted on at meeting			
</TABLE>			
<TABLE>		<C>	
<S>		<C>	
Resolution to change the name of the Company from Royale Investments, Inc. to Corporate Office Properties Trust, Inc.		Results of votes	
		For	1,339,185.241
		Against or withheld	17,390.559
		Abstentions and broker non-votes	15,609.826
</TABLE>			

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

PRICE RANGE OF COMMON STOCK AND DISTRIBUTIONS

The Common Shares are listed for trading on NASDAQ under the symbol "COPT." Prior to January 1, 1998, the Common Stock was listed on NASDAQ 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 per share of Common Stock declared and paid, prior to the Company Reformation, and per Common Share thereafter. The quotations shown represent interdealer prices without adjustment for retail markups, markdowns or commissions, and may not reflect actual transactions.

<TABLE>		LOW		HIGH	
<CAPTION>					
DISTRIBUTION		-----		-----	
--					
<S>		<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.....		9.750	14.000	0.150	
(through March 20, 1998)					
</TABLE>					

On September 5, 1997, the last trading day before the announcement of the Transactions, the last sale price for 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 March 20, 1998, the last sale price for the Common Stock, as reported on NASDAQ, was 13-7/8 share. The approximate number of holders of record of the shares of Common Stock was approximately 228 as of March 20, 1998.

During 1997, the Company made regular quarterly cash distributions to its shareholders based upon a quarterly distribution of \$0.125 per Common Share or \$0.50 per Common Share annualized. On March 16, 1998, the Board of Directors increased its quarterly dividend to \$0.15 per Common Share or \$0.60 per Common Share annualized (or an annual distribution rate of approximately 4.3% based on the last trade price of the Common Shares on NASDAQ on March 20, 1998).

Future distributions by the Company, however, will be at the discretion of the Board of Trustees. The Company'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

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properties held directly by the Company, (iii) cash generated by financing transactions and (iv) the annual distribution requirements under the REIT provisions of the Code described above and such other factors as the Board of Trustees deems relevant. The ability of the Company to make cash distributions will also be limited by the terms of the Operating Partnership Agreement and the Property Financing as well as limitations imposed by state law and the agreements governing any future indebtedness of the Company or the Operating Partnership.

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ITEM 6. SELECTED FINANCIAL DATA

Corporate Office Properties Trust, Inc.

The following selected financial data as of and for each of the years ended December 31, 1993 through 1997 has been derived from and should be read in conjunction with the Company's audited financial statements for those years. The information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," the consolidated financial statements and the notes thereto of the Company included elsewhere in this form 10-K.

<TABLE>
<CAPTION>

	HISTORICAL				
	1997	1996	1995	1994	1993
	(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)				
	<C>	<C>	<C>	<C>	<C>
Operating Data:					
Revenue:					
Rental income.....	\$ 6,122	\$ 2,477	\$ 2,436	\$ 2,038	\$ 1,073
Tenant recoveries and other income.....	496	32	48	217	70
Total revenue.....	6,618	2,509	2,484	2,255	1,143
Expenses:					
Interest.....	2,855	1,246	1,267	1,098	461
Depreciation and amortization.....	1,331	567	567	476	256
Property expenses.....	728	31	42	43	63
General and administrative.....	533	372	336	337	183
Termination of Advisory Agreement(1).....	1,353				

Total expenses.....	6,800	2,216	2,212	1,954	963
Income (loss) before minority interests.....	(182)	293	272	301	180
Income allocated to minority interests.....	(785)	0	0	0	0
Net income (loss) (1).....	\$ (967)	\$ 293	\$ 272	\$ 301	\$ 180

Net income (loss) per common share (1).....	\$ (0.60)	\$ 0.21	\$ 0.19	\$ 0.21	\$ 0.17

Cash dividends/distributions declared.....	\$ 816	\$ 710	\$ 710	\$ 1,207	\$ 923

Cash dividends/distributions per share.....	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.85	\$ 0.88

Balance Sheet Data (as of period end):

Real estate investments, net of accumulated depreciation.....	\$ 188,625	\$ 23,070	\$ 23,624	\$ 24,179	\$ 15,110
Total assets.....	193,534	24,197	24,779	25,647	18,882
Mortgages payable.....	114,375	14,658	14,916	15,153	7,450
Total liabilities.....	117,008	15,026	15,191	15,620	7,950
Minority interests.....	64,862				
Stockholders' equity.....	11,664	9,171	9,588	10,026	10,932

Other Data:

Cash flows provided by (used in):					
Operating activities.....	\$ 3,216	\$ 840	\$ 678	\$ 690	\$ 358
Investing activities.....	973	127	(551)	(9,511)	(5,461)
Financing activities.....	(1,052)	(967)	(1,001)	6,357	7,829
Funds from operations (2).....	1,718	847	827	768	437
Weighted average shares outstanding (in thousands)...	1,601	1,420	1,420	1,420	1,065

Property Data (as of period end):

Number of properties owned.....	17	7	7	7	4
Total rentable square feet owned (in thousands).....	1,852	370	370	370	215

</TABLE>

(1) Reflects a non-recurring termination expense of \$1,353 for the year ending December 31, 1997 associated with the termination of the Advisory Agreement, which was paid in the form of Common Stock. See "Part I. Item 1. Business."

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(2) The White Paper on Funds from Operations approved by the Board of Governors of NAREIT in March 1995 defines FFO as net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from debt restructuring and sales of properties, plus real estate related depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures. The Company believes that FFO is helpful to investors as a measure of the financial performance of an equity REIT because, along with cash flow from operating activities, financing activities and investing activities, it provides investors with an indication of the ability of the Company to incur and service debt, to make capital expenditures and to fund other cash needs. The Company computes FFO in accordance with standards established by NAREIT which may not be comparable to FFO reported by other REITs that do not define the term in accordance with the current NAREIT definition or that interpret the current NAREIT definition differently than the Company. FFO does not represent cash generated from operating activities determined in accordance with GAAP and should not be considered as an alternative to net income (determined in accordance with GAAP) as an indication of the Company's financial performance or to cash flow from operating activities (determined in accordance with GAAP) as a measure of the Company's liquidity, nor is it indicative of funds available to fund the Company's cash needs, including its ability to make cash distributions.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

The following discussion should be read in conjunction with Selected Financial Data and the Consolidated Financial Statements and the Notes thereto of the Company.

The Company was formed in 1988 to own and acquire net lease retail properties. The Company did not commence operations until February 1990 and filed its initial public offering of Common Stock on December 31, 1991. On June 25, 1992, the Company acquired two net leased retail properties. On June 30, 1993, the Company sold additional shares of Common Stock in a public offering. During 1993 and 1994, the Company purchased five additional net leased retail properties.

On October 14, 1997, the Company completed the Transactions. For the purposes of the Transactions, 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). The aggregate consideration issued in the Transactions by the Company and the Operating Partnership 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 partner 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. Concurrently with the closing of the Transactions, the Advisory Agreement between Crown Advisors and the Company was terminated, and the Company entered into the Management Agreement with Glacier. A non-recurring termination expense of \$1.4 million, paid in the form of shares of Common Stock (net of certain shares retired), was incurred as a result of the termination of the Advisory Agreement. As a result of the Transactions, the Company became self-administered.

On January 1, 1998, the Company changed its name to Corporate Office Properties Trust, Inc. On March 16, 1998, the Company was reformed as a Maryland real estate investment trust and changed its name to Corporate Office Properties Trust. In connection with the Reformation, each share of Common Stock was exchanged for one Common Share in Corporate Office Properties Trust. On March 6, 1998, the Company filed a preliminary Registration Statement on Form S-11 for the issuance of 7,500,000 Common Shares.

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The Company accounted for the acquisition of the Office Properties under purchase accounting requirements; therefore, the operating results of the Company for the year ended December 31, 1997 are not directly comparable to 1996.

RESULTS OF OPERATIONS

Comparison of the Years Ended December 31, 1997 and 1996: Total revenues increased from \$2.5 million for the year ended December 31, 1996 to \$6.6 million for the year ended December 31, 1997, an increase of \$4.1 million or 164%. Of this increase, \$3.6 million results from an increase in base rents, substantially all of which is attributable to the acquisition of the Office Properties. Tenant recoveries totaled \$.4 million in 1997 as compared to none in 1996 due to tenant recoveries attributable to leases on the Office Properties.

Total expenses increased from \$2.2 million for the year ended December 31, 1996 to \$6.8 million for the year ended December 31, 1997, an increase of 207%, of which \$1.4 million of the change represented a non-recurring charge related to the termination of the Advisory Agreement. The remaining \$3.2 million increase was attributable to increased interest expense (\$1.6 million), increased depreciation and amortization (\$.7 million), increased property expenses (\$.7 million), and increased general and administrative expenses (\$.2 million), primarily as a result of the acquisition of the Office Properties.

Depreciation and amortization increased from \$567,000 in 1996 to \$1.3 million in 1997, an increase of 129%, as a result of the Transactions. Interest expense increased from \$1.2 million in 1996 to \$2.9 million in 1997, an increase of 129%, primarily as a result of borrowings under the Property Financing, offset slightly by decreased interest expense on the retail properties' mortgages.

General and administrative expenses increased from \$372,000 in 1996 to \$533,000 in 1997 resulting from the conversion of the Company from an externally-advised REIT to a self-administered REIT. During 1997, the REIT commenced administrative operations and incurred payroll expenses of \$102,000 and office overhead expenses of \$34,000 not incurred previously. General and administrative expenses also increased due to higher professional fees as a result of the change in corporate structure, partially offset by a reduction in the advisory fees resulting from the termination of the Advisory Agreement.

As a result of the above factors, net income before minority interests decreased from income of \$293,000 for the year ended December 31, 1996 to a loss of \$182,000 for the year ended December 31, 1997. Net income decreased from income of \$293,000 for 1996 to a loss of \$1.0 million for 1997 attributable primarily to the existence of minority interests resulting from the new structure of the Company following the Transactions, as well as the factors described above.

Comparison of the Years Ended December 31, 1996 and 1995: Total revenues were approximately \$2.5 million for both the year ended December 31, 1995 and the year ended December 31, 1996. The increase of \$41,000 in total rental revenue in 1996 resulted from contractual rent increases in two of the Retail Properties based on increases in the Consumer Price Index partially offset by a decrease in interest income due to a reduction in cash and marketable securities.

Total expenses were approximately \$2.2 million for both the year ended December 31, 1995 and the year ended December 31, 1996. Because all of the properties owned by the Company in 1995 and 1996 were triple net leased, all operating expenses relating to the Company's properties, such as utilities, property taxes, repairs and maintenance and insurance, are the responsibility of the Com-

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pany's tenants. The increase of \$4,000 in total expense in 1996 consists of an increase in general and administrative expenses, consisting primarily of professional fees, travel expense and state income taxes, offset by a decrease in mortgage interest expense, due to a reduction in mortgage principal of approximately \$257,000 during the year. Operation and management expenses consisting mainly of fees paid to Crown pursuant to the Advisory Agreement, and depreciation expense, remained relatively unchanged between 1995 and 1996.

As a result of the above described factors and a charge to operations in 1996 for an unsuccessful attempt to raise capital and acquire additional properties, net income increased from \$272,000 for the year ended December 31, 1995 to \$293,000 for the year ended December 31, 1996.

LIQUIDITY AND CAPITAL RESOURCES

Historically, cash provided from operations represented the primary source of liquidity to fund distributions, pay debt service and fund working capital requirements. The Company expects to continue to meet its short-term capital needs from property cash flow, including all property expenses, general and administrative expenses, dividend and distribution requirements and recurring capital improvements and leasing commissions. The Company does not anticipate borrowing to meet these requirements.

On October 14, 1997, the Company completed the Transactions including the assumption of \$100 million of the Property Financing and the issuance of \$70 million of equity consisting of (i) \$3.3 million in shares of Common Stock, (ii) \$14.2 million in Partnership Units and (iii) \$52.5 million in Preferred Units, including the Retained Interests. The aggregate purchase price for the Office Properties was \$169 million and \$1 million of cash was provided for working capital to the Operating Partnership.

To meet long-term capital needs, the Company has historically relied primarily on fixed-rate secured financing for the acquisition, redevelopment and improvement of the Properties. The Property Financing consists of a \$100 million facility bearing interest at an annual rate of 7.5%, and is prepayable at any time. The loan requires payments of interest only through its term and matures on October 13, 2000 unless extended for one or two one-year extensions.

On March 5, 1998, the Company filed a Registration Statement on Form S-11 outlining the Offering for the issuance of 7,500,000 Common Shares. The Company intends to use the proceeds to acquire 7,500,000 Partnership Units and increase its percentage interest in the Operating Partnership to approximately 71.8%. The Operating Partnership intends to use \$70 million of such net proceeds to repay indebtedness outstanding under the Property Financing, the lender of which is an affiliate of BT Alex. Brown Incorporated, one of the Underwriters in the Offering. Any remaining net proceeds will be used by the Operating Partnership for acquisitions and general business purposes.

In March 1998, the Company has entered into a conditional agreement with Bankers Trust Company pursuant to which the Company has been granted the right to reborrow, in minimum amounts of \$20 million (or the remaining undrawn amount, if less), the entire \$70 million repaid with the net proceeds of the Offering for the purpose of acquiring commercial office building real property and paying related fees and expenses. This right must be exercised within nine months of the date of the Offering. Prior to the end of the nine-month period, the Company may reborrow the remaining amount of the prepayment not previously reborrowed and use the proceeds to purchase marketable securities in which Bankers Trust Company will have a security interest. The Company may not re-

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borrow the \$70 million unless there are no defaults or events of default under the Property Financing, the Company provides Bankers Trust Company with satisfactory assurances that Bankers Trust Company has a first priority lien on the existing Office Properties for the entire amount of the loan outstanding under the Property Financing and the Company pays certain draw down fees. The Company will pay an unused facility fee for the period between prepayment and reborrowing. There is no assurance that the Company will consummate the Offering, or repay or reborrow the \$70 million of Property Financing.

To further meet long-term capital needs, the Company is presently negotiating with Bankers Trust Company, an affiliate of BT Alex. Brown Incorporated, one of the Underwriters in the Offering, regarding a separate credit facility which is intended to be utilized to facilitate acquisitions, renovations, tenant improvements and leasing commissions. Acquisitions may also be financed through net cash provided from operations or equity issuances. There is no assurance that the Company will be able to obtain such credit facility or that such credit facility will be adequate to fund its acquisition and capital program.

The Company has no contractual obligations for property acquisition or material capital costs, other than tenant improvements in the ordinary course of business. The Company expects to meet its long-term capital needs through a combination of cash from operations, additional borrowings, additional equity issuances of Common Shares, Partnership Units and/or Preferred Units.

STATEMENT OF CASH FLOWS

During the year ended December 31, 1997, the Company generated \$3.2 million in cash flow from operating activities which, together with \$1.0 million of proceeds from the Transactions, initial cash balances of \$0.3 million and marketable securities net proceeds of \$0.5 million, were used in part for (i) property costs in the Transactions of \$0.5 million, (ii) costs relating to Common Stock issued in the Transactions of \$0.1 million, (iii) dividends paid of \$0.7 million and (iv) repayments of mortgage loans of \$0.3 million. As a result, the cash balances increased to \$3.4 million at December 31, 1997 from \$0.3 million at December 31, 1996.

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FUNDS FROM OPERATIONS

The Company considers FFO to be helpful to investors as a measure of the financial performance of an equity REIT. In accordance with NAREIT's definition, FFO is defined as net income (loss) computed in accordance with GAAP, excluding gains (or losses) from debt restructuring and sales of property, plus real estate-related depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures. FFO does not represent cash generated from operating activities determined in accordance with GAAP and should not be considered as an alternative to net income (determined in accordance with GAAP) as an indication of the Company's financial performance or to cash flow from operating activities (determined in accordance with GAAP) as a measure of the Company's liquidity, nor is it indicative of funds available to fund the Company's cash needs, including its ability to make cash distributions. Other REITs may not define FFO in accordance with the current NAREIT definition or may interpret the current NAREIT definition differently from the Company. FFO for the years ended December 31, 1997 and 1996, as calculated in accordance with the NAREIT definition published in March 1995, are summarized in the following table (in thousands).

<TABLE>
<CAPTION>

	HISTORICAL	
	YEAR ENDED DECEMBER 31,	
	1997	1996
	-----	-----
<S>	<C>	<C>
(Loss) income before minority interests.....	\$(182)	\$ 293
Add: Nonrecurring charge--		
Advisory Agreement termination cost.....	1,353	--
Real estate related depreciation and		
Add: amortization.....	1,267	554
Less: Preferred Unit distributions.....	(720)	--
	-----	-----
Funds from operations.....	\$1,718	\$ 847
	-----	-----
Weighted average Common Shares/Units		
outstanding (1).....	2,153	1,420
	-----	-----

</TABLE>

(1) Assumes redemption of all Partnership Units, calculated on a weighted average basis for Common Shares. Excludes the weighted average effect of the conversion of 1,913,545 Preferred Units into 6,834,035 Partnership Units which are, in turn, redeemable for 6,834,035 Common Shares. Includes 282,508 Common Shares issuable upon redemption of Partnership Units issuable upon the transfer of the Retained Interests.

INFLATION

Inflation has not generally had a significant impact during the periods presented on the Company or the Office Properties because of the relatively low inflation rates in the markets in which they operate. Most of the Company's or the Office Properties' tenants are contractually obligated to pay their share of operating expenses, thereby reducing exposure to increases in such costs resulting from inflation.

PROSPECTIVE ACCOUNTING STANDARDS

In 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards (SFAS) Nos. 130, "Reporting Comprehensive Income," and 131, "Disclosures About Segments of an Enterprise and Related Information." Both statements are effective for the Company beginning January 1, 1998. The statements, both of which are disclosure-related only, are not expected to materially impact the Company's financial reporting disclosures.

At its March 1998 meeting the Emerging Issues Task Force ("EITF") of the FASB reached a consensus (EITF 97-11) that internal pre-acquisition of operating properties should be expensed as incurred. The Company cannot determine the impact of adopting EITF 97-11 on its future operating results.

Year 2000

The Year 2000 issue is the result of computer programs being written using two digits rather than four to define the applicable year. Any of the Company's computer systems that have date-sensitive software or microprocessors may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in a system failure or miscalculations causing disruptions of operations, including, among other things, a temporary inability to process transactions, send invoices or engage in similar business activities.

The Company has evaluated its systems and determined that the software currently in use is substantially year 2000 compliant. The software vendor has agreed to make minor modifications in the software to make it fully year 2000 compliant by December 31, 1998 at no additional cost to the Company. The Company presently believes that with these modifications, the Year 2000 issue will not have a material adverse impact on the operations and financial condition of the Company. However, even if such modifications are not timely completed, the Year 2000 issue is not expected to have a material adverse impact on the operations, financial condition and cash flows of the Company.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

After the acquisition of the Office Properties, the Company changed its certifying accountant from Lurie, Besikof, Lapidus & Co., LLP ("Lurie") to Coopers & Lybrand L.L.P. ("C&L"). On October 31, 1997, C&L was appointed by the Board of Directors as the Company's independent public accountant 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.

PART III

ITEM 10. TRUSTEES AND EXECUTIVE OFFICERS OF THE COMPANY

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

NAME CLASS	AGE	POSITION
Jay H. Shidler.....	51	Chairman of the Board of Trustees

III		
Clay W. Hamlin, III.....	53	President, Chief Executive Officer and Trustee
III		
		Vice President and Vice Chairman of the Board of
Vernon R. Beck.....	56	Trustees I
Kenneth D. Wethe.....	56	Trustee
II		
Allen C. Gehrke.....	63	Trustee
I		
William H. Walton.....	45	Trustee
II		
Kenneth S. Sweet, Jr.....	65	Trustee
III		
Antony P. Bernheim.....	38	Vice President, Chief Investment Officer
Thomas D. Cassel.....	39	Vice President, Finance and Treasurer
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 was appointed Chairman of the Board of Directors upon the closing of the Transactions. 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 totaling 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 Company. Mr. Hamlin was appointed director and President and Chief Executive Officer of the Company upon the closing of the Transactions. Mr. Hamlin joined The Shidler Group in May 1989, as Managing Partner of The Shidler Group's Mid-Atlantic regional office and acquired, managed and leased over four 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 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

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affiliations include the Urban Land Institute, NAREIT, 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 Company. Mr. Beck was elected a director of the Company in January 1990. 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 substantially all of the interests in Glacier Realty LLC.

Kenneth D. Wethe is a Trustee of the Company. Mr. Wethe was elected a director of the Company in January 1990. 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 Company. Mr. Gehrke was elected a director of the Company in May 1995. 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 Company. Mr. Walton was appointed a director of the Company upon the closing of the Transactions. 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 Company. Mr. Sweet was appointed a director of the Company upon the closing of the Transactions. 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.

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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 P. 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 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 and Treasurer 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 D. Parsinen has been Secretary of the Company since January 1990. Mr. 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 substantially all of the interests in Glacier Realty LLC.

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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.

CERTAIN INFORMATION REGARDING THE BOARD OF TRUSTEES AND COMMITTEES

THE BOARD OF TRUSTEES. The business and affairs of the Company are 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 for a term expiring at the annual meeting of shareholders to be held in 1999, Class II will hold office for a term expiring at the annual meeting of shareholders to be held in 2000, and Class III will hold office for a term expiring at the annual meeting of shareholders to be held in 2001. At each annual meeting of the shareholders of the Company, 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.

COMMITTEES. The Company has a standing Audit Committee, which currently consists of Mr. Wethe (Chairman), 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) the engagement of independent auditors and range of audit fees, (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, administers stock option plans and other incentive plans and approves employment contracts.

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

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COMPENSATION OF TRUSTEES. Independent Trustees (Messrs. Gehrke, Sweet, Walton and Wethe) will receive an annual fee of \$15,000. Trustees incurring travel expenses in connection with their duties as trustees of the Company are reimbursed in full. Each Trustee is eligible to participate in the Incentive Plan. The Compensation Committee intends to grant to each Trustee who is not an employee of the Trust, upon initial election or appointment, an option to purchase 5,000 Common Shares, at the then fair market value of the Common Shares

Compliance with Section 16(a) of the Securities Exchange Act of 1934

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company's officers, Trustees and persons who own more than 10% of the Stock to file reports of ownership and changes in ownership with the Securities Exchange Commission and the NASDAQ Small CAP. Officers, Trustees and greater than 10% stockholders are required by regulation to furnish the Company with copies of all Section 16(a) forms they file.

Based solely on review of the copies of such forms furnished to the Company, or written representation that no Annual Statements of Beneficial Ownership of Securities on Form 5 were required, the Company believes that during the fiscal year ended December 31, 1997, all Section 16(a) filing requirements applicable to its officers, Trustees and greater than 10% Stockholders were complied with.

ITEM 11. 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 five most highly compensated officers of the Company.

<TABLE>
<CAPTION>

SUMMARY COMPENSATION TABLE

NAME	PRINCIPAL POSITION	1997 ACTUAL SALARY	BASE ACTUAL SALARY
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 and Treasurer	22,038	90,000
David P. Hartsfield.....	Vice President, Operations and Development	16,000	80,000
James K. Davis, Jr.....	Vice President, Acquisitions	13,000	65,000

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Options Grants in Fiscal Year 1997

<TABLE>
<CAPTION>

REALIZABLE VALUE	NUMBER OF COMMON SHARES	PERCENT OF TOTAL OPTIONS GRANTED IN FISCAL YEAR	EXERCISE PRICE PER COMMON SHARE	POTENTIAL OF ASSUMED OF COMMON PRICE FOR OPTION
ANNUAL RATE APPRECIATION	UNDERLYING	TOTAL OPTIONS	PRICE PER COMMON	FOR OPTION
TERM (2)	OPTIONS	GRANTED IN	COMMON	EXPIRATION
NAME	GRANTED (1)	FISCAL YEAR	SHARE	DATE
10%				5%

<S>	<C>	<C>	<C>	<C>	<C>	<C>
Clay W. Hamlin, III.....	2,500	14.3%	\$ 7.59	10/14/2007	\$ 11,933	\$ 30,241

- (1) All options are granted at the fair market value of the Common Shares at the date of grant. Options granted are for a term of ten years from the date of grant and vest one year after the date of grant.
- (2) In accordance with the rules of the Securities and Exchange Commission (the "Commission"), these amounts are the hypothetical gains or "option spreads" that would exist for the options based on assumed rates of annual compound share price appreciation of 5% and 10% from the date the options are granted over the full option term. No gain to the optionee is possible without an increase in the market price of the Common Shares, which would benefit all shareholders.

Other than as set forth above, none of the other 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 of Trustees based upon a recommendation of the Compensation Committee.

EMPLOYMENT AGREEMENTS

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 of Trustees, 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.

Mr. Cassel has entered into an employment agreement with the Company. The agreement is for a term of three 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 of Trustees, 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. Cassel based upon constructive termination. The agreement

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also provides for certain payments to be made to Mr. Cassel in the event of a Change in Control (as defined in the agreement). Mr. Cassel 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. Cassel 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.

THE PLANS

THE OPTION PLAN. Since 1993, the Company has maintained the Option Plan. A total of 75,000 shares of Common Stock were reserved for issuance under the Option Plan. Each director of the Company was eligible to participate in the Option Plan. The Option Plan provided that each director received, 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 Option Plan also provided 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 of Directors of the Company. The options become exercisable in full one year after date of grant and expire ten years from the date of grant. Options representing 75,000 shares of Common Stock have been granted under the Option Plan, with options representing 70,000 Common Shares remaining unexercised as of March 20, 1998. The Company does not intend to issue any more options under the Option Plan.

THE INCENTIVE PLAN. In connection with the Company Reformation, the Board of Trustees adopted, and the shareholders of the Company approved, the 1998 Long Term Incentive Plan for the purpose of attracting, retaining and motivating employees and trustees of the Company. The Incentive 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 Incentive Plan is 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 Company, the Operating Partnership and other subsidiaries of the Company, and designated affiliates of the Company will be eligible for selection by the Administrator to participate in the Incentive Plan. The maximum number of Common Shares with respect to which options may be granted during a calendar year to any participant under the Incentive Plan will be 200,000 Common Shares, subject to adjustment for certain recapitalization or reorganization transactions. No awards may be granted under the Incentive Plan after March 2008.

The Incentive 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 Incentive Plan) which may be granted alone or in conjunction with share options (each an "Award"). The Administrator determines the type and number of Awards granted, the terms and conditions of any Award and may adopt, amend, waive and rescind the rules and regulations necessary to administer the Incentive Plan, among other things. In connection with the grant of options under the Incentive 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 Incentive 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

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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 Incentive Plan. Payment of the exercise price of an option granted under the Incentive 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.

Options to purchase an aggregate of 20,000 Common Shares were granted to the independent Trustees on March 12, 1998 at a purchase price of \$12.25 (options to purchase 5,000 Common Shares granted to each of Messrs. Gehrke, Sweet, Walton and Wethe) which vest one year after the date of grant. Options to purchase 25,000 Common Shares were granted to Mr. Cassel on March 12, 1998 at a purchase price of \$12.25 which vest proratably over three years following the date of grant. These options expire ten years after their date of grant.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table contains certain information as of March 20, 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	13.21%
Jay H. Shidler.....	300,000	13.21%
Vernon R. Beck.....	151,793 (2)	6.65%
John Parsinen.....	151,965 (1) (3)	6.66%
Allen C. Gehrke.....	7,750 (4)	*
Kenneth S. Sweet, Jr.....	10,000 (1)	*
William H Walton.....	--	0.00%
Kenneth D. Wethe.....	12,724 (2)	*
Antony P. Bernheim.....	7,500	*
Thomas D. Cassel.....	660 (1)	*
All Directors and Executive Officers..... as a Group (10 persons)	942,392 (5)	40.73%

- -----
* 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) Includes 12,500 shares of Common Stock issuable upon exercise of presently exercisable options.
- (3) Includes 10,000 shares of Common Stock issuable upon exercise of presently exercisable options.
- (4) Includes 7,500 shares of Common Stock issuable upon exercise of presently exercisable options.
- (5) Includes 42,500 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
<S>	<C>	<C>	<C>
General Partner			

The Company.....	600,000	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	0.1805%	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	0.5300%	10,142
John E. de B. Blockey, Trustee of the John E. de B. 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	0.0992%	1,898
Westbrook Real Estate Fund L.L.P.....	336,121	11.5931%	221,840
Westbrook Real Estate Co. Investment Partnership L.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 Registerable Securities certain "piggy-back" rights. The Company has agreed to indemnify the holders of Registerable 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

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with the Reformation, the Trust will assume these obligations with respect to registering Common Shares issuable upon conversion or redemption of the Units.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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

Subject to the supervision of the Company's Board of Directors, prior to October 14, 1997 the business of the Company was managed by Crown, which provided investment advisory and administrative services to the Company pursuant to 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 Vice Chairman of the Board of Trustees, respectively. Under the Advisory Agreement, the Company paid Crown certain attorney fees, expenses and performance 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 the Management Agreement with Glacier. Substantially all of the interests in Glacier are owned by Vernon R. Beck and John Parsinen. 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 of Trustees. 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.

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 Parsinen Kaplan Levy Rosberg & Gotlieb, P.A.

An officer and director of the Company is the director of a company that received management fees of approximately \$22,000 in the year ended December 31, 1997. This fee was paid for property services. The Company believes that this fee represented a payment for services not in excess of their fair market value.

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PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8K

The following documents are filed as part of this Form 10-K:

(a)

1. Financial Statements. Audited balance sheets as of December 31, 1997 and 1996, 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, 1997 are filed as part of this Form 10-K. See Index to Financial Statements on Page F-1.

(b) The Company filed the following Current Reports on Form 8-K in the last quarter of the year ended December 31, 1997.

1. Acquisition of the Shidler Acquisition Properties dated October 29, 1997 and amended December 24, 1997
2. Change of Auditors from Lurie, Besikof, Lapidus & Co., to Coopers & Lybrand, L.L.P. dated November 6, 1997

(c) Exhibits. Refer to the Exhibit Index that follows.

<TABLE>
<CAPTION>

EXHIBIT NO.	DESCRIPTION
<C>	<S>
2.1	Agreement and Plan of Merger, dated as of January 31, 1998, among the Registrant, the Maryland Company and the Company (filed with the Trust's Registration Statement on Form S-4 (Commission File No. 333-45649) and incorporated herein by reference).
2.2	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, L.P. (filed with the Company's Current Report on Form 8-K on October 29, 1997 and incorporated herein by reference).

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EXHIBIT NO.	DESCRIPTION
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 (filed with the Registrant's Registration Statement on Form S-4 (Commission File No. 333-45649) and incorporated herein by reference).
3.2	Bylaws of Registrant (filed with the Registrant's Registration Statement on Form S-4 (Commission File No. 333-45649) and incorporated herein by reference).
4.1	Form of certificate for the Registrant's Common Shares of Beneficial Interest, \$0.01 par value per share (filed with the Registrant's Registration Statement on Form S-4 (Commission File No. 333-45649) and incorporated herein by reference).
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, as amended, 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 (filed with the Registrant's Registration Statement on Form S-4 (Commission File No. 333-45649) and incorporated herein by reference).
10.6	Stock Option Plan for Directors (filed with Royale Investments, Inc.'s Form 10-KSB for the year ended December 31, 1993 (Commission File No. 0-20047) and incorporated herein by reference).

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EXHIBIT NO.	DESCRIPTION
10.7	Lease Agreement between Blue Bell Investment Company, L.P. and Unisys Corporation dated March 12, 1997 with respect to lot A (filed with the Registrant's Registration Statement on Form S-4 (Commission File No. 333-45649) and incorporated herein by reference).
10.8	Lease Agreement between Blue Bell Investment Company, L.P. and Unisys Corporation dated March 12, 1997 with respect to lot B (filed with the Registrant's Registration Statement on Form S-4 (Commission File No. 333-45649) and incorporated herein by reference).
10.9	Lease Agreement between Blue Bell Investment Company, L.P. and Unisys Corporation dated March 12, 1997 with respect to lot C (filed with the Registrant's Registration Statement on Form S-4 (Commission File No. 333-45649) and incorporated herein by reference).
10.11	Amended and Restated Lease between South Brunswick Investors L.P. and International Business Machines Corporation dated August 11, 1995, as amended (filed with the Registrant's Registration Statement on Form S-4 (Commission File No. 333-45649) and incorporated herein by reference).
10.12	Agreement of Lease between South Brunswick Investors L.P. and Teleport Communications Group, Inc. dated February 20, 1996, as amended (filed with the Registrant's Registration Statement on Form S-4 (Commission

File No. 333-45649) and incorporated herein by reference).

- 10.13 Agreement of Lease between South Brunswick Investors L.P. and Teleport Communications Group, Inc. dated August 19, 1996 (filed with the Registrant's Registration Statement on Form S-4 (Commission File No. 333-45649) and incorporated herein by reference).
- 10.14 Thomas D. Cassel Employment Agreement dated as of October 20, 1997 with the Operating Partnership.
- 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).
- 21.1 Subsidiaries of Registrant.
- 24.1 Powers of attorney (included on signature page to the Registration Statement).

EXHIBIT NO.	DESCRIPTION
26.1	Published report regarding name change of Registrant filed as proxy materials on Form 14A on December 4, 1997.
27.1	Financial Data Schedule

CORPORATE OFFICE PROPERTIES TRUST
INDEX TO FINANCIAL STATEMENTS

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Consolidated Balance Sheets as of December 31, 1996 and 1997.....		F-3
Consolidated Statements of Operations for the years ended December 31, 1995, 1996 and 1997.....		F-4
Consolidated Statements of Stockholders Equity for the years ended December 31, 1995, 1996 and 1997.....		F-5
Consolidated Statements of Cash Flows for the years ended December 31, 1995, 1996 and 1997.....		F-6
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REPORT OF INDEPENDENT ACCOUNTANTS

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS

Corporate Office Properties Trust, Inc.:

We have audited the accompanying consolidated balance sheets of Corporate Office Properties Trust, Inc. (the "Company") as of December 31, 1996 and 1997 and the related consolidated statements of operations, stockholders' equity and cash flows of the Company for each of the years in the three-year period ended December 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Corporate Office Properties Trust, Inc. as of December 31, 1996 and 1997, and the consolidated results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1997 in conformity with

generally accepted accounting principles.

Coopers & Lybrand L.L.P.
2400 Eleven Penn Center
Philadelphia, Pennsylvania

February 24, 1998

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CORPORATE OFFICE PROPERTIES TRUST, INC.
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except per share data)

<TABLE>
<CAPTION>

	DECEMBER 31,	
	-----	-----
<S>	<C> 1996	<C> 1997
	-----	-----
ASSETS		
Assets		
Land.....	\$ 5,428	\$ 38,764
Buildings and improvements.....	19,599	152,945
Furniture, fixtures and equipment.....	--	140
Less accumulated depreciation.....	(1,957)	(3,224)
	-----	-----
Net investment in real estate.....	23,070	188,625
Cash and cash equivalents.....	258	3,395
Marketable securities.....	479	--
Tenant accounts receivable.....	16	78
Deferred rent receivable.....	184	479
Deferred financing costs, net.....	185	857
Prepaid and other assets, net.....	5	100
	-----	-----
Total assets.....	\$ 24,197	\$ 193,534
	-----	-----
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Mortgage loans payable.....	\$ 14,658	\$ 114,375
Accounts payable and accrued expenses.....	190	932
Rents received in advance and security deposits.....	--	425
Dividends/distributions payable.....	178	1,276
	-----	-----
Total liabilities.....	15,026	117,008
	-----	-----
Minority interests:		
Preferred Units.....	--	52,500
Partnership Units.....	--	12,362
	-----	-----
Total minority interests.....	--	64,862
	-----	-----
Commitments and contingencies (Note 11)		
Stockholders' equity:		
Common stock (\$.01 par value; 50,000,000 authorized, 1,420,000 and 2,266,083 shares, issued and outstanding at December 31, 1996 and 1997, respectively).....	14	23
Additional paid-in capital.....	12,353	16,620
Accumulated deficit.....	(3,196)	(4,979)
	-----	-----
Total stockholders' equity.....	9,171	11,664
	-----	-----
Total liabilities and stockholders' equity.....	\$ 24,197	\$ 193,534
	-----	-----

</TABLE>

See accompanying notes to financial statements.

F-3

CORPORATE OFFICE PROPERTIES TRUST, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands, except per share data)

<TABLE>
<CAPTION>

DECEMBER	FOR THE YEARS ENDED		
	31,		
	1995	1996	1997
	<C>	<C>	<C>
Revenues			
Rental income.....	\$ 2,436	\$ 2,477	\$
6,122			
Tenant recoveries and other income.....	48	32	
496			
Total revenues.....	2,484	2,509	
6,618			
Expenses			
Property operating.....	42	31	
728			
General and administrative.....	336	372	
533			
Interest expense.....	1,267	1,246	
2,855			
Amortization of deferred financing costs.....	13	13	
64			
Depreciation.....	554	554	
1,267			
Termination of Advisory Agreement.....	--	--	
1,353			
Total expenses.....	2,212	2,216	
6,800			
Income (loss) before minority interests.....	272	293	
(182)			
Minority interests			
Preferred Units.....	--	--	
(720)			
Partnership Units.....	--	--	
(65)			
Net income (loss).....	\$ 272	\$ 293	\$
(967)			
Basic and diluted earnings (loss) per share.....	\$ 0.19	\$ 0.21	\$
(0.60)			

</TABLE>

See accompanying notes to financial statements.

CORPORATE OFFICE PROPERTIES TRUST, INC.
 CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
 (Dollars in thousands)

<TABLE>
 <CAPTION>

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	TOTAL

<S>	<C>	<C>	<C>	<C>
Balance at December 31, 1994.....	\$ 14	\$ 12,353	\$ (2,341)	\$ 10,026
Net income.....	--	--	272	
272				
Dividends.....	--	--	(710)	
(710)				

Balance at December 31, 1995.....	14	12,353	(2,779)	9,588
Net income.....	--	--	293	
293				
Dividends.....	--	--	(710)	
(710)				

Balance at December 31, 1996.....	14	12,353	(3,196)	9,171
Issuance of common stock for property acquisition and advisory agreement termination.....	9	4,267		
4,267				
Net loss.....	--	--	(967)	
(967)				
Dividends.....			(816)	
(816)				

Balance at December 31, 1997.....	\$ 23	\$ 16,620	\$ (4,979)	\$ 11,664

See accompanying notes to financial statements.

<TABLE>
 <CAPTION>

CORPORATE OFFICE PROPERTIES TRUST, INC.
 CONSOLIDATED STATEMENTS OF CASH FLOWS
 (Dollars in thousands, except per share data)

	YEAR ENDED DECEMBER		
	1995	1996	---
31,			

1997			

<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net income (loss).....	\$ 272	\$ 293	\$
(967)			
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Minority interests.....	--	--	
785			
Depreciation.....	554	554	
1,267			
Amortization of deferred financing costs.....	13	13	
64			
Advisory contract termination cost.....	--	--	
1,353			

Other amortization.....	(29)	(26)	--
Increase in deferred rent receivable.....	(67)	(67)	
(295)			
Decrease (increase) in other assets.....	2	(19)	
(158)			
(Decrease) increase in accounts payable, accrued expenses, rents received in advance and security deposits.....	(67)	92	
1,167			
-----			---
Net cash provided by operating activities.....	678	840	
3,216			
-----			---
Cash flows from investing activities:			
Proceeds from maturity of marketable securities.....	130	1,126	
1,854			
Purchase of marketable securities.....	(681)	(999)	
(1,375)			
Purchase of land and buildings.....	--	--	
(506)			
Cash proceeds received from acquisition of properties.....	--	--	
1,000			
-----			---
Net cash (used in) provided by investing activities.....	(551)	127	
973			
-----			---
Cash flows from financing activities:			
Costs attributable to Common Stock issued.....	--	--	
(59)			
Dividends paid.....	(834)	(710)	
(710)			
Repayments of mortgage loans payable.....	(237)	(257)	
(283)			
Refund of mortgage costs.....	71	--	--
-----			---
Net cash used in financing activities.....	(1,000)	(967)	
(1,052)			
-----			---
Net (decrease) increase in cash and cash equivalents.....	(873)	--	
3,137			
Cash and cash equivalents			
Beginning of year.....	1,131	258	
258			
-----			---
End of year.....	\$ 258	\$ 258	\$
3,395			
-----			---
-----			---

</TABLE>

See accompanying notes to financial statements.

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CORPORATE OFFICE PROPERTIES TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands)

1. ORGANIZATION AND FORMATION OF COMPANY

Corporate Office Properties Trust, Inc. (formerly Royale Investments, Inc.) (the "Company") is a self-administered REIT which focuses on the ownership, acquisition and management of suburban office buildings. The Company was formed in 1988 as a Minnesota corporation. The Company has qualified as a real estate investment trust ("REIT") as defined in the Internal Revenue Code (the "Code"). During the three years ended December 31, 1997, the Company directly owned seven net leased retail properties.

On October 14, 1997, the Company acquired (Note 4) a portfolio of 10 properties, representing the Mid-Atlantic suburban office operations of The Shidler Group, a national real estate investment firm (the "Office Properties"). As result of the acquisition, the Company became the sole general partner of and obtained a 20.6946% interest in the Common Units ("Partnership Units") of

Corporate Office Properties, L.P. (formerly FCO, L.P.) (the "Operating Partnership"), a partnership formed to acquire and hold partnership interests in partnerships which own the Office Properties (the "Properties Partnerships"). The General Partner of the Properties Partnerships is Corporate Office Properties Holdings, Inc. (formerly FCO Holdings, Inc.) ("COP Holdings"), a wholly owned subsidiary of the Company. In addition, the Company became self-administered by terminating its external advisory contract with Crown Advisors, Inc. ("Crown"), and currently entering into a new management contract with Glacier Realty LLC ("Glacier") for the existing retail properties. Purchase accounting was applied to the acquisition of the Office Properties.

As of December 31, 1997, the Company's portfolio included 17 commercial real estate properties leased for office and retail purposes. The Company changed its name from Royale Investments, Inc. to Corporate Office Properties Trust, Inc. on January 1, 1998.

2. BASIS OF PRESENTATION

The consolidated financial statements of the Company at December 31, 1996 and 1997 and for the years ended December 31, 1995, 1996 and 1997 include the accounts of the Company, the Operating Partnership, and COP Holdings. All intercompany transactions and balances have been eliminated in consolidation. Certain amounts from prior periods have been reclassified to conform to current year presentation. The reclassifications had no effect on net operations or stockholders' equity.

The Company, as general partner, controls the Operating Partnership; therefore consolidated financial reporting and accounting have been applied. Minority interests (Note 5) represents the 81.14% of the Partnership Units of the Operating Partnership and 100% of the Preferred Units of the Operating Partnership not owned by the Company, each of which include certain interests in the Properties Partnerships retained by the Chairman and the President of the Company ("Retained Interests").

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

REVENUE RECOGNITION

The Company recognizes rental revenue from tenants on a straight-line basis under which contractual rent changes are recognized evenly over the lease term. In the accompanying balance sheets, revenues earned in advance of contractual rental payments are recorded as deferred rent receivables while rental payments received in advance of revenue recognition are recorded as rents received in advance. Tenant recovery income includes payments from tenants for taxes, insurance and other property operating expenses and is recognized as revenues in the same period as the related expenses are incurred by the Company.

MAJOR TENANTS

During 1995 and 1996, all of the Company's rental revenue was derived from four major tenants, each of which contributed 20% or more of the total rental revenues. During 1997, four major tenants comprised 64% of total rental income, each individually represented 10% or more of the Company's total rental revenue.

GEOGRAPHICAL DIVERSITY

During 1995 and 1996, all of the Company's rental revenue was derived from properties located in the mid-west United States. During 1997, 59% of total rental revenue was derived from the office properties in the Philadelphia, Princeton and Harrisburg markets and 41% was derived from properties located in the mid-west United States.

INVESTMENT IN REAL ESTATE AND DEPRECIATION

Real estate investments are recorded at cost and are depreciated using the straight-line method over their estimated useful lives. The estimated useful lives are as follows:

<TABLE>

<S>	<C>
Building and building improvements.....	40 years
Land improvements.....	20 years

Equipment and personal property..... 5 years

</TABLE>

Construction expenditures for tenant improvements and leasing commissions are capitalized and amortized over the terms of each specific lease. Maintenance and repairs are charged to expense when incurred. Expenditures for building and other improvements are capitalized.

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Effective January 1, 1996, the Company adopted Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets to be Disposed of." This statement requires the Company to review its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Adoption of this statement had no effect on the Company's financial position or results of operations.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include all cash and liquid investments with an initial maturity of three months or less. The carrying amount approximates fair value due to the short maturity of these investments. The Company maintains its cash in bank deposit accounts which may exceed federally insured limits at times. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

DEFERRED FINANCING COSTS

The Company has capitalized as deferred costs certain expenditures related to its long-term financings. These costs are being amortized, over the terms of the related loans. Accumulated amortization totaled \$34 and \$98 as of December 31, 1996 and 1997, respectively.

INCOME TAXES

The Company intends to maintain its election to be treated as a REIT under Sections 856 through 860 of the Code. As a result, the Company generally is not subject to federal income taxation at the corporate level to the extent it distributes annually at least 95% of its REIT taxable income and meets the other conditions for qualification as a REIT under the Code, as defined in the Code, to its stockholders and satisfies certain other requirements. Accordingly, no provision has been made for federal income taxes in the accompanying financial statements.

For federal income tax purposes, the cash distributions paid to stockholders may be characterized as ordinary income, return of capital (generally non-taxable) or capital gains. Distributions declared for the year ended December 31, 1995 totaling \$710 or \$0.50 per share are characterized 30.0% (\$0.15 per share) as ordinary income and 70.0% (\$0.35 per share) as return of capital. Distributions declared for the year ended December 31, 1996 totaling \$710 or \$0.50 per share are characterized 40.0% (\$0.20 per share) as ordinary income and 60.0% (\$0.30 per share) as return of capital. Distributions declared for the year ended December 31, 1997 totaling \$816 or \$0.50 per share are characterized 45.0% (\$0.225 per share) as ordinary income and 55.0% (\$0.275 per share) as return of capital.

Earnings and profits, which will determine the taxability of distributions to shareholders, will differ from net income reported for financial reporting purposes due to the differences in the cost basis for federal tax purposes, differences in the useful lives used to compute depreciation, and differences between the allocation of the Company's net income and loss for financial reporting purposes and for tax reporting purposes.

The Company is subject to certain state and local income and franchise taxes. The provision for such state and local taxes has been reflected in general and administrative expense in the consolidated statements of income and has not been separately stated due to its insignificance. The Operating Partnership, a limited partnership, is essentially a pass-through entity; therefore, taxes, if any, are the obligations of the owners.

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EARNINGS PER SHARE ("EPS")

The Company has adopted Statement of Financial Accounting Standards No. 128, "Earnings per Share" (SFAS No. 128). Pursuant to SFAS No. 128, the Company has computed basic and diluted EPS for the years ended December 31, 1995, 1996 and 1997. Adoption of SFAS No. 128 did not impact the amounts of EPS previously reported.

The numerator utilized to calculate basic EPS and diluted EPS is the same. The weighted average common shares outstanding for purposes of basic and diluted EPS calculations are as follows:

<TABLE>
<CAPTION>

	1995	1996	1997
	-----	-----	-----
<S>	<C>	<C>	<C>
Weighted average common shares--basic.....	1,420,000	1,420,000	1,600,807
Assumed conversion of stock options.....	249	--	--
	-----	-----	-----
Weighted average common shares diluted.....	1,420,249	1,420,000	1,600,807
	-----	-----	-----

</TABLE>

Convertible Preferred Units and convertible Partnership Units could potentially dilute EPS in the future.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial instruments include short-term investments, marketable securities, tenant accounts receivable, accounts payable, accrued expenses and mortgage loans payable. The fair values of these financial instruments were not materially different from their carrying or contract values.

4. ACQUISITION OF THE OFFICE PROPERTIES

On October 14, 1997, the Company closed on the acquisition of the Office Properties. As a result of the acquisition, the Company became the sole general partner of and obtained a 20.6946% interest in the Operating Partnership, an operating partnership formed to acquire and hold the Office Properties.

In connection with the acquisition, the Company issued 600,000 shares of Common Stock (valued at \$5.50 per share, or an aggregate of \$3,300) and the Operating Partnership issued approximately 3.2 million Partnership Units (valued at \$5.50 per unit, or an aggregate of \$17,500) and 2.1 million preferred partnership units ("Preferred Units") (valued at \$25.00 per unit, or an aggregate of \$52,500). The Office Properties were also subject to \$100,000 of 7.5% mortgage financing, payable in 2000. In connection with the acquisition, acquired assets and liabilities were recorded at fair value pursuant to the purchase accounting method.

Concurrently with the acquisition, the Company issued 273,729 shares of Common Stock (valued at \$5.50 per share, or an aggregate of \$1,506) 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 whose stock is owned by two current officers of the Company, one of whom is also a current director. Further, the Company retired 27,646 shares of Common Stock previously held by Crown at the time it was acquired. The cost of the termination of the contract was \$1,353, which was charged to expense in the accompanying statement of operations.

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5. MINORITY INTEREST

As of December 31, 1997, the Operating Partnership, which is 20.6946% owned by the Company, has outstanding 3.2 million of Partnership Units (of which 600,000 are owned by the Company) and 2.1 million of Preferred Units (none which are owned by the Company).

The Partnership Units are substantially similar economically (and are convertible into) shares of common stock of the Company. The Partnership Units are convertible into shares of Company common stock subject to certain conditions beginning on September 1, 1998. As of December 31, 1997, the Company has accrued \$272 of distributions related to holders of Partnership Units.

The Preferred Units, for which each holder thereof is entitled to a 6.5% priority annual return, may be converted on or after October 1, 1999 into Partnership Units on the basis of 3.5714 Partnership Units for each Preferred Unit plus any accrued return. Income of the Operating Partnership allocated to holders of Preferred Units is also based on the aforementioned 6.5% priority annual return. As of December 31, 1997, the Company has accrued \$720 of distributions related to holders of Preferred Units.

6. MORTGAGE NOTES PAYABLE

At December 31, 1996 and 1997, the Company's mortgage loans totaled \$14,658 and \$114,375, respectively.

The Office Properties were acquired subject to mortgage indebtedness of \$100,000. The loan is a non-recourse mortgage loan collateralized by the real estate assets of the Office 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. Certain restrictive financial covenants must be complied with, the most restrictive of which are adjusted consolidated net worth, minimum property interest coverage, minimum property hedged interest coverage, minimum consolidated interest coverage, maximum consolidated unhedged floating rate debt and maximum consolidated total indebtedness.

The Retail Properties collateralize and, in certain cases, cross collateralize, mortgage loans with maturities ranging from 2004 to 2014 aggregating \$14,658 and \$14,375 as of December 31, 1996 and 1997, respectively. The mortgage loans accrue interest at rates ranging from 7.6% to 9.5%. The weighted average interest rate on these loans is 8.4%.

Aggregate maturities of the mortgage loans outstanding at December 31, 1997 are as follows:

<S>	<C>
1998	\$ 307
1999	355
2000	100,391
2001	425
2002	4,816
Thereafter	8,081

Total	\$ 114,375

</TABLE>

As of December 31, 1997, substantially all of the Company's Properties were mortgaged or subject to liens, aggregating \$188,485 of net book value.

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The Company has a revolving credit agreement with a bank whereby the Company can borrow up to \$100 at an annual interest rate equal to prime. Interest is payable monthly with the principal due April 10, 1998. At December 31, 1997, no amounts were borrowed against the note.

7. STOCK OPTIONS AND COMMON STOCK WARRANTS

In April 1993, the Company adopted a stock option plan ("Plan") for directors which provides for the grant of an option to purchase 2,500 shares of common stock to a director upon appointment or election, and upon each re-election. The purchase price of the stock will be the fair market value at the time the option is granted. The options are exercisable beginning on the first anniversary of their grant and expire ten years after the date of grant. The Company has reserved 75,000 shares of common stock for issuance pursuant to the Plan.

The following summarizes transactions in the Plan:

<S>	SHARES	EXERCISE PRICE PER SHARE	WEIGHTED AVERAGE EXERCISE PRICE PER SHARE
<C>	<C>	<C>	<C>
Outstanding at December 31, 1994.....	27,500	\$ 9.50--\$10.38	\$ 9.75
Granted--1995.....	15,000	\$ 5.38	\$ 5.38

Outstanding at December 31, 1995.....	42,500	\$ 5.38--\$10.38	\$ 8.21
Granted--1996.....	15,000	\$ 5.63	\$ 5.63

Outstanding at December 31, 1996.....	57,500	\$ 5.38--\$10.38	\$ 7.53
Granted--1997.....	25,000	\$ 5.25--\$ 7.59	
Forfeited--1997.....	(7,500)	\$ 5.25	\$ 5.25

Outstanding at December 31, 1997.....	75,000	\$ 5.25--\$10.38	\$ 7.31

Exercisable at December 31, 1997.....	57,500	\$ 5.38--\$10.38	\$ 7.53

Available for future grant at December 31, 1997.....	--		

</TABLE>

The weighted average grant-date fair value of options granted in 1995, 1996 and 1997 was \$0.76, \$0.63 and \$1.25, respectively. The weighted average remaining contractual life of the options at December 31, 1997 was approximately 8 years.

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

<TABLE>
<CAPTION>

	1995	1996	1997
	-----	-----	-----
<S>	<C>	<C>	<C>
Risk free interest rate.....	6.75%	6.25%	6.32%
Expected life -- years.....	8	8	8
Expected volatility.....	35%	31%	34%
Expected dividend rate.....	9.20%	9.70%	6.70%

</TABLE>

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If the Company elected to account for its stock options based on Statement of Financial Accounting Standards No. 123, net income and earnings per average common share would have been as follows for the years ended December 31, 1995, 1996 and 1997:

<TABLE>
<CAPTION>

	1995	1996	1997
	-----	-----	-----
<S>	<C>	<C>	<C>
Net (loss) income, as reported.....	\$ 272	\$ 293	\$ (967)
Net (loss) income, pro forma.....	261	284	(998)
(Loss) earnings per share, as reported.....	0.19	0.21	(0.60)
(Loss) earnings per share, pro forma.....	0.18	0.19	(0.61)

</TABLE>

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

8. RELATED PARTY TRANSACTIONS

Pursuant to the advisory agreement which was terminated on October 14, 1997 (see Note 4), Crown, an affiliate of the Company, acted as investment advisor to the Company and assisted in the management of the day-to-day operations for a base annual fee of \$250 plus incentives based upon performance. Advisory fees paid to Crown were \$250, \$250 and \$198 for the years ended December 31, 1995, 1996 and 1997 respectively. No performance fee was paid or earned under this agreement.

On October 14, 1997, the Company entered into a new management agreement (the "Management Agreement") with Glacier. Substantially all of the interests in Glacier are owned by Vernon R. Beck, a Vice President and director of the Company, and John Parsinen, the Secretary of the Company. Under the Management Agreement, Glacier is responsible for the management of the Retail Properties of the Company. The Management Agreement provides that Glacier will receive an annual fee of \$250 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 that 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. Management fees paid to Glacier were \$52 for the year ended December 31, 1997.

An officer and director of the Company is a partner in a law firm which received fees from the Company relating to legal services totaling \$9 and \$69 for the years ended December 31, 1996 and 1997, respectively.

The Company has employee advances on the balance sheet in the amount of \$14 as of December 31, 1997.

An officer and director of the Company is the director of a company that received management fees of \$22 in 1997.

9. OPERATING LEASES

The Company leases its properties to tenants under operating leases with various expiration dates extending to the year 2014. Gross minimum future rentals and accrued rental income on noncancelable leases at December 31, 1997 are as follows (in thousands):

<TABLE>

<S>	<C>
1998	\$ 18,387
1999	18,273
2000	18,114
2001	17,942
2002	16,452
Thereafter	101,514

Total	\$ 190,682

</TABLE>

10. SUPPLEMENTAL INFORMATION TO STATEMENTS OF CASH FLOWS

<TABLE>

<CAPTION>

	YEARS ENDING DECEMBER 31,		
	<C>	<C>	<C>
	1995	1996	1997
	-----	-----	-----
--			
<S>			
--			
Interest paid.....	\$ 1,266	\$ 1,210	\$ 2,220
--			
Supplemental schedule of non-cash investing and financing activities:			
Distribution payable on common stock/units.....	\$ 178	\$ 178	\$ 556
Distribution payable on preferred units.....	--	--	720
--			
1,276	\$ 178	\$ 178	\$
--			
--			
Advisory contract termination fee for common stock:			
Advisory contract termination fee.....	\$ --	\$ --	\$ (1,353)
Common stock.....	--	--	2
Additional paid in capital.....	--	--	1,351
--			
	\$ -	\$ --	\$ --
--			
--			
In conjunction with the property acquisition, the following assets and liabilities were assumed:			
Purchase of real estate.....	\$ --	\$ --	\$ (166,316)
Mortgage loans.....	--	--	100,000
Deferred financing costs.....	--	--	(735)
Common stock.....	--	--	6
Additional paid in capital.....	--	--	2,975
Partnership Units.....	--	--	12,570
Preferred Units.....	--	--	52,500
--			
Proceeds from acquisition of properties.....	\$ --	\$ --	\$ 1,000
--			
--			

</TABLE>

11. COMMITMENTS AND CONTINGENCIES

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

The Company has a property management agreement with Glacier, a related party, which provides for Glacier to manage the seven net leased retail properties of the Company for a five year term with a minimum fee of \$250 per annum.

12. Quarterly data (Unaudited)

<TABLE>
<CAPTION>

<S>	YEAR END DECEMBER 31, 1997			
	<C> FIRST QUARTER	<C> SECOND QUARTER	<C> THIRD QUARTER	<C> FOURTH QUARTER
Revenues.....	\$ 633	\$ 633	\$ 633	\$ 4,719
Income (loss) before minority interest.....	91	87	85	(445)
Minority interest.....	--	--	--	(785)
Net (loss) income.....	\$ 91	\$ 87	\$ 85	\$ (1,230)
Basic and diluted earnings (loss) per share.....	\$ 0.06	\$ 0.06	\$ 0.06	\$ (0.58)
Weighted average common shares -- basic.....	1,420,000	1,420,000	1,420,000	2,137,331
Weighted average common shares -- diluted.....	1,420,000	1,420,000	1,426,558	2,137,331

</TABLE>

<TABLE>
<CAPTION>

<S>	YEAR END DECEMBER 31, 1996			
	<C> FIRST QUARTER	<C> SECOND QUARTER	<C> THIRD QUARTER	<C> FOURTH QUARTER
Revenues.....	\$ 620	\$ 625	\$ 624	\$ 640
Net income.....	\$ 61	\$ 64	\$ 89	\$ 79
Earnings per share.....	\$ 0.04	\$ 0.05	\$ 0.06	\$ 0.06
Weighted average common shares-basic.....	1,420,000	1,420,000	1,420,000	1,420,000
Weighted average common shares-diluted.....	1,420,000	1,420,056	1,420,000	1,420,000

</TABLE>

13. Pro Forma Financial Information (Unaudited)

The acquisition of the Office Properties on October 14, 1997 was accounted for by the purchase method. The accompanying financial statements include the effects of the acquisition from the date of purchase through December 31, 1997.

The following pro forma condensed financial information for the years ended December 31, 1996 and 1997 are presented as if the purchase of Office Properties had occurred at January 1, 1996 and 1997, and therefore include pro forma adjustments as deemed necessary by management. The pro forma financial information is unaudited and is not necessarily indicative of the results which actually would have occurred if the acquisitions had occurred on January 1, 1996 and 1997, nor does it purport to represent the results of operations for future periods.

<TABLE>
<CAPTION>

	1996	1997
	(UNAUDITED)	
<S>	<C>	<C>
Total revenues.....	\$ 16,202	\$ 20,116
Property expenses.....	2,819	3,459
General and administrative expense.....	278	707
Interest expense.....	8,850	8,724
Depreciation and amortization.....	4,143	4,280
Total expenses.....	16,090	17,170
Income (loss) before minority interest.....	112	2,946
Income allocated to minority interest:		
Preferred Units.....	--	(2,578)
Partnership Units.....	147	--
Net income (loss) available to Common Shareholders.....	\$ 259	\$ 368
Basic and diluted earnings per share.....	\$ 0.11	\$ 0.16
Weighted average number of shares outstanding--basic and diluted.....	2,266,083	2,266,083

</TABLE>

14. SUBSEQUENT EVENTS

On February 5, 1998, the Company filed a registration statement with the Securities and Exchange Commission for the conversion of outstanding shares of common stock, par value \$.01 per share, of the Company into common shares of beneficial interest, par value \$.01 per share, of Corporate Office Properties Trust ("MD REIT"). This registration has been made to facilitate the Company's proposed reformation into a Maryland real estate investment trust through a two-step merger. The first proposed merger will merge the company into a newly formed Maryland corporation. The newly formed Maryland corporation will then be merged into the MD REIT in the second proposed merger. The Company intends to account for the reformation as if it were a pooling of interests with no adjustment to the carrying value of the underlying assets and liabilities. The transaction is subject to shareholder approval.

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The Company intends to file a registration statement with the Securities and Exchange Commission for the issuance of 7,500,000 common shares of beneficial interest, par value of \$.01 per share, of MD REIT (the "Offering"). The Company intends to use the proceeds from the Offering to acquire additional units in the Operating Partnership which will, in turn, use the proceeds to reduce outstanding mortgage indebtedness and acquire properties. There is no assurance the Company will consummate the Offering.

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders
Corporate Office Properties Trust, Inc.:

In connection with our audits of the consolidated financial statements of Corporate Office Properties Trust, Inc. as of December 31, 1997 and 1996 and for each of the years in the three-year period ended December 31, 1997, which financial statements are included in this Form 10-K, we have also audited the accompanying financial statement schedule.

In our opinion, the financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information required to be included therein.

Coopers & Lybrand L.L.P.
2400 Eleven Penn Center
Philadelphia, Pennsylvania

CORPORATE OFFICE PROPERTIES TRUST, INC.

SCHEDULE III--REAL ESTATE AND ACCUMULATED DEPRECIATION

<TABLE>
<CAPTION>

ACCUMULATED PROPERTY NAME DEPRECIATION	LOCATION	BUILDING TYPE	ENCUMBRANCES	BUILDING & LAND IMPROVEMENTS	IMPROVE- MENTS & CARRYING COSTS	TOTAL BUILDING & LAND IMPROVEMENTS
<S>	<C>	<C>	<C>	<C>	<C>	<C>
<C>						
429 South Brunswick \$ 62,606	Dayton, NJ	Office	\$ 8,793,966	\$ 11,718,548	\$2,000	\$ 11,720,548
431 South Brunswick 59,453	Dayton, NJ	Office	8,351,026	11,128,301	--	11,128,301
437 South Brunswick 15,314	Dayton, NJ	Office	2,151,023	2,866,382	--	2,866,382
Blue Bell 751/753/760/785 Jolly Rd. 471,851	Blue Bell, PA	Office	66,231,669	88,320,735	--	88,320,735
2601 Market Place 41,205	Harrisburg, PA	Office	5,801,595	7,712,693	--	7,712,693
2605 Interstate 44,637	Harrisburg, PA	Office	6,241,536	8,355,177	--	8,355,177
6385 Flank Drive 17,322	Harrisburg, PA	Office	2,429,185	3,242,272	--	3,242,272
Peru 353,976	Peru, II	Retail	2,429,348	3,226,279	--	3,226,279
Indianapolis, 667,251	Indianapolis, IN	Retail	--	4,003,155	--	4,003,155
Plymouth 663,579	Plymouth, MN	Retail	4,660,648	4,019,547	--	4,019,547
Minot 265,394	Minot, ND	Retail	2,628,356	2,503,328	--	2,503,328
Delafield 217,545	Delafield, WI	Retail	1,864,231	2,540,375	--	2,540,375
Glendale 135,705	Glendale, WI	Retail	1,055,731	1,156,543	--	1,156,543
Oconowomac 208,417	Oconowomac, WI	Retail	1,737,046	2,150,000	--	2,150,000
			\$114,375,360	152,943,335	\$2,000	\$152,945,335

<CAPTION>

PROPERTY NAME	YEAR BUILT/ RENOVATED	DATE ACQUIRED	DEPRECIATION LIFE
<S>	<C>	<C>	<C>
	1966/1996	10/14/97	40 Years
	1958/1967	10/14/97	40 Years
	1962/1996	10/14/97	40 Years
	1960-74/92-96	10/14/97	40 Years
	1989	10/14/97	40 Years
	1990	10/14/97	40 Years
	1995	10/14/97	40 Years
	1993	11/30/93	40 Years
	1991	11/30/93	40 Years
	1991	06/01/92	40 Years
	1993	02/01/94	40 Years
	1994	11/02/94	40 Years
	1992	09/29/93	40 Years
	1994	05/17/94	40 Years

</TABLE>

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SIGNATURES

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

CORPORATE OFFICE PROPERTIES TRUST

Date March 25, 1998 By: /s/ Clay W. Hamlin, III

Clay W. Hamlin, III
President and Chief Executive Officer
(Principal Executive Officer)

Date March 25, 1998 By: /s/ Thomas D. Cassel

Thomas D. Cassel
Vice President--Finance and Treasurer
(Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

SIGNATURES	TITLE	DATE
----- /s/ JAY H. SHIDLER ----- (Jay H. Shidler)	Chairman of the Board and Trustee	March 27, 1998
----- /s/ CLAY W. HAMLIN, III ----- (Clay W. Hamlin, III)	President and Chief Executive Officer, Trustee (Principal Executive Officer)	March 27, 1998
----- /s/ THOMAS D. CASSEL ----- (Thomas D. Cassel)	Vice President, Finance (Principal Accounting and Financial Officer)	March 27, 1998
----- /s/ VERNON R. BECK ----- (Vernon R. Beck)	Vice Chairman of the Board and Trustee	March 27, 1998
----- /s/ KENNETH D. WETHE ----- (Kenneth D. Wethe)	Trustee	March 27, 1998
----- /s/ ALLEN C. GEHRKE ----- (Allen C. Gehrke)	Trustee	March 27, 1998
----- /s/ WILLIAM H. WALTON ----- (William H. Walton)	Trustee	March 27, 1998
----- /s/ KENNETH S. SWEET, JR. ----- (Kenneth S. Sweet, Jr.)	Trustee	March 27, 1998

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

FORM 10-Q

(Mark one)

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

For the quarterly period ended March 31, 1998

or

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

For the transition period from _____ to _____
Commission file number 0-20047

Corporate Office Properties Trust
(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation or organization)

23-2947217
(IRS Employer
Identification No.)

One Logan Square, Suite 1105, Philadelphia, PA
(Address of principal executive offices)

19103
(Zip Code)

Registrant's telephone number, including area code: (215) 567-1800

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

Securities registered pursuant to Section 12(g) of the Act:
Common shares of beneficial interest, .01 par value

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

At May 7, 1998, 9,771,083 shares of the Company's Common Shares of Beneficial Interest, \$.01 par value, were outstanding.

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Form 10-Q

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PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

Corporate Office Properties Trust
Consolidated Balance Sheet

(Dollars in thousands, except share and per share data)

<TABLE>
<CAPTION>

	December 31, 1997	March 31, 1998
	-----	-----
Assets		(unaudited)
<S>	<C>	<C>
Assets:		
Land	\$ 38,764	\$ 38,764
Buildings and improvements	152,945	152,945
Furniture, fixtures and equipment	140	222
Less accumulated depreciation	(3,224)	(4,201)

Net investments in real estate	188,625	187,730
Cash and cash equivalents	3,395	2,346
Tenant accounts receivable	78	41
Deferred rent receivable	479	837
Deferred financing costs, net	857	793
Deposit on acquisitions	-	600
Prepaid and other assets, net	100	309

Total assets	\$ 193,534	\$ 192,656

Liabilities and shareholders' equity		
Liabilities:		
Mortgage loans payable	\$ 114,375	\$ 114,301
Accounts payable and accrued expenses	932	1,018
Rents received in advance and security deposits	425	294
Dividends/distributions payable	1,276	1,581

Total liabilities	117,008	117,194

Minority interests:		
Preferred Units	52,500	52,500
Partnership Units	12,362	12,111

Total minority interests	64,862	64,611

Commitments and contingencies	-	-
Shareholders' equity:		
Common Shares of beneficial interest (\$.01 par value; 45,000,000 authorized 2,266,083 and 2,271,083 shares, issued and outstanding at December 31, 1997 and March 31, 1998, respectively)	23	23
Additional paid-in capital	16,620	16,647
Accumulated deficit	(4,979)	(5,819)

Total shareholders' equity	11,664	10,851

Total liabilities and shareholders' equity	\$ 193,534	\$ 192,656

</TABLE>

See accompanying notes to financial statements

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Corporate Office Properties Trust
Consolidated Statements of Operations

(Dollars in thousands, except per share data)
(unaudited)

<TABLE>
<CAPTION>

	For the three months ended March 31,	
	1997	1998
	<C>	<C>
Revenues		
Rental income	\$ 626	\$ 4,919
Tenant recoveries and other income	7	606

Total revenues	633	5,525

Expenses		
Property operating	6	899
General and administrative	86	299
Interest expense	308	2,159
Amortization of deferred financing costs	3	64
Depreciation	139	977
Reformation costs	-	637

Total expenses	542	5,035

Income before minority interests	91	490
Minority interests		
Preferred Units	-	(853)
Partnership Units	-	(136)

Net income (loss)	\$ 91	\$ (499)

Earnings (loss) per Share		
Basic and Diluted	\$.06	\$ (.22)

</TABLE>

See accompanying notes to financial statements.

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Corporate Office Properties Trust
Consolidated Statements of Cash Flows

(Dollars in thousands)
(unaudited)

<TABLE>
<CAPTION>

For the three months ended
March 31,

	1997	1998
<S>	<C>	<C>
Cash flows from operating activities:		
Net income (loss)	\$ 91	\$ (499)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Minority interests	-	989
Depreciation	139	977
Amortization of deferred financing costs	3	64
Other amortization	(6)	-
Increase in deferred rent receivable	(17)	(358)
Decrease (increase) in other assets	1	(172)
(Decrease) increase in accounts payable, accrued expenses, rents received in advance and security deposits	12	(45)
Net cash provided by operating activities	223	956
Cash flows from investing activities:		
Increase in deposit on acquisitions	-	(600)
Purchase of furniture and equipment	-	(82)
Net cash used in investing activities	-	(682)
Cash flows from financing activities:		
Proceeds from exercise of stock options	-	27
Dividends/distributions paid	(177)	(1,276)
Repayments of mortgage loans payable	(79)	(74)
Net cash used in financing activities	(256)	(1,323)
Net decrease in cash and cash equivalents	(33)	(1,049)
Cash and cash equivalents		
Beginning of period	258	3,395
End of period	\$ 225	\$ 2,346

</TABLE>

See accompanying notes to financial statements.

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Corporate Office Properties Trust
Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data)
(unaudited)

1. Organization and Formation of Company

Corporate Office Properties Trust (formerly Royale Investments, Inc.) (the "Company") is a self-administered REIT which focuses on the ownership, acquisition and management of suburban office buildings. The Company was formed in 1988 as a Minnesota corporation. The Company has qualified as a real estate investment trust ("REIT") as defined in the Internal Revenue Code (the "Code"). As of March 31, 1998, the Company's portfolio included 17 commercial real estate properties leased for office and retail purposes.

On October 14, 1997, the Company acquired a portfolio of 10 properties, representing the Mid-Atlantic suburban office operations of The Shidler Group, a national real estate investment firm (the "Office Properties"). As result of the acquisition, the Company became the sole general partner of and obtained a 20.6946% interest in the Common Units ("Partnership Units") of Corporate Office Properties, L.P. (formerly FCO, L.P.) (the "Operating Partnership"), a partnership formed to acquire and hold partnership interests in partnerships which own the Office Properties (the "Properties Partnerships"). The general partner of the Properties Partnerships is Corporate Office Properties Holdings, Inc. (formerly FCO Holdings, Inc.) ("COP Holdings"), a wholly owned subsidiary of the Company. In addition, the Company became self-administered by terminating its external advisory contract with Crown Advisors, Inc. ("Crown"), and entering into a new management contract with Glacier Realty LLC ("Glacier") for the existing retail properties. The Company accounted for the acquisition of the Office Properties under purchase accounting requirements; therefore, the operating results of the Company for the three months ended March 31, 1998 are not directly comparable to the three months ended March 31, 1997.

On January 1, 1998, the Company changed its name to Corporate Office Properties Trust, Inc. On March 16, 1998, the Company was reformed as a Maryland real estate investment trust and changed its name to Corporate Office Properties Trust (the "Reformation"). In connection with the Reformation, 45,000,000 common shares and 5,000,000 preferred shares were authorized and each share of common stock was exchanged for one common share of beneficial interest, par \$.01 ("Common Share") in Corporate Office Properties Trust. All common stock references in the financial statements have been restated as Common Shares. This restatement had no effect on net operations or the amounts presented as shareholders' equity.

On April 23, 1998, the Company completed the sale of 7,500,000 Common Shares to the public at a price of \$10.50 per share ("the Offering").

On April 30, 1998, the Company acquired 12 office properties aggregating approximately 815,000 net rentable square feet, using the proceeds from the Offering.

2. Summary of Significant Accounting Policies

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 order to conform with generally accepted accounting principles, management, in preparation of the Company's financial statements, is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of December 31, 1997 and March 31, 1998, and the reported amounts of revenues

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and expenses for the three months ended March 31, 1997 and 1998. Actual results could differ from those estimates.

In the opinion of the Company, all adjustments (consisting solely of normal recurring matters, except for \$637 of costs associated with the Reformation) necessary to fairly present the financial position of the Company as of March 31, 1998 and the results of its operations and its cash flows for the three months ended March 31, 1997 and 1998 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 for the year ended December 31, 1997.

Basis of Presentation

The consolidated financial statements of the Company at December 31, 1997 and March 31, 1998 include the accounts of the Company, the Operating Partnership, and COP Holdings. All intercompany transactions and balances have been eliminated in consolidation. Certain amounts from prior periods have been reclassified to conform to current year presentation. The reclassifications had no effect on net operations or shareholders' equity.

The Company, as general partner, controls the Operating Partnership; therefore consolidated financial reporting and accounting have been applied. As of December 31, 1997 and March 31, 1998, minority interests represent the 81.14% of the Partnership Units of the Operating Partnership and 100% of the Preferred Units of the Operating Partnership not owned by the Company, each of which include certain interests in the Properties Partnerships retained by the Chairman and the President of the Company ("Retained Interests").

Summary of Significant Accounting Policies

Earnings Per Share ("EPS")

Pursuant to SFAS No. 128, the Company has computed basic and diluted EPS for the three months ended March 31, 1997 and 1998.

The numerator utilized to calculate basic and diluted EPS is the same. The weighted average common shares outstanding for purposes of basic and diluted EPS calculations are as follows (in thousands):

<TABLE>
<CAPTION>

	March 31, 1997	March 31, 1998
<S>	<C>	<C>

Weighted average common shares-basic	1,420	2,268
Assumed conversion of stock options	-	26
		--
Weighted average common shares-diluted	1,420	2,294
	=====	=====

</TABLE>

Convertible Preferred Units and convertible Partnership Units could potentially dilute EPS in the future.

3. Issuance of Shares and Options

On March 12, 1998, options to purchase an aggregate of 45,000 shares were granted to an officer and four independent Trustees at a grant price of \$12.25 per share. Options relating to 20,000 Common Shares vest one year after the date of grant and options relating to 25,000 Common Shares vest ratably over 3 years following the date of grant. The options expire ten years after the date of grant.

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4. Related Party Transactions

The Company had employee advances on the balance sheet in the amount of \$14 as of December 31, 1997. All advances were repaid in the quarter ended March 31, 1998.

An officer and director of the Company is the director of a company that received management fees of \$20 in the quarter ended March 31, 1998.

The Company has a property management agreement with Glacier, a related party, which provides for Glacier to manage the seven net leased retail properties of the Company for a five year term, which term began in 1997, with a minimum fee of \$250 per annum. Through March 31, 1998 the Company has paid \$63 in connection with this agreement.

5. Distributions

On March 16, 1998 the Company declared a distribution of \$.15 per Common Share which was paid on April 15, 1998 to shareholders of record as of March 31, 1998.

6. Subsequent Events

On April 23, 1998 the Company completed the sale of 7,500,000 Common Shares to the public at a price of \$10.50 per share ("the Offering"). The Company used the proceeds to acquire 7,500,000 Partnership Units and increase its percentage interest in the Operating Partnership to approximately 75.8%. As discussed below, the majority of the net proceeds of the Offering were used by the Company for investment purposes. Although not exercised as of May 7, 1998, the underwriters have the right to exercise their over-allotment options, which (if exercised) would result in the Company issuing up to an additional 1,125,000 Common Shares at a price of \$10.50 per share.

On April 30, 1998, the Company acquired 12 office properties for an aggregate cash purchase price of approximately \$72 million. The properties aggregate approximately 815,000 net rentable square feet.

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ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1993 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 release space upon the expiration of current leases, and 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 the Three Months Ended March 31, 1998 and 1997: Total revenues increased from \$.6 million for the quarter ended March 31, 1997 to \$5.5 million for the quarter ended March 31, 1998, an increase of \$4.9 million or 773%. Of this increase, \$4.3 million results from an increase in base rents, substantially all of which is attributable to the acquisition of the Office Properties. Tenant recoveries totaled \$.6 million in the first quarter of 1998 as compared to none in the first quarter of 1997 due wholly to tenant recoveries attributable to leases on the Office Properties.

Total expenses increased from \$.54 million for the quarter ended March 31, 1997 to \$5.0 million for the quarter ended March 31, 1998, an increase of 829%. Of this total increase of \$4.5 million, approximately \$3.9 million is attributable to increased interest expense (\$1.9 million), increased depreciation and amortization (\$.9 million), increased property expenses (\$.9 million), and increased general and administrative expenses (\$.2 million), primarily as a result of the acquisition of the Office Properties. Further, \$.6 million represents costs associated with the Reformation on March 16, 1998.

Depreciation and amortization increased from \$142 for the quarter ended March 31, 1997 to \$1.0 million for the quarter ended March 31, 1998, an increase of 633%, as a result of the acquisition of the Office Properties. Interest expense increased from \$.3 million in 1997 to \$2.2 million in 1998, an increase of 601%, primarily as a result of borrowings associated with the acquisition of the Office Properties, offset slightly by decreased interest expense on the retail properties' mortgages.

General and administrative expenses increased from \$86 for the quarter ended March 31, 1997 to \$299 for the quarter ended March 31, 1998 resulting from the conversion of the Company from an externally-advised REIT to a self-administered REIT. During the first quarter of 1998, the Company incurred \$637 of costs associated with the Reformation on March 16, 1998. During the fourth quarter of 1997, the Company commenced administrative operations. The Company incurred administrative payroll expenses of \$172 and office overhead expenses of \$31 during the quarter ended March 31, 1998 not incurred prior to the fourth quarter of 1997.

As a result of the above factors, income before minority interests increased from \$91, for the quarter ended March 31, 1997 to \$490 for the quarter ended March 31, 1998. Net income decreased from \$91 for the quarter ended March 31, 1997 to a net loss of \$499 for the quarter ended March 31, 1998, attributable primarily to the existence of minority interests resulting from the new structure of the Company following the acquisition of the Office Properties and the costs associated with Reformation.

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Liquidity and Capital Resources

Historically, cash provided from operations represented the primary source of liquidity to fund distributions, pay debt service and fund working capital requirements. The Company expects to continue to meet its short-term capital needs from property cash flow, including all property expenses, general and administrative expenses, dividend and distribution requirements and recurring capital improvements and leasing commissions. The Company does not anticipate borrowing to meet these requirements.

For the three months ended March 31, 1998, the Company declared distributions totaling \$.15 per Common Share amounting to approximately \$341. In addition, during this same period the Company's distributions declared to minority interests holding Partnership Units and Preferred Units amounted to \$388 and \$853, respectively.

On April 23, 1998, the Company completed the sale of 7,500,000 Common Shares to the Public at a price of \$10.50 per share. The Company used the proceeds to acquire 7,500,000 Partnership Units and increase its percentage interest in the Operating Partnership to approximately 75.8%. As discussed below, the majority of the net proceeds of the Offering were used by the Company for investment purposes. Although not exercised as of May 7, 1998, the underwriters have the right to exercise their over-allotment options, which (if exercised), would result in the Company issuing up to an additional 1,125,000 Common Shares at a price of \$10.50 per share. Simultaneously with the Offering, the Company became listed on the New York Stock Exchange and began trading under the symbol "OFC".

On April 30, 1998, the Company acquired 12 office properties for an aggregate cash purchase price of approximately \$72 million. The properties aggregate approximately 815,000 net rentable square feet.

To further meet long-term capital needs, the Company is presently negotiating with Bankers Trust Company, an affiliate of BT Alex. Brown Incorporated, one of the Underwriters in the Offering, regarding a \$100 million collateralized credit facility, which the Company intends to utilize for acquisitions, renovations, tenant improvements and leasing commissions ("Credit Facility"). Acquisitions may also be financed through net cash provided from operations or equity issuances. There is no assurance that the Company will be able to obtain such Credit Facility or that such Credit Facility will be adequate to fund the Company's acquisition and capital program.

The Company expects to meet its long term liquidity requirements, such as property acquisitions, scheduled debt maturities, major renovations, expansions, and other non-recurring capital improvements through long-term collateralized indebtedness and the issuance of additional equity securities. The Company intends to finance the acquisition of additional properties through borrowings under the proposed Credit Facility.

As of March 31, 1998, the Company posted a nonrefundable deposit with an unrelated party totaling \$600 in connection with a future acquisition.

Statement of Cash Flows

During the three months ended March 31, 1998, the Company generated \$956 in cash flow from operating activities (net of nonrecurring Reformation costs of \$637), which together with initial cash balances of \$3.4 million were used, in part, for (i) deposits on potential acquisitions of \$600, (ii) furniture and equipment costs of \$82, (iii) distributions to holders of Common Shares, Partnership Units and Preferred Units totaling \$1.3 million and (iv) repayments of mortgage loans of \$74. As a result, the cash balances decreased by \$1.0 million to \$2.3 million.

Funds From Operations

The Company considers Funds From Operation ("FFO") to be helpful to investors as a measure of the financial performance of an equity REIT. In accordance with NAREIT's definition, FFO is defined as net in-

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come (loss) computed in accordance with GAAP, excluding gains (or losses) from debt restructuring and sales of property, plus real estate-related depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures and extraordinary and nonrecurring items. FFO does not represent cash generated from operating activities determined in accordance with GAAP and should not be considered as an alternative to net income (determined in accordance with GAAP) as an indication of the Company's financial performance or to cash flow from operating activities (determined in accordance with GAAP) as a measure of the Company's liquidity, nor is it indicative of funds available to fund the Company's cash needs, including its ability to make cash distributions. Other REITs may not define FFO in accordance with the current NAREIT definition or may interpret the current NAREIT definition differently from the Company. FFO for the three months ended March 31, 1997 and 1998, as calculated in accordance with the NAREIT definition published in March 1995, are summarized in the following table (in thousands).

<TABLE>
<CAPTION>

	Historical Three Months Ended March 31,	
	1997	1998
<S>	<C>	<C>
Income before minority interests.....	\$ 91	\$ 490
Add: Nonrecurring charge Reformation costs.....	-	637
Add: Real estate related depreciation and amortization.....	138	972
Less: Preferred Unit distributions.....	-	(853)
Funds from operations.....	\$ 229	\$ 1,246
Add: Preferred Unit distributions.....	-	853
Funds from operations assuming conversion of Preferred Units.....	229	\$ 2,099

Weighted average Common Shares/Units outstanding(1).....	1,420	4,850
	-----	-----
Weighted average Common Shares/Units outstanding diluted(2).....	1,420	12,376
	-----	-----

</TABLE>

(1) Assumes redemption of all Partnership Units, calculated on a weighted average basis for Common Shares. Includes 282,508 Common Shares issuable upon redemption of Partnership Units issuable upon the conversion of the Retained Interests. Excludes the weighted average effect of the conversion of 186,455 Retained Interests into 186,455 Preferred Units and 1,913,545 Preferred Units, both convertible into an aggregate of 7,499,940 Partnership Units which are, in turn, redeemable for 7,499,940 Common Shares.

(2) Assumes redemption of all Partnership Units, calculated on a weighted average basis for Common Shares. Includes 282,508 Common Shares issuable upon redemption of Partnership Units issuable upon the conversion of the Retained Interests. Includes the weighted average effect of the conversion of 186,455 Retained Interests into 186,455 Preferred Units and 1,913,545 Preferred Units, both convertible into an aggregate of 7,499,940 Partnership Units which are, in turn, redeemable for 7,499,940 Common Shares, and 25,913 shares for the assumed conversion of stock options (using the Treasury stock method).

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

The Company is not currently involved in any material litigation nor, to the Company's knowledge, is any material litigation 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

Reformation

On March 16, 1998 the Company was reformed as a Maryland real estate investment trust and changed its name to Corporate Office Properties Trust. In connection with the Reformation, each share of common stock was exchanged for one Common Share in Corporate Office Properties Trust. The Reformation was accomplished by merging Corporate Office Properties Trust, Inc. into a newly formed Maryland subsidiary corporation (the "Maryland Company") which was the surviving corporation of the merger and immediately thereafter merged the Maryland Company into the Company, 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 Company was formed in Maryland on January 21, 1998, specifically for purposes of the Reformation, and each had conducted no business and had no material assets or liabilities. The Reformation had been accomplished through the Company merger followed by the Trust merger because Minnesota law did not permit the direct merger of a Minnesota corporation into a Maryland real estate investment trust. The Maryland Company's and the Company's principal executive offices are each located at One Logan Square, Suite 1105, Philadelphia, Pennsylvania. The Reformation did not result in any change in the Company's business, assets or liabilities and did not result in any relocation of management or other employees.

ITEM 3. Defaults Upon Senior Securities

None.

ITEM 4. Submission Of Matters To A Vote Of Security Holders

The following matters were submitted to a vote of security holders during the Company's first quarter.

<TABLE>

<S>	<C>	<C>
(a) Meeting type and date	Special Meeting of Shareholders held on	

March 12, 1998

(b) Directors elected at meeting Not applicable

(c) Description of each matter voted on at meeting

Resolution to approve the Reformation, in which the Company was reformed as a Maryland real estate investment trust, which will be named Corporate Office Properties Trust.	Results of votes	
	For	1,492,272.912
	Against or withheld	7,699.115
Resolution to adopt the 1998 long-term incentive plan.	Abstentions and broker non-votes	9,185.000
	Results of votes	
	For	1,422,037.547
	Against or withheld	66,037.480
	Abstentions and broker non-votes	21,089.000

</TABLE>

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ITEM 5. Other Information

None.

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

<TABLE>
<CAPTION>

EXHIBIT NO.	DESCRIPTION
<S>	<C>
99.1	Audited balance sheets of the Company as of December 31, 1996 and 1995, and the related statements of income, changes in stockholders' equity and cash flow for each of the years in the three-year period ended December 31, 1996 (filed with the Company's Current Report on Form 8-K on January 20, 1998 and incorporated herein by reference).
99.2	Press release dated March 6, 1998 (filed with the Company's Current Report on Form 8-K on March 6, 1998 and incorporated herein by reference).
2.1	Agreement and Plan of merger, dated January 31, 1998, among Corporate Office Properties, Inc, COPT, Inc. and the Company (filed with the Company's Registration statement on Form S-4 (Commission File No. 333-45649) and incorporated herein by reference).
3(i).1	Articles of Amendment to Articles of Incorporation dated December 23, 1997 (filed with the Company's Current Report on Form 8-K on January 5, 1998 and incorporated herein by reference).
4.1	Form of certificate for the Company's Common Shares of Beneficial Interest, \$0.01 par value per share (filed with the Company's Registration Statement on Form S-4 (Commission File No. 333-45649) and incorporated herein by references).
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).
27.1	Financial Data Schedule.

</TABLE>

(b) Reports on Form 8-K

During the three months ended March 31, 1998 and through May 7, 1998 the Company filed the following:

- i. a Current Report of Form 8-K dated January 5, 1998 (Reporting under Items 5 and 7) regarding the Shareholders' approval of the Company's name to

ii.a Current Report of Form 8-K dated January 20, 1998 (Reporting under Items 5 and 7) regarding the re-audit of the Company's historical financial statements as of December 31, 1996 and 1995 and for the years ended December 31, 1996, 1995 and 1994 by Coopers and Lybrand, L.L.P. The report of Coopers

and Lybrand , L.L.P. was not qualified or modified as to any matter and, except for disclosures of certain subsequent events, there were no changes to the Company's filed report under Part II Item 7 in the 1996 Form 10-KSB.

iii. a Current Report of Form 8-K dated January 20, 1998 (Reporting under Items 5 and 7) regarding the Company's earnings for the year ended December 31, 1997 and certain other financial information.

iv.a Current Report of Form 8-K dated January 20, 1998 (Reporting under Items 5 and 7) regarding the Reformation of the Company effective March 16, 1998.

SIGNATURES

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

CORPORATE OFFICE PROPERTIES TRUST

Date May 7, 1998 By: /s/ Clay W. Hamlin, III

Clay W. Hamlin, III
President and Chief Executive Officer
(Principal Executive Officer)

Date May 7, 1998 By: /s/ Thomas D. Cassel

Thomas D. Cassel

Vice President - Finance and Treasurer
(Principal Financial and Accounting Officer)