

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, 1998

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.)

401 City Avenue, Suite 615
Bala Cynwyd, PA
(Address of principal executive offices)

19004
(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Common Share of beneficial
interest, \$0.01 par value
(Title of Each Class)

New York Stock Exchange
(Name of Exchange on Which Registered)

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the (1) registrant 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 (ss. 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 \$62,895,364 based on the closing price of such Shares on the New York Stock Exchange on March 19, 1999. At March 19, 1999, 16,801,876 shares of the Registrant's Common Shares of Beneficial Interest, \$0.01 par value, were outstanding.

Portions of the proxy statement of the Registrant for its 1999 Annual Meeting of Shareholders to be filed within 120 days after the end of the fiscal year covered by this Form 10-K are incorporated by reference into Part III of this Form 10-K.

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FORWARD-LOOKING STATEMENTS

This Form 10-K contains "forward-looking" statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements are based on our current expectations, estimates and projections. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. These statements are not guarantees of future performance, events or results and involve potential risks and uncertainties. Accordingly, actual performance, events or results may differ materially from such forward-looking statements. We undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Important facts that may affect these forward-looking statements include, but are not limited to: our ability to borrow on favorable terms; general economic and business conditions, which will affect, among other things, demand for office properties, availability and creditworthiness of tenants, lease rents and the availability of financing; adverse changes in the real estate markets including, among other things, competition with other companies; risks of real estate acquisition and development; governmental actions and initiatives; environmental requirements; and other risks identified in this filing or our other reports filed with the Securities Exchange Commission.

PART I

Item 1. Business

Our Company

Corporate Office Properties Trust ("COPT") and subsidiaries is a full-service real estate investment trust ("REIT"). We focus principally on the acquisition, development, management and ownership of suburban office buildings in targeted suburban submarkets mostly in the Mid-Atlantic region of the United States. As of December 31, 1998:

- o we owned 48 suburban office properties in Maryland, Pennsylvania and New Jersey containing approximately 4.3 million rentable square feet,
- o we owned nine retail properties containing approximately 639,000 rentable square feet,
- o our properties were 98.0% leased,
- o we owned three parcels of land, two of which were under development, and
- o we owned options to purchase from related parties 156 acres of land contiguous to certain of our office properties.

We conduct almost all of our operations through our Operating Partnership, Corporate Office Properties, L.P., a Delaware limited partnership, of which we are the managing general partner. Our Operating Partnership owns real estate both directly and through subsidiaries. Interests in our Operating Partnership are in the form of Common and Preferred Units. As of December 31, 1998, we owned approximately 85% of the outstanding Common Units and approximately 32% of the outstanding Preferred Units. The remaining Common and Preferred Units in our

Operating Partnership were owned by third parties, which included certain officers and trustees. If all Preferred Units were converted into Common Units, we would have owned approximately 62% of the Common Units as of December 31, 1998.

The Operating Partnership also owns the principal economic interest and, collectively with our Chief Executive Officer and Chief Operating Officer, 49.5% of the voting stock of Corporate Office Management, Inc. ("COMI"). COMI provides us with asset management and managerial, financial and legal support. COMI also has two subsidiaries: Corporate Realty Management, LLC ("CRM") and Corporate Development Services, LLC ("CDS"). CRM manages approximately 18 million square feet for us and for third parties as of December 31, 1998 and also provides corporate facilities management. CDS provides construction and development services predominantly to us. COMI owns 75% of CRM and 100% of CDS.

We believe that we are organized and have operated in a manner that permits us to satisfy the requirements for taxation as a REIT under the Internal Revenue Code of 1986, as amended, and we intend to continue to operate in such a manner. If we qualify for taxation as a REIT, we generally will not be subject to federal income tax on our taxable income that is distributed to our shareholders. A REIT is subject to a number of organizational and operational requirements, including a requirement that it currently distribute to its shareholders at least 95% of its annual taxable income (excluding net capital gains).

Our executive offices are located at 401 City Avenue, Suite 615, Bala Cynwyd, PA 19004 and our telephone number is (610) 538-1800.

Significant 1998 Developments

On January 1, 1998, we changed our name from Royale Investments, Inc. to Corporate Office Properties Trust, Inc. On March 16, 1998, we were reformed as a Maryland REIT and changed our name to Corporate Office Properties Trust. In connection with the reformation, we adopted our Declaration of Trust which authorized for issuance up to 45,000,000 Common Shares of beneficial interest ("Common Shares") and 5,000,000 Preferred Shares. Each share of common stock in Corporate Office Properties Trust, Inc. was exchanged for one Common Share in our trust.

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During 1998, we completed a substantial number of operating property acquisitions, increasing our rentable square feet by 169%. A summary of the operating properties acquired during 1998 follows:

Investment		# of Properties		Date	
Rentable (in Ft. Transaction millions)	Location	Acquired	Property Type	Acquired	Sq.
<S>	<C>	<C>	<C>	<C>	<C>
Airport Square Portfolio 812,616 \$ 72.6	Linthicum, MD	12	9 Office and 3 Office/Flex	04/30/98	
Fairfield Portfolio 262,417 29.4	Fairfield, NJ	2	Office	05/28/98	
Constellation Portfolio 1,466,722 177.0	Baltimore/Washington Corridor	14	12 Office and 2 Retail	Various	
Riverwood Property 160,000 20.3	Columbia, MD	1	Office	10/13/98	
Centerpoint Portfolio 269,222 31.7	Middlesex County, NJ	8	6 Office and 2 Office/Flex	10/30/98	
Gateway Portfolio 148,804 17.3	Columbia, MD	3	Office	12/31/98	
		40			
3,119,781 \$348.3					

During 1998, we also acquired three parcels of land that are contiguous to certain of our operating properties. In addition, we acquired options and rights of first refusal to purchase 93 acres, estimated to yield nearly 1.6 million square feet of new buildings in locations adjacent to certain of our operating properties.

We had various construction and development projects underway in 1998. We began construction of two buildings that are estimated to total 198,000 square feet upon completion. We completed a substantial portion of a \$7.8 million project to convert a 170,000 square foot property we own into a first-class, high technology office building.

We also acquired a 75% interest in CRM and certain equipment, furniture and other assets for \$2.5 million which we, in turn, contributed into COMI in exchange for 95% of COMI's capital stock and a \$2.0 million note receivable. We then entered into a management relationship with COMI in order to further expand our capabilities and support our growing portfolio of properties. We also entered into contracts with COMI's subsidiaries, CRM and CDS, for property management, construction and development services for our properties.

We financed our acquisitions and construction and development activities using a combination of new debt and equity issuances. During 1998, we

- o completed the sale of 7,500,000 Common Shares to the public at a price of \$10.50 per share,
- o issued 7,030,793 of our Common Shares, valued at \$73.8 million (\$10.50 per share), less \$505,000 in share issuance costs, in connection with the Constellation Portfolio acquisition,
- o issued 984,308 of our Preferred Shares, valued at \$24.6 million (\$25 per share), in connection with the Constellation Portfolio acquisition,
- o obtained a \$100.0 million recourse revolving credit facility from Bankers Trust Company bearing interest at a variable rate of LIBOR + 1.75%,
- o obtained an \$85.0 million loan from Teachers Insurance and Annuity Association of America bearing interest at a fixed rate of 6.89%, and
- o issued 148,381 Common Units in our Operating Partnership, valued at \$1.6 million (\$10.50 per share), in connection with the Riverwood Property acquisition.

Our Operating Strategy

Our primary business objectives are to achieve sustainable long-term growth in funds from operations per share and to maximize long-term shareholder value. We intend to achieve these objectives primarily through acquisitions and property development and through internal growth. We intend to focus our activities on acquiring, owning and operating suburban office properties in strong and growing submarkets throughout the United States. We plan to sell our remaining retail properties and redeploy the proceeds into suburban office properties.

We believe we have certain competitive advantages that will promote our growth strategies, including:

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- o our multiple market expertise in identifying, creatively structuring and closing acquisitions,
- o our experience in successfully growing public real estate companies utilizing a centralized/decentralized organizational structure,
- o our long-standing relationships with tenants, real estate brokers and institutional and other owners of commercial real estate that collectively help us to identify acquisition opportunities, and
- o our property management and development experience.

Suburban Office Focus. We believe office buildings currently offer the strongest fundamentals of any real estate property type, and suburban office properties provide us very attractive investment opportunities. The three key factors driving the strong fundamentals of suburban office properties are (i) increasing rental rates, (ii) declining vacancy rates, and (iii) a limited new supply of office product. We believe that many companies are relocating to, and expanding in, suburban locations because of lower operating costs, proximity to residential housing and better quality of life.

Acquisition Strategies. We are actively pursuing the acquisition of suburban office properties in submarkets in the United States with strong fundamentals. Our three-part acquisition strategy includes targeting:

- o entity transactions in which we enter new markets or increase our penetration in existing markets by acquiring significant portfolios along with their management which will also enable us to enhance our management infrastructure and local expertise,
- o portfolio purchases in these markets, and

o opportunistic acquisitions of individual properties in submarkets in which we already have a presence.

We will seek to make acquisitions at attractive yields and below replacement costs.

Property Development Strategies. We believe that the significant experience of our management in property development, redevelopment, construction, management and leasing provides us with the expertise necessary to build, upgrade, renovate and reposition suburban office properties. We are developing suburban office properties generally to meet the needs of our existing tenants. We will selectively explore additional development when market fundamentals support a favorable risk-adjusted return on such development. We currently do not intend to develop or redevelop any properties outside of submarkets in which we operate.

Internal Growth Strategies. We believe that our internal growth will come from (i) proactive property management and leasing, (ii) operating efficiencies achieved through increasing economies of scale, (iii) tenant retention and rollovers at increased rents where market conditions permit and (iv) expansion of the third party management business of CRM. These strategies are designed to promote tenant satisfaction, resulting in tenant retention and the attraction of new tenants.

Subsequent Events

On January 5, 1999, we entered into an interest rate swap agreement with Bankers Trust Company. This swap agreement fixes our one-month LIBOR base to 5.085% per annum on a notional amount of \$30.0 million through May 2001.

On January 13, 1999, we entered into a \$9.8 million construction loan with FMB Bank to finance the construction of an office building. This loan has an interest rate of LIBOR plus 1.6%. This loan matures on February 1, 2001 and may be extended for a one-year period, subject to certain conditions.

On January 22, 1999, we sold a retail property located in Westminster, Maryland ("Cranberry Square"). We sold the property for \$18.9 million, of which \$9.5 million was used to pay off the mortgage loan payable on the property, \$283,000 was placed in escrow, \$272,000 was paid to the buyer for operating pro-rations, \$144,000 was used to pay our closing costs and \$8.7 million was used to repay a portion of our Revolving Credit Facility. We recognized no gain or loss on the sale of Cranberry Square.

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On February 8, 1999, we entered into a \$10.9 million construction loan with Provident Bank of Maryland to finance the construction of a building. This loan has an interest rate of LIBOR plus 1.75%. This loan matures on February 8, 2001 and may be extended for a one-year period, subject to certain conditions.

On February 26, 1999, we acquired an office building located in Linthicum, Maryland. We acquired the property for \$6.8 million, including \$201,000 in transaction costs, using \$6.7 million in borrowings under our Revolving Credit Facility and using cash reserves for the balance.

Industry Segments

We have five segments: Baltimore/Washington office, Greater Philadelphia office, Northern/Central New Jersey office, Greater Harrisburg office and retail. For information relating to these segments, you should refer to Note 13 of our Consolidated Financial Statements included with this Form 10-K.

Employees

We, together with COMI and its subsidiaries, employed 120 persons as of December 31, 1998.

Competition

The commercial real estate market is highly competitive. Numerous commercial properties compete for tenants with our properties, and our competitors are building additional properties in the markets in which our properties are located. Some of these competing properties may be newer or have more desirable locations than our properties. If the market does not absorb newly constructed space, market vacancies will increase and market rents may decline. As a result, we may have difficulty leasing space at our properties and may be forced to lower the rents we charge on leases to compete effectively.

We also compete for the purchase of commercial property with many entities, including other publicly-traded commercial REITs. Many of our competitors have substantially greater financial resources than ours. In addition, our competitors may be willing to accept lower returns on their investments. If our competitors prevent us from buying the amount of properties

that we have targeted for acquisition, we may not be able to meet our property acquisition and development goals.

Major Tenants

As of December 31, 1998, ten tenants accounted for 50.6% of our annualized office rents. Two of these tenants accounted for approximately 27.0% of our total annualized office rents. Our largest tenant is the United States federal government, two agencies of which lease space in nine of our office properties. These leases represented approximately 17.0% of our total annualized office rents as of December 31, 1998. Generally, these government leases provide for one-year terms or provide for one-year termination rights. The government may terminate its leases if, among other reasons, the Congress of the United States fails to provide funding. The Congress of the United States has appropriated funds for these leases through September of 1999. The second largest tenant, Unisys Corporation, represented 10.0% of our annualized office rents as of December 31, 1998 and a larger percentage of our net operating income since Unisys pays all of its property operating expenses directly. Unisys occupies space in three of our office properties. If either the federal government or Unisys fails to make rental payments to us, or if the federal government elects to terminate several of its leases and the space cannot be re-leased on satisfactory terms, our financial performance and ability to make expected distributions to shareholders would be materially adversely affected.

Geographical Concentration

All of our office properties are located in the Mid-Atlantic region of the United States, and 58.7% of our total annualized office rents as of December 31, 1998 is earned from our office properties located in the Baltimore/Washington Corridor. Consequently, we do not have a broad geographical distribution of our

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properties. As a result, a decline in the real estate market or economic conditions generally in the Mid-Atlantic region would adversely affect us.

Environmental Matters

We are subject to various federal, state and local environmental laws. These laws can impose liability on property owners or operators for the costs of removal or remediation of certain hazardous substances released on a property, even if the property owner was not responsible for the release of the hazardous substances. The presence of hazardous substances on our properties may adversely affect occupancy and our ability to sell or borrow against those properties. In addition to the costs of government claims under environmental laws, private plaintiffs may bring claims for personal injury or similar reasons. Various laws also impose liability for the costs of removal or remediation of hazardous substances at the disposal or treatment facility. Anyone who arranges for the disposal or treatment of hazardous substances at such a facility is potentially liable under such laws. These laws often impose liability whether or not the facility is or ever was owned or operated by such person. To date, the impact of these laws has not been materially adverse to our operations.

Financing Policies

In conjunction with our growth strategies, we have developed a capitalization strategy. To promote growth in funds from operations per share, we intend to utilize a minimum cash flow to debt service coverage ratio of approximately 1.6 to 1.0, which we anticipate will equate to a ratio of debt to total market capitalization of between 40% and 60%. We believe 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. We intend to emphasize the issuance of Common Units and Preferred Units in our Operating Partnership as tax-deferred compensation to sellers in entity and portfolio acquisitions. We also intend to utilize both Common and Convertible Preferred Shares when capital market conditions appear advantageous.

We operate with higher debt levels than most other REITs. Our organizational documents do not limit the amount of indebtedness that we may incur. Most of our properties have been mortgaged to collateralize indebtedness. We favor long-term fixed rate debt over variable rate debt for permanent financings. In addition, we will rely on borrowings to fund some or all of the costs of new property acquisitions, capital expenditures and other items.

Mortgage Loans Payable

For information relating to future maturities of our mortgage loans payable, you should refer to the Management's Discussion and Analysis of Financial Condition and Results of Operations section and Note 7 to our Consolidated Financial Statements included with this Form 10-K.

Item 2. Properties

The following table provides certain information about our office properties as of December 31, 1998:

<TABLE>
<CAPTION>

Property Location	Year Built/ Renovated	Rentable Square Feet	Percentage Leased as of 12/31/98 (1)	Total Rental Revenue (2)	Percentage of Total Rental Revenue (3)	Total Rental Revenue per Occupied Square Foot (4)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Baltimore/Washington Corridor:						
2730 Hercules Rd.	1990	240,336	100.00%	\$ 4,575,360	6.52%	\$ 19.04
6009 - 6011 Oxon Hill Rd.	1990	181,236	98.78%	3,420,225	4.87%	19.10
7200 Riverwood Dr.	1986	160,000	100.00%	2,826,640	4.03%	17.67
6950 Columbia Gateway Dr.	1998	107,778	100.00%	2,184,998	3.11%	20.27
1615 - 1629 Thames St.	1989	103,670	96.85%	1,569,422	2.24%	15.63
900 Elkridge Landing Rd.	1982	97,139	100.00%	1,645,193	2.34%	16.94
1199 Winterson Rd.	1988	96,636	100.00%	1,534,245	2.19%	15.88
133 National Business Pkwy.	1997	88,666	100.00%	1,522,876	2.17%	17.18
141 National Business Pkwy.	1990	86,964	100.00%	1,445,347	2.06%	16.62
135 National Business Pkwy.	1998	86,832	100.00%	1,614,374	2.30%	18.59
881 Elkridge Landing Rd.	1986	73,572	100.00%	879,912	1.25%	11.96
14502 Greenview Dr.	1988	71,870	95.28%	1,182,537	1.68%	17.27
1099 Winterson Rd.	1988	69,738	87.69%	961,580	1.37%	15.72
14504 Greenview Dr.	1985	69,194	93.62%	1,099,052	1.57%	16.97
131 National Business Pkwy.	1990	68,900	100.00%	1,215,582	1.73%	17.64
1190 Winterson Rd.	1987	68,567	100.00%	1,060,976	1.51%	15.47
911 Elkridge Landing Rd.	1985	68,162	73.50%	804,168	1.15%	16.05
1201 Winterson Rd.	1985	67,903	100.00%	675,635	0.96%	9.95
6740 Alexander Bell Dr.	1992	59,576	100.00%	1,260,644	1.80%	21.16
930 International Dr.	1986	57,140	100.00%	689,108	0.98%	12.06
900 International Dr.	1986	57,140	100.00%	622,826	0.89%	10.90
921 Elkridge Landing Rd.	1983	54,057	100.00%	851,398	1.21%	15.75
8815 Centre Park Dr.	1987	53,635	100.00%	956,461	1.36%	17.83
6716 Alexander Bell Dr.	1989	51,980	100.00%	903,119	1.29%	17.37
939 Elkridge Landing Rd.	1983	51,953	100.00%	778,143	1.11%	14.98
800 International Dr.	1988	50,609	100.00%	775,939	1.11%	15.33
7609 Energy Parkway Dr.	1982	38,513	97.42%	213,458	0.30%	5.69
6760 Alexander Bell Dr.	1989	37,248	100.00%	692,102	0.99%	18.58
		-----	-----	-----	-----	-----
Total Baltimore/Washington Corridor		2,319,014	98.23%	37,961,320	54.07%	16.66
		-----	-----	-----	-----	-----

<CAPTION>

Major Tenants
(10% or more)

Property Location	Rentable Sq. Ft.)
<S>	
Baltimore/Washington Corridor:	
2730 Hercules Rd. 6009 - 6011 Oxon Hill Rd.	(6) U.S. Department of Defense (100%) U.S. Department of Treasury (47%) Constellation Real Estate, Inc. (24%)
7200 Riverwood Dr. 6950 Columbia Gateway Dr. 1615 - 1629 Thames St.	(6) U.S. Department of Defense (100%) Magellan Health Services, Inc. (100%) JHIEPGO Corporation (27%) Lista's (14%) First Annapolis (51%) Booz*Allen Hamilton (38%)
900 Elkridge Landing Rd.	(6) U.S. Department of Defense (100%) e.spire Communications (67%)
1199 Winterson Rd. 133 National Business Pkwy.	(5) Applied Signal Technology (33%) Stanford Telecommunications (46%) J.G. Van Dyke & Associates (20%) Harris Data Services Corp (14%) Credit Management Solutions, Inc. (82%)
141 National Business Pkwy.	(6) U.S. Department of Defense (100%) Sky Alland Research, Inc. (22%) Greenman-Pedersen, Inc. (15%) Preferred Health Network (34%) McDonald's Corporation (29%) Great West Life & Annuity (17%) Laurel Consulting Group (15%) Moore USA, Inc. (11%) e.spire Communications (35%) TASC, Inc. (28%) Lockheed Martin Technical (23%) Intel Corporation (14%) Chesapeake Appraisal (39%) Domino's Pizza, Inc. (18%)
135 National Business Pkwy. 881 Elkridge Landing Rd. 14502 Greenview Dr.	(6) U.S. Department of Defense (15%) Motorola, Inc. (14%) Optacor Financial Services (25%)
1099 Winterson Rd.	(6) U.S. Department of Defense (23%) Nationwide Mutual Insurance (21%) Ciena Corporation (100%)
14504 Greenview Dr.	(5) Johns Hopkins University (42%) Sky Alland Research, Inc. (21%) Science Applications International Corporation (20%) Atmel Corporation (16%) Ciena Corporation (100%) Ciena Corporation (100%) Aerotek, Inc. (100%) COMI (25%) National Association of Credit Management (20%) Reap/REMAX, Inc. (16%) H.C. Copeland Associates, Inc. (11%) Sun Microsystems, Inc. (81%) Science Applications International Corporation (10%) Agency Holding (68%)
131 National Business Pkwy.	(6) U.S. Department of Defense (24%) Ciena Corporation (100%) Rapid Response (50%) Baltimore Gas and Electric (19%)
1190 Winterson Rd.	(5) Cadence Design Systems, Inc. (65%)
911 Elkridge Landing Rd.	
1201 Winterson Rd. 6740 Alexander Bell Dr.	
930 International Dr. 900 International Dr. 921 Elkridge Landing Rd. 8815 Centre Park Dr.	
6716 Alexander Bell Dr.	
939 Elkridge Landing Rd.	
800 International Dr. 7609 Energy Parkway Dr.	
6760 Alexander Bell Dr.	
Total Baltimore/Washington Corridor	
</TABLE>	

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<TABLE>						
<S>						
Greater Philadelphia:	<C>	<C>	<C>	<C>	<C>	<C>
753 Jolly Rd.	1960/92-94	419,472	100.00%	2,971,968	4.23%	7.09
785 Jolly Rd.	1970/1996	219,065	100.00%	2,123,513	3.02%	9.69
760 Jolly Rd.	1974/1994	208,854	100.00%	2,567,264	3.66%	12.29
751 Jolly Rd.	1960/1991	112,958	100.00%	1,459,176	2.08%	12.92
		-----	-----	-----	-----	-----
Total Greater Philadelphia		960,349	100.00%	9,121,921	12.99%	9.50
		-----	-----	-----	-----	-----
Greater Harrisburg:						
2605 Interstate Dr.	1990	84,268	100.00%	1,103,704	1.57%	13.10

2601 Market Pl.	1989	67,753	100.00%	1,118,109	1.59%	16.50
6385 Flank Dr.	1995	32,800	100.00%	438,162	0.62%	13.36
		-----	-----	-----	-----	-----
Total Greater Harrisburg		184,821	100.00%	2,659,975	3.79%	14.39
		-----	-----	-----	-----	-----
Northern/Central New Jersey:						
431 Ridge Rd.	1958/1998	170,000	100.00%	3,087,379	4.40%	18.16
695 Route 46	1990	158,273	77.25%	2,231,824	3.18%	18.25
429 Ridge Rd.	1966/1996	142,385	100.00%	2,580,016	3.67%	18.12
710 Route 46	1985	104,144	92.83%	1,669,415	2.38%	17.27
19 Commerce	1989	65,277	100.00%	1,251,780	1.78%	19.18
104 Interchange Plaza	1990	47,142	100.00%	999,179	1.42%	21.20
101 Interchange Plaza	1985	43,886	92.19%	685,597	0.98%	16.95
47 Commerce	1992/1998	40,686	100.00%	476,498	0.68%	11.71
437 Ridge Rd.	1962/1996	30,000	100.00%	582,867	0.83%	19.43
3 Centre Dr.	1987	20,436	100.00%	312,382	0.44%	15.29
7 Centre Dr.	1989	19,464	100.00%	310,921	0.44%	15.97
8 Centre Dr.	1986	16,199	100.00%	348,249	0.50%	21.50
2 Centre Dr.	1989	16,132	100.00%	448,676	0.64%	27.81
		-----	-----	-----	-----	-----
Total Northern/Central New Jersey		874,024	94.43%	14,984,783	21.34%	18.16
		-----	-----	-----	-----	-----
Total Office Properties		4,338,208	97.93%	\$64,727,999	92.20%	\$ 15.24
		=====	=====	=====	=====	=====

</TABLE>

<TABLE>

<S>	<C>
Greater Philadelphia:	
753 Jolly Rd.	(5) Unisys (100%)
785 Jolly Rd.	(5) Unisys with 100% sublease to Merck
760 Jolly Rd.	(5) Unisys (100%)
751 Jolly Rd.	(5) Unisys (100%)
Total Greater Philadelphia	
Greater Harrisburg:	
2605 Interstate Dr.	Commonwealth of Pennsylvania (56%) United States Fidelity & Guaranty (24%) Health Central, Inc. (15%)
2601 Market Pl.	Penn State Geisinger Systems (38%) Ernst & Young LLP (26%) Texas Eastern Pipeline Company (26%)
6385 Flank Dr.	(5) Cowles Enthusiast Media (34%) Orion Capital Companies (26%) Pitney Bowes, Inc. (21%)
Total Greater Harrisburg	

Northern/Central New Jersey:

431 Ridge Rd.	IBM with 84% sublease to AT&T Local Services
695 Route 46	Pearson, Inc. (22%)

429 Ridge Rd. 710 Route 46	United Healthcare Services (15%) The Museum Company (12%) Dean Witter Reynolds, Inc. (12%) AT&T Local Services (100%) Midsco, Inc. (18%) Radian International, LLC (12%) Continental Casualty (12%) Lincoln Financial Group (10%) The Associated Press (100%) S.M.I.P.A. LLC (24%) Utica Mutual Insurance Company (15%) Laborer's International Union (13%) Lanier Worldwide, Inc. (12%) Somerset Real Estate Management, Inc. (10%)
19 Commerce 104 Interchange Plaza	Ford Motor Credit Company (33%) Arquest, Inc. (16%) Middlesex County Improvement Authority (13%) Trans Union Corporation (11%) Somfy Systems, Inc. (100%)
101 Interchange Plaza	IBM with 100% sublease to AT&T Local Services Matrix Development Group (100%) Paradise Software, Inc. (17%) System Freight, Inc. (14%) Compugen, Inc. (7%) AON Risk Services, Inc. (100%) Summit Bancorp (100%)
47 Commerce 437 Ridge Rd. 3 Centre Dr. 7 Centre Dr.	
8 Centre Dr. 2 Centre Dr.	

Total Northern/Central New Jersey

Total Office Properties
</TABLE>

- (1) This percentage is based upon all leases signed as of December 31, 1998.
- (2) Total Rental Revenue is the monthly contractual base rent as of December 31, 1998 multiplied by 12 plus the estimated annualized expense reimbursements under existing leases.
- (3) This percentage represents the individual property's rental revenue to our total rental revenue as of December 31, 1998.
- (4) This total rent per occupied square foot is the property's total rental revenue divided by that property's occupied square feet as of December 31, 1998.
- (5) This property contains substantial leases remitting rental revenue on a triple net lease basis.
- (6) The U.S. Department of Defense leases contain estimated monthly expense reimbursements that are reconciled each lease year to ensure that the lease functions as a triple net lease. Accordingly, the total rental revenues above include \$2,750,159 estimated annualized expense reimbursements.

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The following table provides certain information about our retail properties as of December 31, 1998:

<TABLE>
<CAPTION>

Property Location	Year Built/ Renovated	Rentable Square Feet	Percentage Leased as of 12/31/98 (1)	Total Rental Revenue (2)	Percentage of Total Rental Revenue (3)
305 Center St.	1991/1998	139,988	100.00%	\$ 2,267,486	3.23%
322 Marlboro St.	1977/1997	129,140	92.09%	761,651	1.08%
5835 West 10th St.	1991	67,541	100.00%	548,196	0.78%
3550 Vicksburg Ln.	1991	67,510	100.00%	522,813	0.74%
1351 38th St. North	1993	60,232	100.00%	341,823	0.49%
3265 Golf Rd.	1994	52,800	100.00%	312,201	0.44%
2100 S. Broadway	1993	46,134	100.00%	305,774	0.44%
630 E. Wisconsin Ave.	1994	39,272	100.00%	249,125	0.35%
7601 N. Port Washington Rd.	1992	36,248	100.00%	168,300	0.24%
TOTAL RETAIL PROPERTIES		638,865	98.40%	\$ 5,477,369	7.80%

<CAPTION>

Property Location	Total Rental Revenue per Occupied Square Feet (4)	Major Tenants (10% or more Rentable Sq. Ft.)
<C>	<C>	<C>
305 Center St.	\$16.20	Giant Food (40%) Staples, Inc. (17%)
322 Marlboro St.	6.40	Peebles (27%) Acme Markets (22%)
5835 West 10th St.	8.12	SV Ventures (100%)
3550 Vicksburg Ln.	7.74	Innsbruck Investments (100%)
1351 38th St. North	5.68	Nash-Finch Company (100%)
3265 Golf Rd.	5.91	Fleming Companies, Inc. (100%)
2100 S. Broadway	6.63	Nash-Finch Company (100%)
630 E. Wisconsin Ave.	6.34	Fleming Companies, Inc. (100%)
7601 N. Port Washington Rd.	4.64	Fleming Companies, Inc. (100%)

TOTAL RETAIL PROPERTIES	\$ 8.71	
	=====	

</TABLE>

- (1) This percentage is based upon all leases signed as of December 31, 1998.
- (2) Total Rental Revenue is the monthly contractual base rent as of December 31, 1998 multiplied by 12 plus the estimated annualized expense reimbursements under existing leases.
- (3) This percentage represents the individual property's rental revenue to our total rental revenue as of December 31, 1998.
- (4) This total rent per occupied square foot is the property's total rental revenue divided by that property's occupied square feet as of December 31, 1998.

Each of these properties contain substantial leases remitting rental revenue on a triple net lease basis.

The following table provides a summary schedule of the lease expirations for leases in place as of December 31, 1998, assuming that none of the tenants exercise renewal options:

Office and Retail Lease Expiration Analysis by Year

<TABLE>
<CAPTION>

Year of Expiration	Number of Leases Expiring	Square Footage of Leases Expiring	Percentage of Total Leased Square Feet	(1) Total Rental Revenue of Expiring Leases	Percentage of Total Rental Revenue Expiring	Total Rental Revenue of Expiring Leases per Leased Square Foot
<S>	<C>	<C>	<C>	<C>	<C>	<C>
1999	50	291,761	5.98%	\$ 4,444,052	6.33%	\$15.23
2000	51	403,927	8.28%	6,412,934	9.13%	15.88
2001	52	411,239	8.43%	6,513,355	9.28%	15.84
2002	37	631,494	12.94%	10,015,518	14.27%	15.86
2003	44	598,385	12.26%	10,567,191	15.05%	17.66
2004	8	97,804	2.01%	1,830,015	2.61%	18.71
2005	2	42,394	0.87%	748,839	1.07%	17.66
2006	4	159,286	3.27%	2,028,413	2.89%	12.73
2007	4	121,715	2.50%	1,675,016	2.39%	13.76
2008(2)	7	581,243	11.92%	10,238,111	14.58%	17.61
2009	7	1,174,760	24.09%	12,815,599	18.25%	10.91
2010	1	36,248	0.74%	168,300	0.24%	4.64
2011	3	72,713	1.49%	770,529	1.10%	10.60
2012	--	--	0.00%	--	0.00%	--
2013	--	--	0.00%	--	0.00%	--
2014	4	198,438	4.07%	1,208,923	1.72%	6.09
2015	--	--	0.00%	--	0.00%	--
2016+	1	56,139	1.15%	768,573	1.09%	13.69
	-----	-----	-----	-----	-----	-----
	275	4,877,546	100.00%	\$70,205,368	100.00%	\$14.39
	=====	=====	=====	=====	=====	=====

</TABLE>

- (1) Total rental revenue is the monthly contractual base rent as of December 31, 1998 multiplied by 12, plus the estimated annualized expense reimbursements under existing leases.
- (2) One tenant (with 240,336 square feet and remitting \$4,575,360 of annualized December 31, 1998 total rental revenue) leases space under a one-year lease

with consecutive one-year renewals through 2007. This lease carries a penalty should the tenant not renew and, accordingly, has been reflected as expiring in the year 2008 in the above table.

Item 3. Legal Proceedings

We are 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

No matters were submitted to a vote of our security holders during the fourth quarter of 1998.

PART II

Item 5. Market for Registrant's Common Equity and Related Shareholder Matters

Our Common Shares began trading on the NYSE on April 27, 1998, under the symbol "OFC". During the first quarter of 1998 and through April 26, 1998, our Common Shares traded on the Nasdaq(R) under the symbols "COPT" and "COPTD". Prior to January 1, 1998, the common stock of our predecessor corporation was traded on the Nasdaq under the symbol "RLIN". The table below shows the range of the high and low sale prices as reported on the NYSE and the Nasdaq, as well as the quarterly dividends per share declared. The quotations shown represent interdealer prices without adjustment for retail markups, markdowns or commissions, and may not reflect actual transactions.

<TABLE>
<CAPTION>

	Price Range		Dividends Per Share <C>
	Low	High	
1998			
<S>	<C>	<C>	<C>
First Quarter	9.7500	14.1250	0.150
Second Quarter	8.6250	14.0000	0.150
Third Quarter	6.4375	9.9375	0.180
Fourth Quarter	6.3750	8.0625	0.180

1997			
First Quarter	4.5000	6.0000	0.125
Second Quarter	4.5000	5.6250	0.125
Third Quarter	5.0000	7.8750	0.125
Fourth Quarter	6.8130	11.7500	0.125

</TABLE>

On March 19, 1999, the last reported sales price of our Common Shares on the NYSE was \$7.00. The approximate number of holders of record of our shares was approximately 216 as of February 17, 1999. This number does not include shareholders whose shares are held of record by a brokerage house or clearing agency, but does include any such brokerage house or clearing agency as one record holder.

We will pay future dividends at the discretion of our Board of Trustees. Our ability to pay cash dividends in the future will be dependent upon (i) the income and cash flow generated from our operations, (ii) cash generated or used by our financing and investing activities and (iii) the annual distribution requirements under the REIT provisions of the Code described above and such other factors as the Board of Trustees deems relevant. Our ability to make cash dividends will also be limited by the terms of our Operating Partnership Agreement and our financing arrangements as well as limitations imposed by state law and the agreements governing any future indebtedness.

During 1998, we issued 984,308 of our Preferred Shares to Constellation Real Estate, Inc. in connection with our acquisition of interests in 12 office and two retail properties, a 75% interest in CRM and certain equipment, furniture and other assets as follows:

<TABLE>
<CAPTION>

Date Issued	No. of Shares Issued	Value of Share Issuance (in millions)
<S>	<C>	<C>
September 28, 1998	865,566	\$ 21.6
October 21, 1998	72,509	1.8
December 30, 1998	46,233	1.2

</TABLE>

These Preferred Share issuances were exempt from registration under Section 4 (2) of the Securities Act of 1933, as amended. Our Preferred Shares are convertible after two years of issuance, subject to certain conditions, into Common Shares on the basis of 1.8748 Common Shares for each Preferred Share.

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On October 13, 1998, we issued 148,381 Common Units in our Operating Partnership valued at \$1.6 million to M.O.R. XXIX Associates Limited Partnership in connection with our acquisition of an office building. The issuance of these Common Units is exempt from registration under Section 4 (2) of the Securities Act of 1933, as amended. These Common Units are exchangeable into our Common Shares, subject to certain conditions.

Items 6. Selected Financial Data

The following table contains selected financial data for each of the years ended December 31, 1994 through 1998. Since this information is only a summary, you should refer to our consolidated financial statements and the section of this report entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" for additional information.

Corporate Office Properties Trust

(Dollar and share information in thousands, except ratios and per share data)

<TABLE>
<CAPTION>

	1998(1)	1997(1)	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
Operating Data (for the year ended):					
Revenues					
Rental income	\$ 35,676	\$ 6,122	\$ 2,477	\$ 2,436	\$ 2,038
Tenant recoveries and other income	4,538	496	32	48	217
Total revenues	40,214	6,618	2,509	2,484	2,255
Expenses					
Property operating	9,632	728	31	42	43
General and administrative	1,890	533	372	336	337
Interest	12,207	2,855	1,246	1,267	1,098
Amortization of deferred financing costs	423	64	13	13	9
Depreciation and other amortization	6,285	1,267	554	554	467
Reformation costs (2)	637	--	--	--	--
Termination of advisory agreement (3)	--	1,353	--	--	--
Total expenses	31,074	6,800	2,216	2,212	1,954
Income (loss) before equity in income of Service Companies and minority interests					
Equity in income of Service Companies	9,140	(182)	293	272	301
Income (loss) before minority interests	139	--	--	--	--
Minority interests	9,279	(182)	293	272	301
Net income (loss)	(4,583)	(785)	--	--	--
Preferred Share dividends	4,696	(967)	293	272	301
Net income (loss) available to Common Shareholders	(327)	--	--	--	--
Earnings (loss) per Common Share	\$ 4,369	\$ (967)	\$ 293	\$ 272	\$ 301
Basic	\$ 0.48	\$ (0.60)	\$ 0.21	\$ 0.19	\$ 0.21
Diluted	\$ 0.47	\$ (0.60)	\$ 0.21	\$ 0.19	\$ 0.21
Weighted average shares outstanding - basic	9,099	1,601	1,420	1,420	1,420
Weighted average shares outstanding - diluted	19,237	1,601	1,420	1,420	1,420

</TABLE>

13

<TABLE>
<CAPTION>

	1998(1)	1997(1)	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
Balance Sheet Data (as of period end):					
Commercial real estate properties, net	\$ 546,887	\$ 188,625	\$ 23,070	\$ 23,624	\$ 24,179
Total assets	\$ 563,677	\$ 193,534	\$ 24,197	\$ 24,779	\$ 25,647
Mortgage loans payable	\$ 306,824	\$ 114,375	\$ 14,658	\$ 14,916	\$ 15,153
Total liabilities	\$ 317,700	\$ 117,008	\$ 15,026	\$ 15,191	\$ 15,620
Minority interests	\$ 77,196	\$ 64,862	\$ --	\$ --	\$ --

Shareholders' equity	\$ 168,781	\$ 11,664	\$ 9,171	\$ 9,588	\$ 10,026
Debt to market capitalization	58.7%	53.1%	66.3%	68.9%	60.4%
Debt to undepreciated real estate assets	55.1%	59.6%	58.6%	59.6%	60.5%
Other Financial Data (for the year ended):					
Cash flows provided by (used in):					
Operating activities	\$ 13,141	\$ 3,216	\$ 840	\$ 678	\$ 690
Investing activities	\$(183,928)	\$ 973	\$ 127	\$ (551)	\$ (9,511)
Financing activities	\$ 169,741	\$ (1,052)	\$ (967)	\$ (1,001)	\$ 6,357
Funds from operations - basic (4)	\$ 12,415	\$ 1,718	\$ 847	\$ 827	\$ 768
Funds from operations - diluted (4)	\$ 16,154	\$ 2,438	\$ 847	\$ 827	\$ 768
Adjusted funds from operations - diluted (5) .	\$ 13,831	\$ 2,143	\$ 780	\$ 760	\$ 717
Cash dividends declared per Common Share	\$ 0.66	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.85
Payout ratio (6)	74.63%	74.20%	83.83%	85.85%	157.16%
Interest coverage (7)	2.36	1.88	1.69	1.66	1.71
Ratio of earnings to combined fixed charges and Preferred Share dividends	1.33	0.75	1.23	1.21	1.27
Property Data (as of period end):					
Number of properties owned	57	17	7	7	7
Total rentable square feet owned (in thousands)	4,977	1,852	370	370	370

</TABLE>

- (1) Our selected financial data reported for 1998 and 1997 is not comparative to the other years reported due to our growth resulting from property acquisitions and other changes in our organization (see Overview in "Management's Discussion and Analysis of Financial Condition and Results of Operations").
- (2) Reflects a non-recurring expense of \$637 associated with our reformation as a Maryland REIT during the first quarter of 1998. We have eliminated this transaction in determining funds from operations since it is not expected to have a continuing impact.
- (3) Reflects a non-recurring expense of \$1,353 associated with the termination of an advisory agreement during the fourth quarter of 1997. We have eliminated this transaction in determining funds from operations since it is not expected to have a continuing impact.
- (4) We consider Funds from Operations ("FFO") to be meaningful to investors as a measure of the financial performance of an equity REIT when considered with the financial data presented under generally accepted accounting principles ("GAAP"). Under the National Association of Real Estate Investment Trusts' ("NAREIT") definition, FFO means net income (loss) computed using generally accepted accounting principles, excluding gains (or losses) from debt restructuring and sales of property, plus real estate-related depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures. Further, if the conversion of securities into Common Shares is dilutive, we exclude any GAAP income allocated to these securities in computing FFO. The FFO we present may not be comparable to the FFO of other REITs since they may interpret the current NAREIT definition of FFO differently or they may not use the current NAREIT definition of FFO. FFO is not the same as cash generated from operating activities or net income determined in accordance with GAAP. FFO is not necessarily an indication of our cash flow available to fund cash needs. Additionally, it should not be used as an alternative to net income when evaluating our financial performance or to cash flow from operating, investing and financing when evaluating our liquidity or ability to make cash distributions or pay debt service.
- (5) We compute adjusted funds from operations-diluted by subtracting straight-line rent adjustments and recurring capital improvements from funds from operations-diluted.
- (6) We compute payout ratio by dividing totaling dividends and distributions reported for the year by funds from operations-diluted.
- (7) We compute interest coverage by dividing earnings before interest, depreciation and amortization by interest expense. We compute earnings before interest, depreciation and amortization by subtracting property operating and general and administrative expenses from the sum of total revenues and equity in income of Service Companies.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

Over the last two years, we completed a significant number of acquisitions. Our portfolio consisted of seven retail properties as of December 31, 1996. At that time, we relied on an external advisory agreement for all of our management and administrative needs. In October 1997, we acquired ten office properties from the Shidler Group and terminated the external advisory agreement. During 1998, we acquired 38 office and two retail properties,

including 12 office and two retail properties from Constellation. We financed these acquisitions using debt and issuing Common Shares, Preferred Shares and ownership interests in Corporate Office Properties, L.P., our Operating Partnership. To accommodate our growth and changing needs as an organization, we hired management and other staff. Our geographical and product concentration also changed substantially as a result of these acquisitions. In 1996, we derived all of our rental revenue from our retail properties in the Midwest region of the United States. In 1998, we derived 93% of our rental revenue from our properties in the Mid-Atlantic region of the United States, most of which are office properties. As of December 31, 1998, our portfolio included 57 commercial real estate properties leased for office and retail purposes. Due to these significant changes, our results of operations changed dramatically.

We conduct almost all of our operations through our Operating Partnership, of which we are the managing general partner. The Operating Partnership owns real estate both directly and through subsidiaries. The Operating Partnership also owns the principal economic interest and, collectively with our Chief Executive Officer and Chief Operating Officer, 49.5% of the voting common stock of Corporate Office Management, Inc. ("COMI"). We refer to COMI and its subsidiaries as the "Service Companies". Interests in our Operating Partnership are in the form of Common and Preferred Units. As of December 31, 1998, we owned approximately 85% of the outstanding Common Units and approximately 32% of the outstanding Preferred Units. The remaining Common and Preferred Units in our Operating Partnership were owned by third parties, which included certain of our officers and Trustees. If all Preferred Units were converted into Common Units, we would have owned approximately 62% of the Common Units as of December 31, 1998. In 1998, we increased our ownership of the Operating Partnership substantially by contributing proceeds from our Common Share offering on April 27, 1998 and assets acquired from Constellation into the Operating Partnership in exchange for Common and Preferred Units.

In this section, we discuss our financial condition and results of operations for 1998 and 1997. This section includes discussions on:

- o why various components of our Consolidated Statements of Operations changed from 1997 to 1998 and from 1996 to 1997,
- o what our primary sources and uses of cash were in 1998,
- o how we raised cash for acquisitions and other capital expenditures during 1998,
- o how we intend to generate cash for future capital expenditures, and
- o the computation of our funds from operations for 1998, 1997 and 1996.

It may be helpful as you read this section to refer to our consolidated financial statements and selected financial data table.

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

Important facts that may affect these expectations, estimates or projections include, but are not limited to: our ability to borrow on favorable terms; general economic and business conditions, which will, among other

things affect office property demand and rents, tenant creditworthiness and financing availability; adverse changes in the real estate markets including, among other things, competition with other companies; risks of real estate acquisition and development; governmental actions and initiatives and environmental requirements.

Results of Operations

Comparison of the Years Ended December 31, 1998 and 1997:

Our 1998 total revenues increased \$33.6 million or 508% from 1997. Of this increase, \$29.6 million was generated by rental income and \$4.0 million by tenant recoveries and other income. Tenant recovery income includes payments from tenants as reimbursement for property taxes, insurance and other property operating expenses. Our growth in revenues was due mostly to our property acquisitions in 1998 and the impact of a full year of operations for the properties we acquired from the Shidler Group in October 1997.

Our 1998 property operating expenses and depreciation and amortization

increased \$13.9 million or 698% from 1997 due mostly to our property acquisitions. Our 1998 interest expense and amortization of deferred financing costs increased \$9.7 million or 333% from 1997 because of our borrowings and assumptions of debt needed to finance property acquisitions.

Our 1998 general and administrative expenses increased \$1.4 million or 255% from 1997. Of this increase, \$282,000 are costs we expensed in exploring possible property acquisitions that did not occur. The remaining increase is due mostly to our property acquisitions and our conversion from an externally-advised REIT to a full-service REIT. During 1996 and through September 1997, we functioned operationally as an externally-advised REIT. When we completed the property acquisitions from the Shidler Group in October 1997, we hired management and other staff so that we could operate as a full-service REIT. In September 1998, we entered into a management relationship with COMI in connection with our acquisition of properties from Constellation. As a result of this relationship, we added management and other staffing functions to further expand our capabilities and support our growing portfolio of properties.

Our 1998 total expenses increased \$24.3 million or 357% from 1997 due mostly to the effects of the increases in property operating expenses and depreciation and amortization, interest expense and amortization of deferred finance costs and general and administrative expenses described above. In addition to these items, our 1998 expenses included \$637,000 in costs associated with our reformation into a Maryland REIT in March 1998. Our 1997 expenses included \$1.4 million in costs to terminate an advisory agreement in connection with our conversion from an externally-advised REIT to a full-service REIT.

Our 1998 income before minority interests also includes our equity in income from the Service Companies, which were established in 1998. These Service Companies are not included as consolidated subsidiaries in our financial statements.

As a result of the above factors, our 1998 income before minority interests increased by \$9.5 million from 1997. Our 1998 income allocation to minority interests increased \$3.8 million or 484% from 1997. The amounts reported for minority interests on our Consolidated Statements of Operations represent the portion of the Operating Partnership's net income not allocated to us. Minority interests resulted from our creation of the Operating Partnership in October 1997. The percentage of income allocated to minority interests decreased during 1998 as our percentage ownership of the Operating Partnership increased. The increase in income allocated to minority interests in 1998 from 1997 is due to the effects of the minority interests being in place for the entire year, offset by the decreased percentage of income allocated to minority interests later in the year.

Our 1998 income available to Common Shareholders increased \$5.3 million from 1997 due to the factors discussed above partially offset by \$327,000 in dividends declared on our Series A Convertible Preferred Shares of beneficial interest ("Preferred Shares") issued in 1998. Our 1998 diluted earnings per Common Share increased \$1.07 per share from 1997 due to the effect of the increase in net income being proportionately greater than the effects of the issuance of our Common Shares and Preferred and Common Units in the Operating

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Partnership in October 1997, our share offering in April 1998, the issuance of our Common Shares in connection with the Constellation Transaction and the issuance of Common Units in our Operating Partnership in October 1998.

Comparison of the Years Ended December 31, 1997 and 1996:

Our 1997 total revenues increased \$4.1 million or 164% from 1996. Of this increase, \$3.6 million was generated by rental income and \$464,000 by tenant recoveries and other income. Our growth in revenues was due mostly to the ten office properties we acquired from the Shidler Group in October 1997.

Our 1997 property operating expenses and depreciation and amortization increased by \$1.4 million or 241% from 1996 due mostly to our property acquisitions. Our 1997 interest expense and amortization of deferred financing costs increased \$1.7 million or 132% from 1996 because of our assumption of debt needed to finance property acquisitions.

Our 1997 general and administrative expenses increased \$161,000 or 43% from 1996 due mostly to our property acquisitions and our conversion from an externally-advised REIT to a full-service REIT.

Our 1997 total expenses increased \$4.6 million or 207% from 1996 due mostly to the effects of the increases in property operating expenses and depreciation and amortization, interest expense and amortization of deferred finance costs and increases in general and administrative expenses described above. In addition to these items, our 1997 expenses included \$1.4 million in costs to terminate the advisory agreement.

As a result of the above factors, we incurred a \$182,000 loss before

minority interests in 1997.

We incurred a \$967,000 net loss available to Common Shareholders in 1997 due to the factors discussed above and the allocation of income to minority interests resulting from our creation of the Operating Partnership in October 1997. We incurred a \$0.60 diluted loss per Common Share in 1997 due to the factors discussed above and the issuance of our Common Shares and Preferred Units and Common Units in the Operating Partnership in October 1997.

Liquidity and Capital Resources

Capitalization

Historically, cash provided from operations represented our primary source of liquidity to fund distributions, pay debt service and fund working capital requirements. We expect to continue to meet our 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. We do not anticipate borrowing to meet these requirements.

On April 27, 1998, we completed the sale of 7,500,000 Common Shares to the public at a price of \$10.50 per share. In connection with the share offering, our Common Shares were listed on the New York Stock exchange under the symbol "OFC". Our net proceeds from the share offering totaled \$72.7 million. We used the net proceeds to acquire 7,500,000 Common Units in our Operating Partnership.

On May 28, 1998, we obtained a \$100.0 million recourse revolving credit facility from Bankers Trust Company. We used proceeds from the revolving credit facility throughout 1998 to fund property acquisitions. This loan bears interest at a variable rate of LIBOR plus 1.75% and provides for monthly payments of interest only. The loan also requires that we pay a quarterly fee of 0.25% per annum on the difference between \$100.0 million and the outstanding balance. This loan matures on May 28, 2000 and may be extended one year. We have mortgaged 22 of our properties as collateral for this loan. This loan and our term credit facility with Bankers Trust Company are cross-defaulted, which means that a default on the terms of one of the loans triggers

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a default of the other loan. The terms of the revolving credit facility require that we comply with a number of restrictive financial covenants. At February 23, 1999, the maximum amount available under this loan was \$100.0 million, of which \$12.1 million was unused.

On October 22, 1998, we obtained an \$85.0 million loan from Teachers Insurance and Annuity Association of America ("TIAA"). TIAA advanced \$76.2 million of this loan on October 22, 1998 and \$8.8 million on December 31, 1998. The proceeds from this loan were used mostly to repay certain debt assumed in our property acquisitions and a portion of the revolving credit facility. This loan bears interest at a fixed rate of 6.89% per annum and provides for monthly payments of principal and interest of \$595,000. This loan matures on November 1, 2008 and may not be prepaid prior to November 30, 2003. We have mortgaged nine of our properties as collateral for this loan.

During 1998, we acquired 40 operating properties and three land parcels for an aggregate acquisition cost of \$357.3 million. Of the 40 operating properties acquired, 30 are located in the Baltimore/Washington Corridor and ten in New Jersey. The land parcels are located in the Baltimore/Washington Corridor. The operating property acquisitions increased our rentable square footage by approximately 3.1 million. We also acquired a 75% interest in a real estate management services entity and certain equipment, furniture, and other assets related to Constellation Real Estate, Inc. for \$2.5 million. These acquisitions were financed by:

- o assuming \$66.5 million in mortgage loans,
- o issuing 7,030,793 of our Common Shares, valued at \$73.8 million (\$10.50 per share), less \$505,000 in share issuance costs,
- o issuing 984,308 of our Preferred Shares, valued at \$24.6 million (\$25.00 per share),
- o issuing 148,381 Common Units in our Operating Partnership, valued at \$1.6 million (\$10.50 per share), and
- o using \$193.3 million in cash.

Our April 1998 share offering, the revolving credit facility and the loan from TIAA provided the cash used for our acquisitions.

During 1998, we began construction of new buildings on two of the land parcels we acquired that are estimated upon completion to total 198,000 square feet. We also began a project that is expected to expand the rentable square

footage of one of our properties by 6,300 square feet.

On January 5, 1999, we entered into an interest rate swap agreement with Bankers Trust Company. This swap agreement fixes our one-month LIBOR base to 5.085% per annum on a notional amount of \$30.0 million through May 2001.

On January 13, 1999, we entered into a \$9.8 million construction loan with FMB Bank to finance the construction of a building. This loan has an interest rate of LIBOR plus 1.6%. This loan matures on February 1, 2001 and may be extended for a one-year period, subject to certain conditions.

On January 22, 1999, we sold a retail property located in Westminster, Maryland. We sold the property for \$18.9 million, of which \$9.5 million was used to pay off the mortgage loan payable on the property, \$283,000 was placed in escrow, \$272,000 was paid to the buyer for operating pro rations, \$144,000 was used to pay our closing costs and \$8.7 million was used to pay down our revolving credit facility. We recognized no gain or loss on the sale.

On February 8, 1999, we entered into a \$10.9 million construction loan with Provident Bank of Maryland to finance the construction of a building. This loan has an interest rate of LIBOR plus 1.75%. This loan matures on February 8, 2001 and may be extended for a one-year period, subject to certain conditions.

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On February 26, 1999, we acquired a 68,000 square foot office building located in Linthicum, Maryland. We acquired the property for \$6.8 million, including \$201,000 in transaction costs, using \$6.7 million in borrowings under our revolving credit facility and using cash reserves for the balance.

We have no contractual obligations for property acquisitions or material capital costs, other than completing the two development projects mentioned above and tenant improvements in the ordinary course of business. We expect to meet our long-term capital needs through a combination of cash from operations, additional borrowings and additional equity issuances of Common Shares, Preferred Shares, Common Units and/or Preferred Units.

We are under contract to sell three of our retail properties. The contracted sale price for these properties is \$14.5 million.

Statement of Cash Flows

We generated net cash flow from operations of \$13.1 million in 1998, an increase of \$9.9 million from 1997. Our increase in cash flows from operations is due mostly to income generated from our newly-acquired properties. Our 1998 net cash flow used in investing activities increased \$184.9 million from 1997 due mostly to the larger volume of property acquisitions. Our 1998 net cash flow provided by financing activities increased \$170.8 million from 1997 due mostly to borrowings obtained or assumed to finance property acquisitions and proceeds from the April 1998 stock offering.

Funds From Operations

We consider Funds from Operations ("FFO") to be meaningful to investors as a measure of the financial performance of an equity REIT when considered with the financial data presented under generally accepted accounting principles ("GAAP"). Under the National Association of Real Estate Investment Trusts' ("NAREIT") definition, FFO means net income (loss) computed using generally accepted accounting principles, excluding gains (or losses) from debt restructuring and sales of property, plus real estate-related depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures. Further, if the conversion of securities into common shares is dilutive, we exclude any GAAP income allocated to these securities in computing FFO. The FFO we present may not be comparable to the FFO of other REITs since they may interpret the current NAREIT definition of FFO differently or they may not use the current NAREIT definition of FFO. FFO is not the same as cash generated from operating activities or net income determined in accordance with GAAP. FFO is not necessarily an indication of our cash flow available to fund cash needs. Additionally, it should not be used as an alternative to net income when evaluating our financial performance or to cash flow from operating, investing and financing when evaluating our liquidity or ability to make cash distributions or pay debt service. Our FFO for 1998, 1997 and 1996 are summarized in the following table.

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<TABLE>
<CAPTION>

For the year ended December 31,

(Dollars and shares in thousands)

1998 1997 1996

<S>	<C>	<C>	<C>
Income (loss) before minority interests	\$ 9,279	\$ (182)	\$ 293
Add: Nonrecurring charges			
Reformation costs	637	--	--
Advisory Agreement termination cost	--	1,353	--
Add: Real estate related depreciation and amortization	6,238	1,267	554
Less: Preferred Unit distributions	(3,412)	(720)	--
Less: Preferred Share dividends	(327)	--	--
Funds from operations	12,415	1,718	847
Add: Preferred Unit distributions	3,412	720	--
Add: Preferred Share dividends	327	--	--
Funds from operations - diluted	16,154	2,438	847
Less: Straight line rent adjustments	(1,785)	(295)	(67)
Less: Recurring capital improvements	(538)	--	--
Adjusted funds from operations - diluted	\$ 13,831	\$ 2,143	\$ 780
Weighted average Common Shares	9,099	1,601	1,420
Conversion of Common Units	2,614	552	--
Weighted average Common Shares/Units - basic .	11,713	2,153	1,420
Assumed conversion of share options	24	--	--
Conversion of Preferred Shares	449	--	--
Conversion of Preferred Units	7,500	1,602	--
Weighted average Common Shares/Units - diluted	19,686	3,755	1,420

</TABLE>

Inflation

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

Impact of the Year 2000 Issue

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

Our accounting software package was certified as Year 2000 compliant by its manufacturer. Accordingly, we do not anticipate problems in processing the billing and collection of revenue, the payment of expenditures, the recording of financial transactions, the preparation of financial statements and maintaining and generating system driven managerial information. Our information technology and accounting groups are conducting internal tests to ensure compliance. This testing process is estimated to be completed by the second quarter of 1999. Our accounting department has developed a plan that will enable a certain amount of manual processing to take place in the unlikely event that problems arise with our accounting software.

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

We rely on third party suppliers for a number of key services. Interruption of supplier operations due to the Year 2000 Issue could affect our operations. We also are dependent upon our tenants for revenue and cash flow. Interruptions in tenant operations due to the Year 2000 Issue could result in reduced revenue, increased receivable levels and cash flow reductions. Our property management team is in the process of contacting significant tenants and suppliers to discuss Year 2000 readiness. Management is being continually updated on the status of this process, which is estimated to be completed by the second quarter of 1999.

Based on information currently available from our internal assessment, management does not expect significant incremental costs associated with our Year 2000 activities during 1999. We will also evaluate Year 2000 issues for all future property acquisitions and development.

Recent Accounting Pronouncements

In March 1998, the FASB's Emerging Issues Task Force reached consensus on Emerging Issues Task Force Issue No. 97-11, "Accounting for Internal Costs Relating to Real Estate Property Acquisitions" ("EITF 97-11"). EITF 97-11, effective March 19, 1998, requires that internal costs of pre-acquisition activities incurred in connection with the acquisition of an operating property should be expensed as incurred. We do not incur significant internal costs from pre-acquisition activities; therefore the adoption of EITF 97-11 did not have a material effect on our Consolidated Statements of Operations.

In June 1998, the FASB issued Statement of Financial Accounting Standards No. 133 ("SFAS 133"), "Accounting for Derivative Instruments and Hedging Activities". This statement is effective for financial statements for all fiscal quarters of fiscal years beginning after June 15, 1999. Accordingly, we plan to adopt this standard beginning January 1, 2000. SFAS 133 establishes accounting and reporting standards for derivative financial instruments and for hedging activities. It requires that an entity recognize all derivatives as assets or liabilities in the balance sheet and measure those instruments at fair value, unless certain conditions are met that allow the entity to designate certain derivatives as a hedge. We have not yet determined the impact of the adoption of this standard.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to certain market risks, the most predominant of which is changes in interest rates. Increases in interest rates can result in increased interest expense under our revolving credit facility and our other mortgage loans payable carrying variable interest rate terms. Increases in interest rates can also result in increased interest expense when our mortgage loans payable carrying fixed interest rate terms mature and need to be refinanced.

Based on our variable rate debt balances during the year ended December 31, 1998, our interest expense would have increased \$246,000 if interest rates were 1% higher.

On January 5, 1999, we entered into an interest rate swap agreement with Bankers Trust Company that fixes our one-month LIBOR base to 5.085% per annum on a notional amount of \$30.0 million through May 2001. While this swap agreement reduces the impact of an increase in interest rates, the nonperformance of Bankers Trust Company in this swap agreement, while remote, could result in material losses. We expect to continue to use such swap agreements to reduce the impact of interest rate changes.

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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 our acquisition of properties from the Shidler Group, we changed our certifying accountant from Lurie, Besikof, Lapidus & Co., LLP ("Lurie") to Coopers & Lybrand LLP ("C&L"). On October 31, 1997, our Board of Directors appointed C&L as our independent public accountant for the year ending December 31, 1997.

We are not aware of any disagreements with Lurie during our 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.

During 1998, C&L merged with Price Waterhouse LLP to become PricewaterhouseCoopers LLP ("PwC"). We retained PwC as our certifying accountant.

PART III

Item 10, 11, 12 & 13. Trustees and Executive Officers of the Registrant, Executive Compensation, Security Ownership of Certain Beneficial Owners and Management and Certain Relationships and Related Transactions

For the information required by Item 10, Item 11, Item 12 and Item 13, you should refer to our definitive proxy statement relating to the 1998 Annual Meeting of our Shareholders to be filed with the Securities and Exchange Commission no later than 120 days after the end of the fiscal year covered by

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

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

1. Financial Statements. Audited balance sheets as of December 31, 1998 and 1997, and the related statements of operations, of shareholders' equity, and of cash flows for each of the three years in the period ended December 31, 1998 are filed as part of this Form 10-K. See Index to Consolidated Financial Statements on Page F-1.
2. Financial Statement Schedule. Audited Schedule III - Real Estate and Accumulated Depreciation is filed as part of this Form 10-K. See Index to Financial Statements on Page F-1.

(b) We filed the following Current Reports on Form 8-K in the last quarter of the year ended December 31, 1998:

1. Item 2 and Item 5 in connection with acquisition of real estate properties and service businesses from Constellation dated October 13, 1998 and amended December 11, 1998 to include relevant financial statements and pro forma financial information.
2. Item 2 in connection with acquisition of Riverwood building dated October 28, 1998 and amended December 11, 1998 to include relevant financial statements and pro forma financial information.
3. Item 2 in connection with acquisition of Centerpoint Properties dated November 16, 1998 and amended January 14, 1999 to include relevant financial statements and pro forma financial information.

(c) Exhibits. Refer to the Exhibit Index that follows.

EXHIBIT NO.	DESCRIPTION
2.1	Agreement and Plan of Merger, dated January 31, 1998, among the Registrant, the Maryland Company and the Company (filed with the Trust's Registration Statement on Form S-4 (Commission File No. 333-45649) and incorporated herein by reference).
2.2	Assignment of Partnership Interests, dated April 30, 1998, between Airport Square Limited Partnership, Airport Square Corporation, Camp Meade Corporation and COPT Airport Square One LLC and COPT Airport Square Two LLC. (filed with the Company's Current Report on Form 8-K on May 14, 1998 and incorporated herein by reference).
2.3	Assignment of Purchase and Sale Agreement, dated April 30, 1998, between Aetna Life Insurance Company and the Operating Partnership. (filed with the Company's Current Report on Form 8-K on May 14, 1998 and incorporated herein by reference).
2.4	Assignment of Loan Purchase and Sale Agreement, dated April 30, 1998, between Constellation Real Estate, Inc. and the Operating Partnership. (filed with the Company's Current Report on Form 8-K on May 14, 1998 and incorporated herein by reference).
2.5	Purchase and Sale Agreement, dated April 1, 1998, between Aetna Life Insurance Company and Airport Square Limited Partnership (filed with the Company's Current Report on Form 8-K on May 14, 1998 and incorporated herein by reference).
2.6.1	Loan Purchase and Sale Agreement, dated March 13, 1998, between Aetna Life Insurance Company and Constellation Real Estate, Inc. (filed with the Company's Current Report on Form 8-K on May 14, 1998 and incorporated herein by reference).
2.6.2	Amendment to Loan Purchase and Sale Agreement, dated April 16, 1998, between Aetna Life Insurance Company and Constellation Real Estate, Inc. (filed with the Company's Current Report on Form 8-K on May 14, 1998 and incorporated herein by reference).
2.7.1	Purchase and Sale Agreement, dated March 4, 1998, between 695 Rt. 46 Realty, LLC, 710 Rt. 46 Realty, LLC and COPT Acquisitions, Inc. (filed with the Company's Current Report on Form 8-K on June 10, 1998 and incorporated herein by reference).
2.7.2	Letter Amendment to Purchase and Sale Agreement, dated March 26, 1998, between 695 Rt. 46 Realty, LLC, 710 Rt. 46 Realty, LLC and

COPT Acquisitions, Inc. (filed with the Company's Current Report on Form 8-K on June 10, 1998 and incorporated herein by reference).

- 2.8.1 Contribution Agreement between the Company and the Operating Partnership and certain Constellation affiliates (filed as Exhibit A of the Company's Schedule 14A Information on June 26, 1998 and incorporated herein by reference).
- 2.8.2 First Amendment to Contribution Agreement, dated July 16, 1998, between Constellation Properties, Inc. and certain entities controlled by Constellation Properties, Inc. (filed with the Company's Current Report on Form 8-K on October 13, 1998 and incorporated herein by reference).
- 2.8.3 Second Amendment to Contribution Agreement, dated September 28, 1998, between Constellation Properties, Inc. and certain entities controlled by Constellation Properties, Inc. (filed with the Company's Current Report on Form 8-K on October 13, 1998 and incorporated herein by reference).

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EXHIBIT NO.	DESCRIPTION
2.9	Service Company Asset Contribution Agreement between the Company and the Operating Partnership and certain Constellation affiliates (filed as Exhibit B of the Company's Schedule 14A Information on June 26, 1998 and incorporated herein by reference).
2.10.1	Option Agreement, dated May 14, 1998, between the Operating Partnership and NBP-III, LLC (a Constellation affiliate) (filed as Exhibit C of the Company's Schedule 14A Information on June 26, 1998 and incorporated herein by reference).
2.10.2	First Amendment to Option Agreement, dated June 22, 1998, between the Operating Partnership and NBP-III, LLC (a Constellation affiliate) (filed as Exhibit E of the Company's Schedule 14A Information on June 26, 1998 and incorporated herein by reference).
2.11.1	Option Agreement, dated May 14, 1998, between the Operating Partnership and Constellation Gatespring II, LLC (a Constellation affiliate) (filed as Exhibit D of the Company's Schedule 14A Information on June 26, 1998 and incorporated herein by reference).
2.11.2	First Amendment to Option Agreement, dated June 22, 1998, between the Operating Partnership and Constellation Gatespring II, LLC (a Constellation affiliate) (filed as Exhibit F of the Company's Schedule 14A Information on June 26, 1998 and incorporated herein by reference).
2.12	Option Agreement, dated September 28, 1998, between Jolly Acres Limited Partnership, Arbitrage Land Limited Partnership and the Operating Partnership (filed with the Company's Current Report on Form 8-K on October 13, 1998 and incorporated herein by reference).
2.13	Right of First Refusal Agreement, dated September 28, 1998, between Constellation Properties, Inc. and the Operating Partnership (filed with the Company's Current Report on Form 8-K on October 13, 1998 and incorporated herein by reference).
2.14	Right of First Refusal Agreement, dated September 28, 1998, between 257 Oxon, LLC and the Operating Partnership (filed with the Company's Current Report on Form 8-K on October 13, 1998 and incorporated herein by reference).
2.15	Development Property Acquisition Agreement, dated May 14, 1998, between the Operating Partnership and CPI Piney Orchard Village Center, Inc. (a Constellation affiliate) (filed as Exhibit H of the Company's Schedule 14A Information on June 26, 1998 and incorporated herein by reference).
2.16	Contribution Agreement, dated September 30, 1998, between COPT Acquisitions, Inc. and M.O.R. XXIX Associates Limited Partnership (filed with the Company's Current Report on Form 8-K on October 28, 1998 and incorporated herein by reference).
2.17	Purchase and Sale Agreement, dated September 30, 1998, between New England Life Pension Properties II: A Real Estate Limited Partnership and COPT Acquisitions, Inc. (filed with the Company's Current Report on Form 8-K on October 28, 1998 and incorporated herein by reference).

EXHIBIT NO.	DESCRIPTION
2.18.1	Sale-Purchase Agreement, dated August 20, 1998 between South Middlesex Industrial Park Associates, L.P. and SM Monroe Associates and COPT Acquisitions, Inc. (filed with the Company's Current Report on Form 8-K on October 28, 1998 and incorporated herein by reference).
2.18.2	First Amendment to Sale-Purchase Agreement, dated October 30, 1998, between South Middlesex Industrial Park Associates, L.P. and SM Monroe Associates, L.P. and COPT Acquisitions, Inc. (filed with the Company's Current Report on Form 8-K on November 16, 1998 and incorporated herein by reference).
2.19	Contribution Agreement, dated December 31, 1998, between the Operating Partnership and M.O.R. 44 Gateway Associates L.P., RA & DM, Inc. and M.R.U. L.P. (filed with the Company's Current Report on Form 8-K on January 14, 1999 and incorporated herein by reference).
2.20.1	Purchase and Sale Agreement, dated December 31, 1998, between Metropolitan Life Insurance Company and Corporate Office Acquisitions, Inc. (filed with the Company's Current Report on Form 8-K on January 14, 1999 and incorporated herein by reference).
2.20.2	Amendment to Purchase and Sale Agreement, dated December 31, 1998, between Metropolitan Life Insurance Company, DPA/Gateway L.P., Corporate Office Acquisitions, Inc., COPT Gateway, LLC and the Operating Partnership (filed with the Company's Current Report on Form 8-K on January 14, 1999 and incorporated herein by reference).
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).
4.2	Amended and Restated Registration Rights Agreement, dated March 16, 1998, for the benefit of certain shareholders of the Company (filed with the Company's Quarterly Report on Form 10-Q on August 12, 1998 and incorporated herein by reference).
4.3	Articles Supplementary of Corporate Office Properties Trust Series A Convertible Preferred Shares, dated September 28, 1998 (filed with the Company's Current Report on Form 8-K on October 13, 1998 and incorporated herein by reference).
4.4.1	Amended and Restated Limited Partnership Agreement of the Operating Partnership, dated March 16, 1998 (filed with the Company's Quarterly Report on Form 10-Q on August 12, 1998 and incorporated herein by reference).
4.4.2	First Amendment to Amended and Restated Limited Partnership Agreement of the Operating Partnership, dated September 28, 1998 (filed with the Company's Current Report on Form 8-K on October 13, 1998 and incorporated herein by reference).

EXHIBIT NO.	DESCRIPTION
4.4.3	Second Amendment to Amended and Restated Limited Partnership Agreement of the Operating Partnership, dated October 13, 1998 (filed with the Company's Current Report on Form 8-K on October 28, 1998 and incorporated herein by reference).
4.4.4	Third Amendment to Amended and Restated Limited Partnership Agreement of the Operating Partnership, dated December 31, 1998 (filed with the Company's Current Report on Form 8-K on January 14, 1999 and incorporated herein by reference).
4.5	Registration Rights Agreement, dated September 28, 1998, for the benefit of certain shareholders of the Company.

- 10.1 Clay W. Hamlin III Employment Agreement, dated October 14, 1997, with the Operating Partnership (filed with the Company's Current Report on Form 8-K on October 29, 1997, and incorporated herein by reference).
- 10.2 Employment Agreement, dated October 20, 1997, between the Operating Partnership and Thomas D. Cassel (filed with the Company's Annual Report on Form 10-K on March 25, 1998 and incorporated herein by reference).
- 10.3 Employment Agreement, dated September 28, 1998, between Corporate Office Management, Inc. and Randall M. Griffin (filed with the Company's Current Report on Form 8-K on October 13, 1998 and incorporated herein by reference).
- 10.4 Employment Agreement, dated September 28, 1998, between Corporate Office Management, Inc. and Roger A. Waesche, Jr. (filed with the Company's Current Report on Form 8-K on October 13, 1998 and incorporated herein by reference).
- 10.5 Management Agreement between Registrant and Glacier Realty, LLC (filed with the Company's Current Report on Form 8-K on October 29, 1997, and incorporated herein by reference).
- 10.6 Senior Secured Credit Agreement, dated October 13, 1997, (filed with the Company's Current Report on Form 8-K on October 29, 1997, and incorporated herein by reference).
- 10.7 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).
- 10.8 Stock Option Plan for Directors (filed with Royale Investments, Inc.'s Form 10-KSB for the year ended December 31, 1993 (Commission File No. 0-20047) and incorporated herein by reference).
- 10.9 Lease Agreement between Blue Bell Investment Company, L.P. and Unisys Corporation dated March 12, 1997 with respect to lot A (filed with the Registrant's Registration Statement on Form S-4 (Commission File No. 333-45649) and incorporated herein by reference).
- 10.10 Lease Agreement between Blue Bell Investment Company, L.P. and Unisys Corporation, dated March 12, 1997, with respect to lot B (filed with the Registrant's Registration Statement on Form S-4 (Commission File No. 333-45649) and incorporated herein by reference).
- 10.11 Lease Agreement between Blue Bell Investment Company, L.P. and Unisys Corporation, dated March 12, 1997, with respect to lot C (filed with the Registrant's Registration Statement on Form S-4 (Commission File No. 333-45649) and incorporated herein by reference).

EXHIBIT NO.	DESCRIPTION
	reference).
10.12	Senior Secured Revolving Credit Agreement, dated May 28, 1998, between the Company, the Operating Partnership, Any Mortgaged Property Subsidiary and Bankers Trust Company (filed with the Company's Current Report on Form 8-K on June 10, 1998 and incorporated herein by reference).
10.13	Secured Promissory Note, dated April 29, 1997, between 710 Rt. 46 Realty, LLC and Life Investors Insurance Company of America (filed with the Company's Current Report on Form 8-K on June 10, 1998 and incorporated herein by reference).
10.14	Mortgage and Security Agreement, dated April 29, 1997, between 710 Rt. 46 Realty, LLC and Life Investors Insurance Company of America (filed with the Company's Current Report on Form 8-K on June 10, 1998 and incorporated herein by reference).
10.15	Amended and Restated Deed of Trust Note, dated October 6, 1995, between Cranberry-140 Limited Partnership and Security Life of Denver Insurance Company (filed with the Company's Current Report on Form 8-K on October 13, 1998 and incorporated herein by reference).
10.16.1	Promissory Note, dated September 15, 1995, between Tred Lightly Limited Liability Company and Provident Bank of Maryland (filed with the Company's Current Report on Form 8-K on October 13,

1998 and incorporated herein by reference).

- 10.16.2 Allonge to Promissory Note, dated September 28, 1998, between Tred Lightly Limited Liability Company and Provident Bank of Maryland (filed with the Company's Current Report on Form 8-K on October 13, 1998 and incorporated herein by reference).
- 10.17.1 Third Loan Modification and Extension Agreement, dated November 12, 1997, between St. Barnabus Limited Partnership, Constellation Properties, Inc. and NationsBank, N.A. (filed with the Company's Current Report on Form 8-K on October 13, 1998 and incorporated herein by reference).
- 10.17.2 Fourth Loan Modification Agreement, dated September 28, 1998, between St. Barnabus Limited Partnership, Constellation Properties, Inc. and NationsBank, N.A. (filed with the Company's Current Report on Form 8-K on October 13, 1998 and incorporated herein by reference).
- 10.18.1 Deed of Trust Note, dated September 20, 1988, between Brown's Wharf Limited Partnership and Mercantile-Safe Deposit and Trust Company (filed with the Company's Current Report on Form 8-K on October 13, 1998 and incorporated herein by reference).
- 10.18.2 Extension Agreement and Allonge to Deed of Trust Note, dated July 1, 1994, between Brown's Wharf Limited Partnership and Mercantile-Safe Deposit and Trust Company (filed with the Company's Current Report on Form 8-K on October 13, 1998 and incorporated herein by reference).
- 10.19 Consulting Services Agreement, dated April 28, 1998, between the Company and Net Lease Finance Corp., doing business as Corporate Office Services (filed with the Company's Current Report on Form 8-K on October 13, 1998 and incorporated herein by reference).

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EXHIBIT NO.	DESCRIPTION
10.20	Project Consulting and Management Agreement, dated September 28, 1998, between Constellation Properties, Inc. and COMI (filed with the Company's Current Report on Form 8-K on October 13, 1998 and incorporated herein by reference).
10.21	Promissory Note, dated October 22, 1998, between Teachers Insurance and Annuity Association of America and the Operating Partnership (filed with the Company's Quarterly Report on Form 10-Q on November 13, 1998 and incorporated herein by reference).
10.22	Indemnity Deed of Trust, Assignment of Leases and Rents and Security Agreement, dated October 22, 1998, by affiliates of the Operating Partnership for the benefit of Teachers Insurance and Annuity Association of America (filed with the Company's Quarterly Report on Form 10-Q on November 13, 1998 and incorporated herein by reference).
10.23	Agreement for Services, dated September 28, 1998, between the Company and Corporate Office Management, Inc.
10.24.1	Lease Agreement, dated September 28, 1998, between St. Barnabus Limited Partnership and Constellation Properties, Inc.
10.24.2	First Amendment to Lease, dated December 31, 1998, between St. Barnabus, LLC and Constellation Properties, Inc.
10.25.1	Lease Agreement, dated August 3, 1998, between Constellation Real Estate, Inc. and Constellation Properties, Inc.
10.25.2	First Amendment to Lease, dated December 30, 1998, between Three Centre Park, LLC and Constellation Properties, Inc.
10.26.1	Lease Agreement, dated April 27, 1993, between Constellation Properties, Inc. and Baltimore Gas and Electric Company.
10.26.2	First Amendment to Lease, dated December 9, 1998, between COPT Brandon, LLC and Baltimore Gas and Electric Company.
21.1	Subsidiaries of Registrant
23	Consent of Independent Accountants
27	Financial Data Schedule.

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 30, 1999 By: /s/ Randall M. Griffin

 Randall M. Griffin
 President and Chief Operating Officer

Date: March 30, 1999 By: /s/ Roger A. Waesche, Jr.

 Roger A. Waesche, Jr.
 Senior Vice President and Chief Financial 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 30, 1999
/s/ Clay W. Hamlin, III ----- (Clay W. Hamlin, III)	Chief Executive Officer	March 30, 1999
/s/ Randall M. Griffin ----- (Randall M. Griffin)	President and Chief Operating Officer	March 30, 1999
/s/ Roger A. Waesche, Jr. ----- (Roger A. Waesche, Jr.)	Senior Vice President and Chief Financial Officer	March 30, 1999
/s/ Vernon R. Beck ----- (Vernon R. Beck)	Vice Chairman of the Board and Trustee	March 30, 1999
/s/ Kenneth D. Wethe ----- (Kenneth D. Wethe)	Trustee	March 30, 1999
/s/ Allen C. Gehrke ----- (Allen C. Gehrke)	Trustee	March 30, 1999
/s/ William H. Walton ----- (William H. Walton)	Trustee	March 30, 1999
/s/ Kenneth S. Sweet, Jr. ----- (Kenneth S. Sweet, Jr.)	Trustee	March 30, 1999
/s/ Steven D. Kesler ----- (Steven D. Kesler)	Trustee	March 30, 1999
/s/ Edward A. Crooke ----- (Edward A. Crooke)	Trustee	March 30, 1999

CORPORATE OFFICE PROPERTIES TRUST

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Report of Independent Accountants

To the Board of Trustees and Shareholders of
Corporate Office Properties Trust

In our opinion, the accompanying consolidated financial statements listed in the index appearing on page F-1 present fairly, in all material respects, the financial position of Corporate Office Properties Trust (the "Company") at December 31, 1998 and 1997, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles. 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 of these statements in accordance with generally accepted auditing standards which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

[PricewaterhouseCoopers LLP (signed)]

1301 K Street NW, 800W
Washington, DC
February 24, 1999

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Corporate Office Properties Trust
Consolidated Balance Sheets
(Dollars in thousands)

<TABLE>
<CAPTION>

	December 31,	
	1998	1997
<S>	<C>	<C>
Assets		
Commercial real estate properties:		
Operating properties, net	\$ 536,228	\$ 188,625
Projects under construction	10,659	--

Total commercial real estate properties, net	546,887	188,625
Cash and cash equivalents	2,349	3,395
Accounts receivable, net	2,986	78
Investment in and advances to Service Companies	2,351	--
Deferred rent receivable	2,263	479
Deferred charges, net	3,542	857
Prepaid and other assets	3,299	100

Total assets	\$ 563,677	\$ 193,534
=====		
Liabilities and shareholders' equity		
Liabilities:		
Mortgage loans payable	\$ 306,824	\$ 114,375
Accounts payable and accrued expenses	3,395	932
Rents received in advance and security deposits	2,789	425
Dividends/distributions payable	4,692	1,276

Total liabilities	317,700	117,008

Minority interests:		
Preferred Units	52,500	52,500
Common Units	24,696	12,362

Total minority interests	77,196	64,862

Commitments and contingencies (Note 14)

Shareholders' equity:		
Preferred Shares (\$0.01 par value; 5,000,000 authorized; 1,025,000 designated as Series A Convertible Preferred Shares of beneficial interest (\$0.01 par value, 984,308 shares issued and outstanding at December 31, 1998)	10	--
Common Shares of beneficial interest (\$0.01 par value; 45,000,000 authorized, shares issued and outstanding of 16,801,876 at December 31, 1998 and 2,266,083 at December 31, 1997)	168	23
Additional paid-in capital	175,802	16,620
Accumulated deficit	(7,199)	(4,979)

Total shareholders' equity	168,781	11,664

Total liabilities and shareholders' equity	\$ 563,677	\$ 193,534
=====		

</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)

<TABLE>
<CAPTION>

	For the years ended December 31,		
	1998	1997	1996
	<C>	<C>	<C>
<S>			
Revenues			
Rental income	\$ 35,676	\$ 6,122	\$ 2,477
Tenant recoveries and other income	4,538	496	32

Total revenues	40,214	6,618	2,509

Expenses			
Property operating	9,632	728	31
General and administrative	1,890	533	372
Interest	12,207	2,855	1,246
Amortization of deferred financing costs	423	64	13
Depreciation and other amortization	6,285	1,267	554
Reformation costs	637	--	--
Termination of advisory agreement	--	1,353	--

Total expenses	31,074	6,800	2,216

Income (loss) before equity in income of Service Companies and minority interests	9,140	(182)	293
Equity in income of Service Companies	139	--	--

Income (loss) before minority interests	9,279	(182)	293
Minority interests			
Preferred Units	(3,412)	(720)	--
Common Units	(1,171)	(65)	--

Net income (loss)	4,696	(967)	293
Preferred Share dividends	(327)	--	--

Net income (loss) available to Common Shareholders	\$ 4,369	\$ (967)	\$ 293

Earnings (loss) per Common Share			
Basic	\$ 0.48	\$ (0.60)	\$ 0.21
Diluted	\$ 0.47	\$ (0.60)	\$ 0.21

</TABLE>

See accompanying notes to financial statements.

Corporate Office Properties Trust
Consolidated Statements of Shareholders' Equity
(Dollars in thousands)

<TABLE>
<CAPTION>

	Preferred Shares	Common Shares	Additional Paid-in Capital	Accumulated Deficit	Total
<S>	<C>	<C>	<C>	<C>	<C>
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
Common Shares issued in connection with property acquisitions and advisory agreement termination (846,083 Shares)	--	9	4,267	--	4,276
Net loss (967)	--	--	--	(967)	--
Dividends (816)	--	--	--	(816)	--

Balance at December 31, 1997	--	23	16,620	(4,979)	11,664
Common Shares issued to the public (7,500,000 Shares)	--	75	72,640	--	72,715
Common Shares issued in connection with acquisitions (7,030,793 Shares)	--	70	73,248	--	73,318
Preferred Shares issued in connection with acquisitions (984,308 Shares)	10	--	24,598	--	24,608
Adjustments to minority interests resulting from changes in ownership of Operating Partnership by COPT (11,331)	--	--	(11,331)	--	--
Exercise of share options (5,000 Common Shares)	--	--	27	--	27
Net income	--	--	--	4,696	4,696
Dividends (6,916)	--	--	--	(6,916)	--

Balance at December 31, 1998	\$ 10	\$ 168	\$ 175,802	\$ (7,199)	\$ 168,781

</TABLE>

See accompanying notes to financial statements.

Corporate Office Properties Trust
Consolidated Statements of Cash Flows
(Dollars in thousands)

<TABLE>
<CAPTION>

	For the years ended December 31,		
	1998	1997	1996
<S>	<C>	<C>	<C>
Cash flows from operating activities			
Net income (loss)	\$ 4,696	\$ (967)	\$ 293
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			

Minority interests	4,583	785	--
Depreciation and amortization	6,285	1,267	554
Amortization of deferred financing costs	423	64	13
Equity in net income of Service Companies	139	--	--
Termination of advisory agreement	--	1,353	--
Amortization of marketable securities	--	--	(26)
Increase in deferred rent receivable	(1,784)	(295)	(67)
Increase in accounts receivable and prepaid and other assets	(4,286)	(158)	(19)
Increase in accounts payable, accrued expenses, rents received in advance and security deposits	3,085	1,167	92
Net cash provided by operating activities	13,141	3,216	840
Cash flows from investing activities			
Purchases of and additions to commercial real estate properties	(180,649)	(506)	--
Cash proceeds received from acquisition of properties	--	1,000	--
Purchase of marketable securities	--	(1,375)	(999)
Proceeds from maturity of marketable securities	--	1,854	1,126
Investments in and advances from Service Companies	10	--	--
Leasing commissions paid	(1,468)	--	--
Increase in prepaid and other assets	(1,821)	--	--
Net cash (used in) provided by investing activities	(183,928)	973	127
Cash flows from financing activities			
Proceeds from mortgage loans payable	117,962	--	--
Repayments of mortgage loans payable	(10,192)	(283)	(257)
Deferred financing costs paid	(1,627)	--	--
Net proceeds from issuance of Common Shares	72,742	--	--
Costs attributable to Common Shares issued	(505)	(59)	--
Dividends paid	(3,848)	(710)	(710)
Distributions paid	(4,791)	--	--
Net cash provided by (used in) financing activities	169,741	(1,052)	(967)
Net (decrease) increase in cash and cash equivalents	(1,046)	3,137	--
Cash and cash equivalents			
Beginning of year	3,395	258	258
End of year	\$ 2,349	\$ 3,395	\$ 258

</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)

1. Organization

Corporate Office Properties Trust ("COPT") and subsidiaries (the "Company") is a full-service Real Estate Investment Trust ("REIT"). We focus principally on the acquisition, development, management and ownership of suburban office buildings in targeted suburban submarkets mostly in the Mid-Atlantic region of the United States. COPT is qualified as a REIT as defined in the Internal Revenue Code and is the successor to a corporation organized in 1988. As of December 31, 1998, our portfolio included 57 commercial real estate properties leased for office and retail purposes.

We conduct almost all of our operations through our operating partnership, Corporate Office Properties, L.P. (the "Operating Partnership"), for which we are the managing general partner. The Operating Partnership owns real estate both directly and through subsidiary partnerships and limited liability companies ("LLCs"). The Operating Partnership also owns the principal economic interest and, collectively with our Chief Executive Officer and Chief Operating Officer, 49.5% of the voting stock of Corporate Office Management, Inc. ("COMI") (together with its subsidiaries defined as the "Service Companies"). See Note 5 for a description of the activities of the Service Companies. A summary of our Operating Partnership's forms of ownership and the percentage of those ownership forms owned by COPT follows:

<TABLE>
<CAPTION>

% Owned by

COPT

<S>	<C>
Common Units (see Note 3)	85%
Series A Preferred Units (see Note 8)	100%
Initial Preferred Units (see Note 3)	0%

Throughout these consolidated financial statements, we use the term "Preferred Units" to define the combination of both Series A Preferred Units and Initial Preferred Units of our Operating Partnership. All Preferred Units are convertible into Common Units in the Operating Partnership.

2. Basis of Presentation

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

Consolidation Method

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

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

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Equity Method

We use the equity method of accounting to report our investment in the Service Companies. Under the equity method, we report:

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

3. Summary of Significant Accounting Policies

Use of Estimates in the Preparation of Financial Statements

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

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

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

Commercial Real Estate Properties

We report commercial real estate properties at our depreciated cost. The amounts reported for our commercial real estate properties include our costs of:

- o acquisitions,
- o development and construction,
- o building and land improvements, and
- o tenant improvements paid by us.

We capitalize interest expense, real estate taxes and other costs associated with real estate under construction to the cost of the real estate. We start depreciating newly-constructed properties when we place them in

service.

We depreciate our assets evenly over their estimated useful lives as follows:

<S>	<C>
o Building and building improvements.....	40 years
o Land improvements.....	20 years
o Tenant improvements.....	Related lease terms
o Equipment and personal property.....	3-5 years

We also apply the valuation requirements of Statement of Financial Accounting Standard ("SFAS") No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of", to

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our real estate assets. Under these requirements, we recognize an impairment loss on a real estate asset if its undiscounted expected future cash flows are less than its depreciated cost. We have not recognized impairment losses on our real estate assets to date.

We expense property maintenance and repair costs when incurred.

Cash and Cash Equivalents

Cash and cash equivalents include all cash and liquid investments that mature three months or less from when they are purchased. Cash equivalents are reported at cost, which almost equals their fair value. We maintain our cash in bank accounts which may exceed federally insured limits at times. We have not experienced any losses in these accounts in the past and believe we are not exposed to significant credit risk.

Accounts Receivable

Our accounts receivable are reported net of an allowance for bad debts of \$50 at December 31, 1998 and \$0 at December 31, 1997.

Revenue Recognition

We recognize rental revenue evenly over the term of tenant leases. Many of our leases include contractual rent increases. For these leases, we average the rents over the lease term to evenly recognize revenues. We report revenues recognized in advance of payments received as deferred rent receivable on our Consolidated Balance Sheets. We report prepaid tenant rents as rents received in advance on our Consolidated Balance Sheets.

Some of our retail tenants' leases provide for additional rental payments if the tenants meet certain sales targets. We do not recognize additional rental revenue under these leases in interim periods until the tenants meet the sales targets.

We recognize tenant recovery income as revenue in the same period we incur the related expenses. Tenant recovery income includes payments from tenants as reimbursement for property taxes, insurance and other property operating expenses.

Major Tenants

During 1998, 44% of our total rental revenue was earned from four major tenants, 25% of which was earned from our single largest tenant, Unisys Corporation. During 1997, 64% of our total rental revenue was earned from four major tenants, each contributing 10% or more. During 1996, all of our total rental revenue was earned from four major tenants, each contributing 20% or more.

Geographical Concentration

From 1996 to 1998, our geographical concentration changed from the Midwest region of the United States to the Mid-Atlantic region of the United States. In 1998, 93% of our rental revenue was derived from the Mid-Atlantic region of the United States. In 1997, 59% of our rental revenue was derived from the Mid-Atlantic region of the United States. In 1996, all of our rental revenue was derived from our retail properties in the Midwest region of the United States.

Deferred Charges

We capitalize costs that we incur to obtain new tenant leases or extend existing tenant leases. We amortize these costs evenly over the lease terms. When tenant leases are terminated early, we expense any unamortized deferred leasing costs associated with those leases.

We also capitalize costs for long-term financing arrangements and amortize these costs over the loan terms.

Minority Interests

As discussed previously, we consolidate the accounts of our Operating Partnership into our financial statements. However, we do not own 100% of the Operating Partnership. The amounts reported for minority interests on our Consolidated Balance Sheets represent the portion of the Operating Partnership's equity that we do not own. The amounts reported for minority interests on our Consolidated Statements of Operations represent the portion of the Operating Partnership's net income not allocated to us.

Common Units of the Operating Partnership are substantially similar economically to our Common Shares of beneficial interest ("Common Shares"). The Common Units are also convertible into our Common Shares, subject to certain conditions. We have accrued distributions related to Common Units owned by minority interests of \$488 at December 31, 1998 and \$272 at December 31, 1997.

The owners of our Operating Partnership's Initial Preferred Units are entitled to a 6.5% priority annual return. Income of our Operating Partnership is also allocated to holders of Initial Preferred Units using the 6.5% priority annual return. These units are convertible by unitholders at their option on or after October 1, 1999, into Common Units on the basis of 3.5714 Common Units for each Initial Preferred Unit, plus any accrued return. We have accrued distributions related to Preferred Units owned by minority interests of \$853 at December 31, 1998 and \$720 at December 31, 1997.

Income Taxes

We have elected to be treated as a REIT under Sections 856 through 860 of the Internal Revenue Code. As a REIT, we generally will not be subject to federal income tax if we distribute at least 95% of our REIT taxable income to our shareholders and satisfy certain other requirements. As a result, we do not report income tax expense on our Consolidated Statements of Operations. If we fail to qualify as a REIT in any tax year, we will be subject to federal income tax on our taxable income at regular corporate rates.

For federal income tax purposes, dividends to shareholders may be characterized as ordinary income, return of capital (which is generally non-taxable) or capital gains. The characterization of dividends declared during each of the last three years was as follows:

	1998	1997	1996
Ordinary income per share	\$0.511	\$0.225	\$0.200
Return of capital per share	0.149	0.275	0.300
Total dividends per share	\$0.660	\$0.500	\$0.500

We are subject to certain state and local income and franchise taxes. The expense associated with these state and local taxes is included in general and administrative expense on our Consolidated Statements of Operations. We did not separately state these amounts on our Consolidated Statements of Operations because they are insignificant.

Earnings Per Share ("EPS")

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

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

Our computation of diluted EPS does not assume conversion of securities into our Common Shares if conversion of those securities would increase our diluted EPS in a given period. A summary of the numerator and denominator for

purposes of basic and diluted EPS calculations is as follows (dollars and shares in thousands):

<TABLE>			
<CAPTION>			
Numerator:	1998	1997	1996
	-----	-----	-----
<S>	<C>	<C>	<C>
Net income (loss) available to Common Shareholders	\$ 4,369	\$ (967)	\$ 293
Preferred Share dividends	--	--	--
Minority interests - Preferred Units	3,412	--	--
Minority interests - Common Units	1,171	--	--
	-----	-----	-----
Net income (loss) adjusted for dilution of Common Shares	\$ 8,952	\$ (967)	\$ 293
	=====	=====	=====
Denominator:			
Weighted average Common Shares - basic	9,099	1,601	1,420
Assumed conversion of share options	24	--	--
Conversion of Preferred Shares	--	--	--
Conversion of Initial Preferred Units	7,500	--	--
Conversion of Common Units	2,614	--	--
	-----	-----	-----
Weighted average Common Shares - diluted	19,237	1,601	1,420
	=====	=====	=====

</TABLE>

Our diluted EPS computation for 1998 does not assume conversion of Preferred Shares since this conversion would increase diluted EPS in that period. Our diluted EPS computation for 1997 does not assume conversion of Initial Preferred Units or Common Units since these conversions would increase diluted EPS in that period.

Fair Value of Financial Instruments

Our financial instruments include primarily notes receivable and mortgage loans payable. The fair values of these financial instruments were not materially different from their carrying or contract values at December 31, 1998 and 1997.

Reclassification

We reclassified certain amounts from prior periods to conform to the current year presentation of our consolidated financial statements. These reclassifications did not affect consolidated net income or shareholders' equity.

Recent Accounting Pronouncements

In March 1998, the FASB's Emerging Issues Task Force reached consensus on Emerging Issues Task Force Issue No. 97-11, "Accounting for Internal Costs Relating to Real Estate Property Acquisitions" ("EITF 97-11"). EITF 97-11, effective March 19, 1998, requires that internal costs of pre-acquisition activities incurred in connection with the acquisition of an operating property should be expensed as incurred. We do not incur significant internal costs from pre-acquisition activities; therefore the adoption of EITF 97-11 did not have a material effect on our Consolidated Statements of Operations.

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In June 1998, the FASB issued Statement of Financial Accounting Standards No. 133 ("SFAS 133"), "Accounting for Derivative Instruments and Hedging Activities". This statement is effective for financial statements for all fiscal quarters of fiscal years beginning after June 15, 1999. Accordingly, we plan to adopt this standard beginning January 1, 2000. SFAS 133 establishes accounting and reporting standards for derivative financial instruments and for hedging activities. It requires that an entity recognize all derivatives as assets or liabilities in the balance sheet and measure those instruments at fair value, unless certain conditions are met that allow the entity to designate certain derivatives as a hedge. We have not yet determined the impact of the adoption of this standard.

4. Commercial Real Estate Properties and Acquisitions

Operating properties consisted of the following:

<TABLE>
<CAPTION>

December 31,	
-----	-----
1998	1997
-----	-----

<S>	<C>	<C>
Land	\$ 108,433	\$ 38,764
Buildings and improvements	436,932	152,945
Furniture, fixtures and equipment	332	140
	-----	-----
	545,697	191,849
Less: accumulated depreciation	(9,469)	(3,224)
	-----	-----
	\$ 536,228	\$ 188,625
	=====	=====

</TABLE>

Projects we had under development at December 31, 1998 consisted of the following:

<TABLE>

<S>	<C>
Land	\$ 8,941
Construction in progress	1,718

	\$10,659
	=====

</TABLE>

1998 Acquisitions

On April 30, 1998, we acquired nine multistory office buildings and three office/flex buildings in Linthicum, Maryland (the "Airport Square Properties"). We acquired these properties for \$72,618, including \$1,139 in transaction costs, using cash made available from our April 1998 share offering.

On May 28, 1998, we acquired two multistory office buildings located in Fairfield, New Jersey (the "Fairfield Properties"). We acquired these properties for \$29,405, including \$605 in transaction costs, by assuming \$6,465 in debt and borrowing from our Revolving Credit Facility (defined in Note 7).

In 1998, we completed a number of transactions (collectively, the "Constellation Transaction") with affiliates of Constellation Real Estate Group (collectively, "Constellation") to acquire real estate properties and service businesses. In connection with this transaction, we acquired:

- o interests in 12 office and two retail properties located in the Baltimore/Washington Corridor (the "Constellation Properties"),
- o two land parcels contiguous to certain Constellation Properties (the "Constellation Land"), and
- o a 75% interest in Corporate Realty Management, LLC ("CRM"), a real estate management services entity, and certain equipment, furniture and other assets related to Constellation Real Estate, Inc. ("CRE") (collectively, the "Constellation Service Companies").

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We acquired the Constellation Properties and Constellation Land for \$184,225 including \$3,711 in transaction costs. We acquired the Constellation Service Companies for \$2,500. We financed the Constellation Transaction by:

- o issuing 7,030,793 of our Common Shares, valued at \$73,823 (\$10.50 per share), less \$505 in share issuance costs,
- o issuing 984,308 of our Series A Convertible Preferred Shares ("Preferred Shares"), valued at \$24,608 (\$25 per share),
- o assuming \$60,081 in debt (see Note 7),
- o using \$16,658 in proceeds from the TIAA Loan (defined in Note 7),
- o using \$7,289 in proceeds from our Revolving Credit Facility, and
- o using \$4,266 from our cash reserves.

In connection with the Constellation Transaction, Constellation granted us certain options and rights of first refusal to purchase undeveloped land in three locations adjacent to certain of the Constellation Properties. In addition, a significant number of persons previously employed by CRE who were engaged in the operation of the Constellation Properties became employees of COMI and CDS (defined in Note 5).

On October 13, 1998, we acquired an office building located in Columbia, Maryland ("Riverwood"). We acquired the property for \$20,333, including \$324 in transaction costs, using \$18,775 in borrowings under our Revolving Credit Facility and issuing 148,381 Common Units in our Operating Partnership valued at \$1,558 (\$10.50 per unit).

On October 30, 1998, we acquired six office buildings and two office/flex buildings located in Middlesex County, New Jersey. We acquired these properties for \$31,656, including \$406 in transaction costs, using \$31,000 in borrowings under our Revolving Credit Facility and using cash reserves for the balance.

On December 31, 1998, we acquired three office buildings and a contiguous parcel of land located in Columbia, Maryland. We purchased these properties for \$19,100, including \$250 in transaction costs, using borrowings under our Revolving Credit Facility.

1997 Acquisitions

On October 14, 1997, we acquired a portfolio of 10 properties, representing the Mid-Atlantic suburban office operations of The Shidler Group, a national real estate investment firm (the "Shidler Transaction"). In connection with this acquisition, we:

- o issued 600,000 Common Shares (valued at \$5.50 per share, or an aggregate of \$3,300),
- o issued approximately 2.6 million Common Units in our Operating Partnership valued at \$14,200 (\$5.50 per unit),
- o issued 2.1 million Initial Preferred Units in our Operating Partnership valued at \$52,500 (\$25.00 per unit), and
- o assumed debt of \$100,000.

1998 Construction in Progress

At December 31, 1998, we had construction of new buildings underway on each of the land parcels acquired from Constellation. We also had a project underway that will expand the rentable square footage of one of our properties.

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Note 5 Investment in and Advances to Service Companies

On September 28, 1998, we acquired from Constellation a 75% interest in CRM and certain equipment, furniture and other assets related to CRE (see Note 4). Upon completion of the Constellation Transaction, we contributed these assets into COMI, an entity that provides us with asset management, managerial, financial and legal support. In exchange for this contribution of assets, we received 95% of the capital stock in COMI, including 1% of the voting common stock, and a \$2,005 note receivable carrying an interest rate of 10% for one year and Prime plus 2% thereafter through its maturity on September 28, 2003. Also on September 28, 1998, our Chief Executive Officer and Chief Operating Officer collectively acquired 48.5% of the voting common stock in COMI.

COMI contributed certain equipment, furniture and other assets into Corporate Development Services, LLC ("CDS"), a limited liability company that provides construction and development services predominantly to us. In exchange for this contribution of assets, COMI received 100% of the membership interests in CDS.

In November 1998, CDS acquired a parcel of land located near the Airport Square Properties. CDS acquired this property for \$1,162, including \$53 in transaction costs, using cash and proceeds from a \$1,200 loan payable to our Operating Partnership. This loan is evidenced by a note that carries an interest rate of LIBOR + 2.25%. CDS is developing an office building on this parcel of land.

We account for our investment in COMI and its subsidiaries, CRM and CDS, using the equity method of accounting. Our investment in and advances to the Service Companies at December 31, 1998 included the following:

<TABLE>	
<S>	<C>
Notes receivable	\$ 3,205
Equity investment in Service Companies	609
Advances payable	(1,463)

Total	\$ 2,351
	=====

</TABLE>

Note 6 Deferred Charges

Deferred charges consisted of the following:

<TABLE>
<CAPTION>

December 31,

	----- 1998 -----	----- 1997 -----
<S>	<C>	<C>
Deferred financing costs	\$ 2,611	\$ 955
Deferred leasing costs	1,468	--
Deferred other	24	--
	-----	-----
Accumulated amortization	4,103 (561)	955 (98)
	-----	-----
Deferred charges, net	\$ 3,542	\$ 857
	=====	=====

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7. Mortgage Loans Payable

Mortgage loans payable consisted of the following:

	December 31, -----	
	1998	1997
	-----	-----
<S>	<C>	<C>
Term Credit Facility, 7.50%, maturing October 2000(1)	\$100,000	\$100,000
TIAA Mortgage, 6.89%, maturing November 2008	84,808	--
Revolving Credit Facility, LIBOR + 1.75%, maturing May 2000(2)	76,800	--
Bank of America, LIBOR + 2%, maturing January 1999(3)	9,877	--
Security Life of Denver, 7.5%, maturing October 2005(4)	9,513	--
Aegon USA Realty Advisors, Inc., 8.29%, maturing May 2007	6,369	--
Provident Bank of Maryland, LIBOR + 1.75%, maturing September 2000	2,907	--
Howard Research and Development Corporation, 8%, maturing January 1999 (5)	1,996	--
Mercantile-Safe Deposit and Trust Co., Prime + 0.5%, maturing July 1999(6)	500	--
Other Mortgages - Retail Properties, fixed rates ranging from 7.63% to 9.5%, maturities ranging from 2002 to 2014	14,054	14,375
	-----	-----
	\$306,824	\$114,375
	=====	=====

- </TABLE>
- (1) May be extended for two one-year periods, subject to certain conditions.
 - (2) May be extended for a one-year period, subject to certain conditions.
 - (3) Extended to February 1999 and was subsequently repaid using borrowings from our Revolving Credit Facility.
 - (4) Repaid in January 1999 using proceeds from the Cranberry Square sale (see Note 17).
 - (5) Repaid in January 1999 using cash reserves.
 - (6) Repaid in February 1999 using borrowings from our Revolving Credit Facility.

In the case of each of our mortgage loans, we have pledged certain of our real estate assets as collateral to the financial institutions. We use the term collateralize to describe this arrangement. As of December 31, 1998, substantially all of our real estate properties were collateralized on loan obligations.

In October 1997, we assumed a \$100,000 loan (the "Term Credit Facility") with Bankers Trust Company in connection with the Shidler Transaction. The loan is a non-recourse mortgage loan collateralized by the ten real estate properties acquired in the transaction. The loan provides for monthly payments of interest only. The terms of the Term Credit Facility require that we comply with a number of restrictive financial covenants, including 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.

In May 1998, we obtained a \$100,000 recourse revolving credit facility (the "Revolving Credit Facility") from Bankers Trust Company. This loan provides for monthly payments of interest only. In addition, a fee of 0.25% per annum on the unused amount of the loan is payable quarterly. This loan is collateralized by 22 of our properties. The terms of this loan require that we comply with a number of the same restrictive financial covenants required under the Term Credit Facility. At December 31, 1998, the maximum amount available under this loan was \$89,050, of which \$12,250 was unused.

The Term Credit Facility and the Revolving Credit Facility are cross-defaulted, which means that a default on the terms of one of the loans triggers the default of the other loan. The Term Credit Facility is also cross-collateralized by the 22 properties collateralizing the Revolving Credit Facility.

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In May 1998, we assumed \$6,465 in debt owed to Aegon USA Realty Advisors, Inc. in connection with the acquisition of the Fairfield Properties. The loan provides for monthly payments of principal and interest of \$56. The loan is collateralized by one of the Fairfield Properties.

During 1998, we assumed 11 mortgage loans in connection with the Constellation Transaction totaling \$60,081, net of \$18,133 which was repaid at settlement. We repaid all but five of these assumed loans prior to December 31, 1998. Payment information on the remaining five loans is as follows:

<TABLE>
<CAPTION>

Lender	Amount Assumed	Terms
<S>	<C>	<C>
Security Life of Denver Insurance Co.	\$9,556	Monthly principal and interest of \$74
Bank of America	9,982(1)	Monthly principal of \$37 plus interest
Mercantile-Safe Deposit and Trust Co.	8,438(2)	Monthly principal of \$66 plus interest
Provident Bank of Maryland	2,928(3)	Monthly principal of \$7 plus interest
Howard Research and Development Corporation	1,996	Monthly interest only

</TABLE>

(1) Net of \$1,000, which was repaid upon assumption.

(2) This loan was paid down by \$7,806 in December 1998 using proceeds from the Revolving Credit Facility.

(3) Net of \$475, which was repaid upon assumption.

In October 1998, we obtained an \$85,000, non-recourse loan from Teachers Insurance and Annuity Association of America ("TIAA"). In connection with this loan, TIAA advanced us \$76,200 in October 1998 and \$8,800 in December 1998. This loan provides for monthly payments of principal and interest of \$595 and may not be prepaid prior to November 2003. The loan is collateralized by nine of our properties.

Our mortgage loans mature on the following schedule (excluding extension options):

<S>	<C>
1999.....	\$ 14,338
2000.....	179,035
2001.....	5,102
2002.....	6,871
2003.....	2,624
Thereafter.....	98,854

Total.....	\$306,824
	=====

</TABLE>

We capitalized interest costs of \$77 during 1998.

8. Shareholders' Equity

On January 1, 1998, COPT changed its name from Royale Investments, Inc. to Corporate Office Properties Trust, Inc. On March 16, 1998, COPT was reformed as a Maryland REIT and changed its name to Corporate Office Properties Trust (the "Reformation"). In connection with the Reformation, we authorized 45,000,000 Common Shares and 5,000,000 Preferred Shares. Each share of common stock in Corporate Office Properties Trust, Inc. was exchanged for one Common Share in COPT.

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In April 1998, COPT completed the sale of 7,500,000 Common Shares to the public at a price of \$10.50 per share. COPT contributed the net proceeds to our Operating Partnership in exchange for 7,500,000 Common Units. Our Operating Partnership used the proceeds to fund acquisitions.

In 1998, in connection with the Constellation Transaction, COPT issued 7,030,793 Common Shares and 984,308 Preferred Shares. COPT contributed the

assets it received in the Constellation Transaction to our Operating Partnership in exchange for 7,030,793 Common Units and 984,308 Series A Preferred Units. The Series A Preferred Units carry terms which are identical to the Preferred Shares issued to Constellation.

Our Preferred Shares are nonvoting and are convertible after 2 years of issuance, subject to certain conditions, into Common Shares on the basis of 1.8748 Common Shares for each Preferred Share. Holders of our Preferred Shares are entitled to cumulative dividends, payable quarterly (as and if declared by the Board of Trustees). Dividends accrue from the date of issue at the annual rate of \$1.375 per share, which is equal to 5.5% of the \$25.00 per share liquidation preference of the Preferred Shares.

9. Share Options

In 1993, we adopted a share option plan for directors under which we have 75,000 Common Shares reserved for issuance. These options become exercisable beginning on the first anniversary of their grant and expire ten years after the date of grant.

In March 1998, we adopted a share option plan for employees and directors under which we have 1,680,188 Common Shares reserved for issuance. Director options under this plan become exercisable beginning on the first anniversary of their grant. Employee options under this plan become exercisable over a three-year period beginning on the first anniversary of their grant. These options expire ten years after the date of grant.

The following table summarizes share option transactions under the plans described above:

<TABLE>
<CAPTION>

	Shares	Range of Exercise Price per Share	Weighted Average Exercise Price per Share
<S>	<C>	<C>	<C>
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	\$6.19
Forfeited - 1997	(7,500)	\$5.25	\$5.25
Outstanding at December 31, 1997	75,000	\$5.25 - \$10.38	\$7.31
Granted - 1998	712,825	\$9.25 - \$12.25	\$9.33
Forfeited - 1998	(6,050)	\$9.25	\$9.25
Exercised - 1998	(5,000)	\$5.38 - \$5.63	\$5.51
Outstanding at December 31, 1998	776,775	\$5.25 - \$12.25	\$9.17
Exercisable at December 31, 1998	70,000	\$5.25 - \$10.38	\$7.77
Available for future grant at December 31, 1998	973,413		

</TABLE>

The weighted average remaining contractual life of the options at December 31, 1998 was approximately nine years.

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A summary of the weighted average grant-date fair value per option granted is as follows:

<TABLE>
<CAPTION>

	1998	1997	1996
<S>	<C>	<C>	<C>
Weighted average grant-date fair value	\$0.98	\$1.25	\$0.63
Weighted average grant-date fair value - exercise price equals market price on grant-date	\$2.03	\$1.25	\$0.63
Weighted average grant-date fair value - exercise price exceeds market price on grant-date	\$0.95	\$ --	\$ --

</TABLE>

We estimated the fair values using the Black-Scholes option-pricing model using the following assumptions:

<TABLE>
<CAPTION>

	1998	1997	1996
	-----	-----	-----
<S>	<C>	<C>	<C>
Risk free interest rate	4.65%	6.32%	6.25%
Expected life - years	5.75	8.00	8.00
Expected volatility	30.00%	34.00%	31.00%
Expected dividend yield	6.80%	6.70%	9.70%

</TABLE>

We do not record compensation expense for share option grants. The following table summarizes results as if we elected to account for share options based on Statement of Financial Accounting Standards No. 123:

<TABLE>
<CAPTION>

	1998	1997	1996
	-----	-----	-----
<S>	<C>	<C>	<C>
Net income (loss) available to Common Shareholders, as reported	\$ 4,369	\$ (967)	\$ 293
Net income (loss) available to Common Shareholders, pro forma	3,671	(998)	284
Earnings (loss) per share, as reported	0.48	(0.60)	0.21
Earnings (loss) per share, pro forma	0.40	(0.61)	0.19
Diluted earnings (loss) per share, as reported	0.47	(0.60)	0.21
Diluted earnings (loss) per share, pro forma	0.40	(0.61)	0.19

</TABLE>

10. Related Party Transactions

Management

In September 1998, we entered into a contract with COMI under which COMI provides asset management, managerial, financial and legal support. Under the terms of this contract, we reimburse COMI for a defined percentage of personnel and other overhead-related expenses. During 1998, we incurred management fees and related costs of \$545 under this contract.

In 1998, we entered into a management agreement with CRM under which CRM provides property management services to most of our properties. Under the terms of this arrangement, CRM is entitled to a fee equal to 3.5% of property cash collections. CRM is also entitled to reimbursement for direct labor and out-of-pocket costs. We incurred property management fees and related costs of \$557 with CRM in 1998.

We have a management agreement with Glacier Realty LLC ("Glacier"). Glacier is partially owned by one of our Trustees. Under the management agreement, Glacier is responsible for the management of our retail properties. 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

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expenses associated with owning these retail properties. In addition, Glacier will receive a fee of 1% of the purchase price or the sale price upon our acquisition or sale of any net-leased retail 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 retail real estate properties are sold. The management agreement, entered into on October 14, 1997, 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 our current net-leased retail real estate assets as of October 14, 1997) would be due to Glacier. We incurred management fees under the contract with Glacier of \$250 in 1998 and \$52 in 1997.

We also have a management agreement with a company, for which one of our Trustees serves on the Board of Directors. We incurred management fees and related costs under this contract of \$87 in 1998 and \$22 in 1997.

Prior to 1998, we had an advisory agreement with Crown Advisors, Inc. ("Crown"), a company owned by one of our Trustees. Under this agreement, Crown 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. We incurred advisory fees under this agreement of \$198 in 1997 and \$250 in 1996. No performance fees were incurred under this agreement. When the Shidler Transaction was completed, we issued 246,083 Common Shares (net of 27,646 Common Shares owned by Crown that were retired) valued at \$1,353 (\$5.50 per share) in exchange for the assets of Crown, which resulted in the termination of the advisory agreement with Crown. We reported these costs of terminating the advisory agreement as an expense in our Consolidated Statements of Operations.

Construction Costs

In September 1998, we entered into a contract with CDS under which CDS provides construction and development services. Under the terms of this contract, we reimburse CDS for these services based on actual time incurred at market rates. During 1998, we incurred \$214 under this contract, substantially all of which was capitalized into the cost of the related activities.

Legal Costs

We incurred fees with a law firm in which an officer and former Trustee of ours is a partner. We incurred fees with this firm of \$2 in 1998, \$69 in 1997 and \$9 in 1996.

Rental Income

During 1998, we recognized revenue of \$92 on office space leased to COMI and CRM. During 1998, we recognized revenue of \$256 on office space leased to Constellation.

Interest Income

During 1998, we earned interest income of \$66 on notes receivable from the Service Companies.

Construction Fees

During 1998, we earned construction management fees of \$60 from an entity owned by an officer and Trustee of ours.

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Fees Earned from Constellation

During 1998, the Service Companies earned \$750 from a project consulting and management agreement with Constellation. The Service Companies also earned \$206 in fees and expense reimbursements under a property management agreement with Baltimore Gas and Electric ("BGE"), which owns 100% of Constellation.

Utilities Expense

During 1998, BGE provided utility services to most of our properties in the Baltimore/Washington Corridor.

11. Operating Leases

We lease our properties to tenants under operating leases with various expiration dates extending to the year 2016. Gross minimum future rentals on noncancelable leases at December 31, 1998 are as follows:

<S>	<C>
1999	\$ 57,883
2000	50,001
2001	42,801
2002	39,443
2003	34,267
Thereafter	144,889

Total	\$369,284
	=====

</TABLE>

The United States Government is the sole tenant of one office property, the lease for which is structured as a one-year lease commencing in 1993, with 14 consecutive automatic one-year renewals. The lease also carries a penalty should the tenant not renew for all 14 years. Total base rent from this lease of \$37,377, with annual base rents ranging from \$3,524 to \$4,115, is included in future minimum rentals disclosed above.

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12. Supplemental Information to Statements of Cash Flows

<TABLE>
<CAPTION>

	For the Years Ended December 31,		
	1998	1997	1996
	-----	-----	-----
<S>	<C>	<C>	<C>
Interest paid, net of capitalized interest	\$ 12,876	\$ 2,220	\$ 1,210
	=====	=====	=====

Supplemental schedule of non-cash investing and financing activities:

The following assets and liabilities were assumed in connection with various acquisitions:

Purchase of real estate	\$(182,116)	\$(166,316)	\$ --
Purchase of Constellation Service Companies	(2,500)	--	--
Deferred financing costs	(29)	(735)	--
Other deferred charges	(24)	--	--
Mortgage loans	84,679	100,000	--
Minority interest	1,559	65,070	--
Preferred Shares	10	--	--
Common Shares	70	6	--
Additional paid-in capital	98,351	2,975	--
	-----	-----	-----
Proceeds from acquisitions	\$ --	\$ 1,000	\$ --
	=====	=====	=====
Adjustments to minority interests resulting from changes in ownership of Operating Partnership by COPT	\$ 11,331	\$ --	\$ --
	-----	-----	-----
Increase in accrued capital improvements	\$ 1,742	\$ --	\$ --
	=====	=====	=====
Dividends/distributions payable	\$ 4,692	\$ 1,276	\$ 178
	=====	=====	=====
Advisory contract termination fee for Common Shares:			
Advisory contract termination fee	\$ --	\$ (1,353)	\$ --
Common Shares	--	2	--
Additional paid-in capital	--	1,351	--
	-----	-----	-----
Proceeds from advisory contract termination	\$ --	\$ --	\$ --
	=====	=====	=====

</TABLE>

13. Information by Business Segment

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

The table below reports segment financial information. Our Greater Harrisburg and Retail segments are not separately reported since they do not meet the reporting thresholds. We measure the performance of our

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segments based on total revenues less property operating expenses. Accordingly, we do not report other expenses by segment in the table below.

<TABLE>
<CAPTION>

	Baltimore/ Washington Office	Greater Philadelphia Office	Northern/ Central New Jersey Office	Other	Total
	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
Year Ended December 31, 1998:					
Revenues	\$ 13,548	\$ 10,024	\$ 9,997	\$ 6,645	\$ 40,214
Property operating expenses	4,293	15	3,914	1,410	9,632
	-----	-----	-----	-----	-----
Income from operations	\$ 9,255	\$ 10,009	\$ 6,083	\$ 5,235	\$ 30,582
	=====	=====	=====	=====	=====
Commercial real estate property expenditures	\$ 264,843	\$ --	\$ 64,571	\$ 35,093	\$364,507
	=====	=====	=====	=====	=====
Segment assets at December 31, 1998	\$ 267,092	\$108,894	\$ 97,035	\$ 90,656	\$563,677
	=====	=====	=====	=====	=====
Year Ended December 31, 1997:					
Revenues	\$ --	\$ 2,100	\$ 1,359	\$ 3,159	\$ 6,618
Property operating expenses	--	3	455	270	728
	-----	-----	-----	-----	-----
Income from operations	\$ --	\$ 2,097	\$ 904	\$ 2,889	\$ 5,890
	=====	=====	=====	=====	=====
Commercial real estate property expenditures	\$ --	\$110,401	\$ 32,144	\$ 24,277	\$166,822
	=====	=====	=====	=====	=====
Segment assets at December 31, 1997	\$ --	\$110,111	\$ 32,123	\$ 51,300	\$193,534
	=====	=====	=====	=====	=====

Year Ended December 31, 1996:					
Revenues	\$ --	\$ --	\$ --	\$ 2,509	\$ 2,509
Property operating expenses	--	--	--	31	31
	-----	-----	-----	-----	-----
Income from operations	\$ --	\$ --	\$ --	\$ 2,478	\$ 2,478
	=====	=====	=====	=====	=====
Commercial real estate property expenditures	\$ --	\$ --	\$ --	\$ --	\$ --
	=====	=====	=====	=====	=====
Segment assets at December 31, 1996	\$ --	\$ --	\$ --	\$ 24,197	\$ 24,197
	=====	=====	=====	=====	=====

</TABLE>

The following table reconciles our income from operations for reportable segments to total income (loss) from operations as reported in our Consolidated Statements of Operations.

<TABLE>
<CAPTION>

	Years Ended December 31,		
	-----	-----	-----
	1998	1997	1996
	-----	-----	-----
<S>	<C>	<C>	<C>
Income from operations for reportable segments	\$30,582	\$ 5,890	\$ 2,478
Less:			
General and administrative	1,890	533	372
Interest	12,207	2,855	1,246
Amortization of deferred financing costs	423	64	13
Depreciation and amortization	6,285	1,267	554
Reformation costs	637	--	--
Termination of advisory agreement	--	1,353	--
	-----	-----	-----
Income (loss) from operations	\$ 9,140	\$ (182)	\$ 293
	=====	=====	=====

</TABLE>

We did not allocate interest expense, amortization of deferred financing costs and depreciation and other amortization to segments since they are not included in the measure of segment profit reviewed by management. We also did not allocate general and administrative, reformation costs and termination of advisory agreement costs since these items represent general corporate expenses not attributable to segments.

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14. Commitments and Contingencies

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

We are under contract to sell four of our retail properties. The contracted sale price for these properties is \$33,403. We sold one of these properties on January 22, 1999 (as discussed in Note 17) and we estimate that the other property sales will occur in the first quarter of 1999.

We have an office lease for our corporate headquarters in Bala Cynwyd, Pennsylvania. The monthly rent under this lease is subject to an annual increase based on the Consumer Price Index. Future minimum rental payments due under the term of this lease are as follows:

<TABLE>	
<S>	<C>
1999	\$ 171
2000	171
2001	171
2002	171
2003	128

Total	\$ 812
	=====

</TABLE>

15. Quarterly data (Unaudited)

<TABLE>
<CAPTION>

	Year Ended December 31, 1998			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<S>	<C>	<C>	<C>	<C>
Revenues	\$ 5,525	\$ 7,842	\$ 9,812	\$ 17,035
Income before minority interest	\$ 490	\$ 2,058	\$ 2,493	\$ 4,238
Minority interests	(989)	(1,129)	(1,154)	(1,311)
Net (loss) income	(499)	929	1,339	2,927
Preferred Share Dividends	--	--	(10)	(317)
Net (loss) income available to Common Shareholders	\$ (499)	\$ 929	\$ 1,329	\$ 2,610
Basic (loss) earnings per share	\$ (0.22)	\$ 0.12	\$ 0.13	\$ 0.16
Diluted (loss) earnings per share	\$ (0.22)	\$ 0.12	\$ 0.12	\$ 0.15
Weighted average Common Shares-basic (in thousands)	2,268	7,628	9,973	16,361
Weighted average Common Shares-diluted (in thousands)	2,294	17,731	20,065	23,868

</TABLE>

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<TABLE>
<CAPTION>

	Year Ended December 31, 1997			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<S>	<C>	<C>	<C>	<C>
Revenues	\$ 633	\$ 633	\$ 633	\$ 4,719
Income (loss) before minority interest	\$ 91	\$ 87	\$ 85	\$ (445)
Minority interests	--	--	--	(785)
Net income (loss)	91	87	85	(1,230)
Preferred Share Dividends	--	--	--	--
Net income (loss) available to Common Shareholders	\$ 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 (in thousands)	1,420	1,420	1,420	2,137
Weighted average Common Shares-diluted (in thousands)	1,420	1,420	1,427	2,137

</TABLE>

16. Pro Forma Financial Information (Unaudited)

We accounted for our 1998 and 1997 acquisitions using the purchase method of accounting. We included the results of operations for the acquisitions in our Consolidated Statements of Operations from their respective purchase dates through December 31, 1998.

We prepared our pro forma condensed consolidated financial information presented below as if all of our 1998 and 1997 acquisitions had occurred on January 1, 1997. Accordingly, we were required to make pro forma adjustments where deemed necessary. The pro forma financial information is unaudited and is not necessarily indicative of the results which actually would have occurred if these acquisitions had occurred on January 1, 1997, nor does it intend to represent our results of operations for future periods.

<TABLE>
<CAPTION>

	Year Ended December 31,	
	1998	1997
	(Unaudited)	(Unaudited)

<S>	<C>	<C>
Pro forma total revenues	\$ 67,607	\$ 59,636
	=====	=====
Pro forma net income available to Common Shareholders	\$ 8,185	\$ 2,862
	=====	=====
Pro forma earnings per Common Share		
Basic	\$ 0.49	\$ 0.17
	=====	=====
Diluted	\$ 0.48	\$ 0.17
	=====	=====

</TABLE>

17. Subsequent Events

On January 5, 1999, we entered into an interest rate swap agreement with Bankers Trust Company. This swap agreement fixes our one-month LIBOR base to 5.085% per annum on a notional amount of \$30,000 through May 2001.

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On January 13, 1999, we entered into a \$9,825 construction loan with FMB Bank to finance the construction of a building. This loan has an interest rate of LIBOR plus 1.6%. This loan matures on February 1, 2001 and may be extended for a one-year period, subject to certain conditions.

On January 22, 1999, we sold a retail property located in Westminster, Maryland ("Cranberry Square"). We sold the property for \$18,900, of which \$9,513 was used to pay off the mortgage loan payable on the property, \$283 was placed in escrow, \$272 was paid to the buyer for operating pro-rations, \$144 was used to pay our closing costs and \$8,688 was used to repay a portion of our Revolving Credit Facility. We recognized no gain or loss on the sale of Cranberry Square.

On February 8, 1999, we entered into a \$10,875 construction loan with Provident Bank of Maryland to finance the construction of a building. This loan has an interest rate of LIBOR plus 1.75%. This loan matures on February 8, 2001 and may be extended for a one-year period, subject to certain conditions.

In February 1999, we acquired an office building located in Linthicum, Maryland. We acquired the property for \$6,751, including \$201 in transaction costs, using \$6,650 in borrowings under our Revolving Credit Facility and using cash reserves for the balance.

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Corporate Office Properties Trust
Schedule III-Real Estate and Accumulated Depreciation
(Dollars in thousands)

<TABLE>
<CAPTION>

and					Building
	Property	Location	Building	Encumbrances	Land
Improvements			Type		Land
-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
751, 753 760, 785 Jolly Road	Blue Bell, PA	Office	\$66,232	\$22,080	
\$88,320					
2730 Hercules Road	Annapolis Junction, MD	Office	26,843	7,880	
31,520					
7200 Riverwood Drive	Columbia, MD	Office	11,212	4,067	
16,266					
695 Route 46	Fairfield, NJ	Office	10,147	3,730	
14,919					
305 Center Street	Westminster, MD	Retail	9,513	3,592	
14,367					
6950 Columbia Gateway Drive	Columbia, MD	Office	12,216	3,586	
14,343					
6009 - 6011 Oxon Hill Road	Oxon Hill, MD	Office	9,877	3,425	
13,699					
431 Ridge Road	Dayton, NJ	Office	8,351	2,782	
11,128					
429 Ridge Road	Dayton, NJ	Office	8,794	2,930	
11,719					
133 National Business Parkway	Annapolis Junction, MD	Office	8,549	2,510	
10,038					
135 National Business Parkway	Annapolis Junction, MD	Office	8,438	2,477	
9,907					
141 National Business Parkway	Annapolis Junction, MD	Office	8,145	2,391	
9,563					

710 Route 46 8,605	Fairfield, NJ	Office	6,369	2,151
1615 and 1629 Thames Street 8,298	Baltimore, MD	Office	500	2,075
2605 Interstate Drive 8,355	Harrisburg, PA	Office	6,242	2,089
900 Elkridge Landing Road 7,960	Linthicum, MD	Office	5,326	1,990
131 National Business Parkway 7,602	Annapolis Junction, MD	Office	6,474	1,900
2601 Market Place 7,713	Harrisburg, PA	Office	5,802	1,928
1199 Winterson Road 6,389	Linthicum, MD	Office	4,933	1,597
14502 Greenview Drive 5,700	Laurel, MD	Office	5,033	1,425
14504 Greenview Drive 5,909	Laurel, MD	Office	4,855	1,477
6740 Alexander Bell Drive 5,556	Columbia, MD	Office	--	1,389
1190 Winterson Road 5,334	Linthicum, MD	Office	3,307	1,334
1099 Winterson Road 5,287	Linthicum, MD	Office	3,420	1,322
104 Interchange Plaza 5,267	Cranbury, NJ	Office	3,364	1,317
1201 Winterson Road 5,149	Linthicum, MD	Office	3,588	1,287
19 Commerce 5,105	Cranbury, NJ	Office	3,924	1,276
8815 Centre Park Drive 4,992	Columbia, MD	Office	4,252	1,248
911 Elkridge Landing Road 4,856	Linthicum, MD	Office	3,139	1,214
6716 Alexander Bell Drive 4,847	Columbia, MD	Office	--	1,212
101 Interchange Plaza 4,619	Cranbury, NJ	Office	2,579	1,155
322 Marlboro Street 4,618	Easton, MD	Retail	2,907	1,154
5835 West 10th Street 4,003	Indianapolis, IN	Retail	--	1,270
881 Elkridge Landing Road 4,133	Linthicum, MD	Office	2,803	1,033
921 Elkridge Landing Road 4,172	Linthicum, MD	Office	2,803	1,043
930 International Drive 4,049	Linthicum, MD	Office	2,421	1,012
900 International Drive 3,918	Linthicum, MD	Office	2,344	980
3550 Vicksburg Lane 4,020	Plymouth, MN	Retail	4,606	764
134 National Business Parkwy (1) --	Annapolis Junction, MD	Office	--	3,661
939 Elkridge Landing Road 3,752	Linthicum, MD	Office	2,467	938
6760 Alexander Bell Drive 3,473	Columbia, MD	Office	--	868

<CAPTION>

Depreciation Life	Property	Costs Capitalized Subsequent to Acquisition	Gross Amounts Carried at Close of Period	Accumulated Depreciation	Year Built or Renovated	Date Acquired
-----		-----	-----	-----	-----	-----
<C>		<C>	<C>	<C>	<C>	<C>
40 Years	751, 753 760, 785 Jolly Road	\$ --	\$110,400	\$2,680	1960-74/ 1991-96	10/14/97
40 Years	2730 Hercules Road	--	39,400	167	1990	9/28/98
40 Years	7200 Riverwood Drive	--	20,333	85	1986	10/13/98
40 Years	695 Route 46	259	18,908	222	1990	5/28/98
40 Years	305 Center Street	492	18,451	93	1991/1998	9/28/98
40 Years	6950 Columbia Gateway Drive	--	17,929	60	1998	10/21/98
40 Years	6009 - 6011 Oxon Hill Road	309	17,433	91	1990	9/28/98

40 Years						
431 Ridge Road	3,095	17,005	342	1958/1998	10/14/97	
40 Years						
429 Ridge Road	90	14,739	358	1966/1996	10/14/97	
40 Years						
133 National Business Parkway	221	12,769	64	1997	9/28/98	
40 Years						
135 National Business Parkway	--	12,384	--	1998	12/30/98	
40 Years						
141 National Business Parkway	69	12,023	60	1990	9/28/98	
40 Years						
710 Route 46	20	10,776	126	1985	5/28/98	
40 Years						
1615 and 1629 Thames Street	101	10,474	53	1989	9/28/98	
40 Years						
2605 Interstate Drive	2	10,446	254	1990	10/14/97	
40 Years						
900 Elkridge Landing Road	101	10,051	151	1982	4/30/98	
40 Years						
131 National Business Parkway	175	9,677	49	1990	9/28/98	
40 Years						
2601 Market Place	16	9,657	234	1989	10/14/97	
40 Years						
1199 Winterson Road	30	8,016	107	1988	4/30/98	
40 Years						
14502 Greenview Drive	63	7,188	36	1988	9/28/98	
40 Years						
14504 Greenview Drive	101	7,487	39	1985	9/28/98	
40 Years						
6740 Alexander Bell Drive	--	6,945	--	1992	12/31/98	
40 Years						
1190 Winterson Road	46	6,714	89	1987	4/30/98	
40 Years						
1099 Winterson Road	20	6,629	89	1988	4/30/98	
40 Years						
104 Interchange Plaza	1	6,585	22	1990	10/30/98	
40 Years						
1201 Winterson Road	13	6,449	86	1985	4/30/98	
40 Years						
19 Commerce	--	6,381	21	1989	10/30/98	
40 Years						
8815 Centre Park Drive	1	6,241	31	1987	9/28/98	
40 Years						
911 Elkridge Landing Road	23	6,093	81	1985	4/30/98	
40 Years						
6716 Alexander Bell Drive	--	6,059	--	1989	12/31/98	
40 Years						
101 Interchange Plaza	--	5,774	19	1985	10/30/98	
40 Years						
322 Marlboro Street	--	5,772	29	1977/1997	9/28/98	
40 Years						
5835 West 10th Street	--	5,273	788	1991	11/30/93	
40 Years						
881 Elkridge Landing Road	63	5,229	69	1986	4/30/98	
40 Years						
921 Elkridge Landing Road	--	5,215	70	1983	4/30/98	
40 Years						
930 International Drive	--	5,061	67	1986	4/30/98	
40 Years						
900 International Drive	--	4,898	65	1986	4/30/98	
40 Years						
3550 Vicksburg Lane	--	4,784	784	1991	6/1/92	
40 Years						
134 National Business Parkwy (1)	1,044	4,705	--	N/A	11/13/98	
N/A						
939 Elkridge Landing Road	--	4,690	63	1983	4/30/98	
40 Years						
6760 Alexander Bell Drive	--	4,341	--	1989	12/31/98	
40 Years						

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<TABLE>
<CAPTION>

Property	Location	Building Type	Encumbrances	Land	Building Land
6940 Columbia Gateway Dr. (1)	Columbia, MD	Office	1,996	3,525	--

6385 Flank Drive 3,242	Harrisburg, PA	Office	2,429	811
800 International Drive 3,096	Linthicum, MD	Office	1,850	774
47 Commerce 2,999	Cranbury, NJ	Office	1,906	750
1351 38th St. North 3,226	Peru, IL	Retail	2,363	426
437 Ridge Road 2,866	Dayton, NJ	Office	2,151	717
3265 Golf Road 2,540	Delafield, WI	Retail	1,807	903
2100 S. Broadway 2,503	Minot, ND	Retail	2,559	842
630 E. Wisconsin Avenue 2,150	Oconomowoc, WI	Retail	1,714	595
3 Centre Drive 2,026	Cranbury, NJ	Office	1,514	506
2 Centre Drive 1,904	Cranbury, NJ	Office	1,401	476
7 Centre Drive 1,864	Cranbury, NJ	Office	1,121	466
8 Centre Drive 1,540	Cranbury, NJ	Office	1,233	384
7601 N. Port Washington Road 1,157	Glendale, WI	Retail	1,005	627
6750 Alexander Bell Drive (2) --	Columbia, MD	Office	--	1,755
7609 Energy Parkway Drive 1,033	Riviera Beach, MD	Office	--	258
Furniture, Fixtures and Equip. --	Various	N/A	--	--
---			-----	-----
			\$306,824	\$117,374
\$431,616			=====	=====

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<CAPTION>

Depreciation Life	Property	Costs Capitalized Subsequent to Acquisition	Gross Amounts Carried at Close of Period	Accumulated Depreciation	Year Built or Renovated	Date Acquired
-----	-----	-----	-----	-----	-----	-----
<C>	<C>	<C>	<C>	<C>	<C>	<C>
<C>	6940 Columbia Gateway Dr. (1) N/A	632	4,157	--	N/A	11/13/98
	6385 Flank Drive 40 Years	--	4,053	98	1995	10/14/97
	800 International Drive 40 Years	--	3,870	52	1988	4/30/98
	47 Commerce 40 Years	41	3,790	12	1992/1998	10/30/98
	1351 38th St. North 40 Years	--	3,652	441	1993	11/30/93
	437 Ridge Road 40 Years	6	3,589	87	1962/1996	10/14/97
	3265 Golf Road 40 Years	--	3,443	286	1994	11/2/94
	2100 S. Broadway 40 Years	--	3,345	333	1993	2/1/94
	630 E. Wisconsin Avenue 40 Years	--	2,745	267	1994	5/17/94
	3 Centre Drive 40 Years	--	2,532	8	1987	10/30/98
	2 Centre Drive 40 Years	--	2,380	8	1989	10/30/98
	7 Centre Drive 40 Years	--	2,330	8	1989	10/30/98
	8 Centre Drive 40 Years	--	1,924	6	1986	10/30/98
	7601 N. Port Washington Road 40 Years	--	1,784	168	1992	9/29/93
	6750 Alexander Bell Drive (2) N/A	--	1,755	--	N/A	12/31/98
	7609 Energy Parkway Drive 40 Years	--	1,291	6	1982	9/28/98
	Furniture, Fixtures and Equip. 3-5 Years	332	332	45	N/A	Various

----- \$ 7,366 =====	----- \$556,356 =====	----- \$9,469 =====
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</TABLE>

- (1) Under development at December 31, 1998.
- (2) Held for future development at December 31, 1998.

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The following table summarizes our changes in cost of properties (in thousands):

<TABLE>	<S>	<C>
	Balance at December 31, 1997	\$191,849
	Property acquisitions	357,283
	Building and land improvements	7,032
	Other	192

	Balance at December 31, 1998	\$556,356
		=====

</TABLE>

The following table summarizes our changes in accumulated depreciation (in thousands):

<TABLE>	<S>	<C>
	Balance at December 31, 1997	\$3,224
	Depreciation expense	6,245

	Balance at December 31, 1998	\$9,469
		=====

</TABLE>

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REGISTRATION RIGHTS AGREEMENT

THIS REGISTRATION RIGHTS AGREEMENT (this "Agreement") is made and entered into as of September 28, 1998 by Corporate Office Properties Trust, a Maryland real estate investment trust (the "Company"), for the benefit of (x) persons issued shares of Common Stock of the Company ("Common Stock") pursuant to the Contribution Agreement, the Asset Contribution Agreement and the Development Agreements (each, as defined below), (y) persons issued shares of Convertible Preferred Stock of the Company ("Preferred Stock") pursuant to the Contribution Agreement, the Asset Contribution Agreement and the Development Agreements, and (z) the respective successors, assigns, transferees and estates of the persons identified in clauses (x) and (y) (herein referred to collectively as the "Holders" and individually as a "Holder"). The Common Stock and Preferred Stock issued and to be issued to the Holders pursuant to the Contribution Agreement, the Asset Contribution Agreement and the Development Agreements are herein sometimes collectively called the "Stock."

WHEREAS, on the date hereof certain Holders have become the owner of Stock upon the transfer of certain partnership interests and other assets pursuant to the Contribution Agreement dated as of May 14, 1998 by and among the Company, Corporate Office Properties, L.P. ("COP") and the Persons identified therein as "Sellers", as the same may at any time be amended, modified and supplemented and in effect (the "Contribution Agreement");

WHEREAS, on the date hereof certain Holders have become the owner of Stock upon the transfer of certain membership interests and other assets pursuant to the Service Company Asset Contribution Agreement dated as of May 14, 1998 by and among COP and the Persons identified therein as "Seller" and "Shareholders", as the same may at any time be amended, modified and supplemented and in effect (the "Asset Contribution Agreement");

WHEREAS, after the date hereof certain Holders may become the owner of Stock upon the transfer of certain partnership interests and other assets pursuant to two Development Properties Acquisition Agreements each dated as of May 14, 1998 by and among the Company, COP and the Persons identified therein as "Sellers", as the same may at any time be amended, modified and supplemented and in effect (the "Development Agreements");

WHEREAS, pursuant to the Company's Amended and Restated Declaration of Trust, the Holders of shares of Preferred Stock have the right to convert them into shares of Common Stock;

WHEREAS, on the date hereof, the Common Stock is publicly held and traded and the Company is an issuer which is subject to the reporting requirements of the Securities Exchange Act of 1934, as amended from time to time (the "Exchange Act");

WHEREAS, in connection with the foregoing, the Company has agreed, subject to the terms, conditions and limitations set forth in this Agreement, to provide the Holders with certain registration rights in respect of shares of Common Stock issued either (x) pursuant to the Contribution Agreement, the Asset Contribution Agreement or the Development Agreements, or (y) upon conversion of shares of Preferred Stock issued pursuant to the Contribution Agreement, the Asset Contribution Agreement or the Development Agreements.

NOW, THEREFORE, the Company for the benefit of the Holders agrees as follows:

SECTION 1. DEFINITIONS.

As used in this Agreement, the following capitalized defined terms shall have the following meanings:

ASSET CONTRIBUTION AGREEMENT: As set forth in the preamble.

COMMISSION: The Securities and Exchange Commission.

COMMON STOCK: Shares of common stock, \$.01 par value, of the Company.

CONTRIBUTION AGREEMENT: As set forth in the preamble.

DEVELOPMENT AGREEMENTS: As set forth in the preamble.

EXCHANGE ACT: As set forth in the preamble.

HOLDER OR HOLDERS: As set forth in the preamble.

MAJORITY HOLDERS: At any time, Holders of Registrable Securities and shares of Preferred Stock then convertible into Registrable Securities who, if all such Preferred Stock were converted, would then hold a majority of the Registrable Securities.

MINIMUM REGISTRABLE AMOUNT: At any date of determination, Registrable Securities having an aggregate fair market value of at least \$3 million.

NASD: The National Association of Securities Dealers, Inc.

PERSON: Any individual, partnership, corporation, trust or other legal entity.

PREFERRED STOCK: Shares of Convertible Preferred Stock, par value \$25.00, of the Company.

PROSPECTUS: A prospectus included in a Registration Statement, including any preliminary prospectus, and any such prospectus as amended or supplemented by any prospectus supplement with respect to the terms of the offering of any portion of the Registrable Securities covered by such Registration Statement, and by all other amendments and supplements to such prospectus, including post-effective amendments, and in each case including all material incorporated by reference therein.

REGISTRABLE SECURITIES: The shares of Common Stock (i) issued pursuant to the terms of the Contribution Agreement, the Asset Contribution Agreement and the Development Agreements, and (ii) issued and issuable upon conversion of the shares of Preferred Stock issued pursuant to the terms of the Contribution Agreement, the Asset Contribution Agreement and the Development Agreements. Registrable Securities shall not include (x) Common Stock as to which a Registration Statement shall have become effective under the Securities Act pursuant to Section 2, 3 or 4 of this Agreement and which shall have been disposed of under such Registration Statement, (ii)

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Common Stock sold or otherwise distributed pursuant to Rule 144 under the Securities Act and (iii) Common Stock as to which registration under the Securities Act is not required to permit the sale thereof to the public by a Holder at any time and without application of any volume or other limitations imposed by Rule 144 under the Securities Act.

SALE PERIOD: The 60-day period immediately following the filing with the Commission by the Company of an annual report of the Company on Form 10-K or a quarterly report of the Company on Form 10-Q or such other period as the Company may determine.

SECURITIES ACT: The Securities Act of 1933, as amended from time to time.

SHELF REGISTRATION STATEMENT: shall mean a "shelf" registration statement of the Company and any other entity required to be a registrant with respect to such shelf registration statement pursuant to the requirements of the Securities Act which covers all of the Registrable Securities then issued and outstanding or which may thereafter be issued pursuant to the Contribution Agreement, the Asset Contribution Agreement or the Development Agreements on an appropriate form under Rule 415 under the Securities Act, or any similar rule that may be adopted by the Commission, and all amendments and supplements to such registration statement, including post-effective amendments, in each case including the Prospectus contained therein, all exhibits thereto and all materials incorporated by reference therein.

SECTION 2. SHELF REGISTRATION UNDER THE SECURITIES ACT.

(A) FILING OF SHELF REGISTRATION STATEMENT. Within six months following, the date hereof, the Company shall cause to be filed a Shelf Registration Statement providing for the sale by the Holders of all of the Registrable Securities in accordance with the terms hereof and will use its reasonable best efforts to cause such Shelf Registration Statement to be declared effective by the SEC as soon as reasonably practicable. The Company agrees to use its reasonable best efforts to keep the Shelf Registration Statement continuously effective under the Securities Act until such time as the aggregate number of Registrable Securities outstanding (computed for this purpose as if all outstanding shares of Preferred Stock have been converted into Common Stock) is less than 5% of the aggregate number of Registrable Securities outstanding on the date hereof (assuming all Stock issuable pursuant to the Development Agreements has been issued), and further agrees to supplement or amend the Shelf Registration Statement, if and as required by the rules, regulations or instructions applicable to the registration form used by the Company for such Shelf Registration Statement or by the Securities Act or by any other rules and regulations thereunder for Shelf Registration. Each Holder who

sells shares of Common Stock as part of the Shelf Registration shall be deemed to have agreed to all of the terms and conditions of this Agreement and to have agreed to perform any and all obligations of a Holder hereunder.

(B) INCLUSION IN SHELF REGISTRATION STATEMENT. Not later than 30 days prior to filing the Shelf Registration Statement with the Commission, the Company shall notify each Holder of its intention to make such filing and request advice from each such Holder as to whether such Holder desires to have Registrable Securities held by it or which it is entitled to receive not later than the last day of the first Sale Period occurring in whole or in part after the date of such notice included in the Shelf Registration Statement at such time. Any such Holder

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who does not provide the information reasonably requested by the Company in connection with the Shelf Registration Statement as promptly as practicable after receipt of such notice, but in no event later than 20 days thereafter, shall not be entitled to have its Registrable Securities included in the Shelf Registration Statement at the time it becomes effective, but shall have the right thereafter to deliver to the Company a Registration Notice as contemplated by Section 3(b) to have such Registrable Securities included in the Shelf Registration Statement by post effective amendment.

SECTION 3. SHELF REGISTRATION PROCEDURES.

In connection with the obligations of the Company with respect to the Shelf Registration Statement pursuant to Section 2 hereof, the Company shall:

(a) prepare and file with the SEC, within the time period set forth in Section 2(a) hereof, a Shelf Registration Statement, which Shelf Registration Statement (i) shall be available for the sale of the Registrable Securities in accordance with the intended method or methods of distribution by the selling Holders thereof and (ii) shall comply as to form in all material respects with the requirements of the applicable form.

(b) subject to the last three sentences of this Section 3(b) and to Section 3(i) hereof, (i) prepare and file with the Commission such amendments and post-effective amendments to the Shelf Registration Statement as may be necessary to keep the Shelf Registration Statement effective for the applicable period; (ii) cause each Prospectus to be supplemented by any required prospectus supplement, and as so supplemented to be filed pursuant to Rule 424 or any similar rule that may be adopted under the Securities Act, (iii) respond promptly to any comments received from the Commission with respect to the Shelf Registration Statement, or any amendment, post-effective amendment or supplement relating thereto; and (iv) comply with the provisions of the Securities Act with respect to the disposition of all securities covered by the Shelf Registration Statement during the applicable period in accordance with the intended method or methods of distribution by the selling Holders thereof. Notwithstanding anything to the contrary contained herein, the Company shall not be required to take any of the actions described in clauses (i), (ii) or (iii) above with respect to each particular Holder of Registrable Securities unless and until the Company has received either a written notice (a "Registration Notice") from a Holder that such Holder intends to make offers or sales under the Shelf Registration Statement as specified in such Registration Notice or a written response from such Holder of the type contemplated by Section 2(b); provided, however, that the Company shall have 7 business days to prepare and file any such amendment or supplement after receipt of a Registration Notice. Once a Holder has delivered such a written response or a Registration Notice to the Company, such Holder shall promptly provide to the Company such information as the Company reasonably requests in order to identify such Holder and the method of distribution in a post-effective amendment to the Shelf Registration Statement or a supplement to a Prospectus. Unless otherwise approved in writing by the Company in its sole discretion, offers or sales under the Shelf Registration Statement may be made only during a Sale Period. Such Holder also shall notify the Company in writing upon completion of such offer or sale or at such time as such Holder no longer intends to make offers or sales under the Shelf Registration Statement.

(c) furnish to each Holder of Registrable Securities that has delivered a Registration Notice to the Company, without charge, as many copies of each applicable

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Prospectus, including each preliminary Prospectus, and any amendment or supplement thereto and such other documents as such Holder may reasonably request, in order to facilitate the public sale or other disposition of the Registrable Securities; the Company consents to the use of such Prospectus, including each preliminary Prospectus, by each such Holder of Registrable Securities in connection with the offering and sale of the Registrable Securities covered by such Prospectus or the preliminary Prospectus.

(d) use its reasonable best efforts to register or qualify the Registrable Securities by the time the Shelf Registration Statement is declared effective by the SEC under all applicable state securities or "blue sky" laws of such jurisdictions as any Holder of Registrable Securities covered by the Shelf Registration Statement shall reasonably request in writing, keep each such registration or qualification effective during the period the Shelf Registration Statement is required to be kept effective or during the period offers or sales are being made by a Holder that has delivered a Registration Notice to the Company, whichever is shorter, and do any and all other acts and things may be reasonably necessary or advisable to enable such Holder to consummate the disposition in each such jurisdiction of such Registrable Securities owned by such Holder, provided, however, that the Company not be required (i) to qualify generally to do business in any jurisdiction or to register as a broker or dealer in such jurisdiction where it would not be required so to qualify or register but for this Section 3(d), (ii) to subject itself to taxation in any such jurisdiction or (iii) to submit to the general service of process in any such jurisdiction.

(e) notify each Holder when the shelf Registration Statement has become effective and notify each Holder that has delivered a Registration Notice to the Company promptly and, if requested by such Holder, confirm such advice in writing (i) when any post-effective amendments and supplements to the Shelf Registration Statement become effective, (ii) of the issuance by the Commission or any state securities authority of any stop order suspending the effectiveness of the Shelf Registration Statement or the initiation of any proceedings for that purpose, (iii) if the Company receives any notification with respect to the suspension of the qualification of the Registrable Securities for sale in any jurisdiction or the initiation of any proceeding for such purpose and (iv) of the happening of any event during the period the Shelf Registration Statement is effective as a result of which the Shelf Registration Statement or a related Prospectus contains any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein (in the case of the Prospectus, in light of the circumstances under which they were made) not misleading.

(f) make every reasonable effort to obtain the withdrawal of any order suspending the effectiveness of the Shelf Registration Statement at the carried possible moment.

(g) furnish to each Holder that has delivered a Registration Notice to the Company, without charge, at least one conformed copy of the Shelf Registration Statement and any post-effective amendment thereto (without documents incorporated therein by reference or exhibits thereto, unless requested).

(h) cooperate with the selling Holders to facilitate the timely preparation and delivery of certificates representing Registrable Securities to be sold and not bearing any Securities Act legend; and enable certificates for such Registrable Securities to be issued for

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such numbers of shares and registered in such names as the selling Holders may reasonably request at least two business days prior to any sale of Registrable Securities.

(i) subject to the last three sentences of Section 3(b) hereof, upon the occurrence of any event contemplated by Section 3(e)(iv) hereof, use its reasonable best efforts promptly to prepare and file a supplement or prepare, file and obtain effectiveness of a post-effective amendment to the Shelf Registration Statement or a related Prospectus or any document incorporated therein by reference or file any other required document so that, as thereafter delivered to the purchasers of the Registrable Securities, such Prospectus will not 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 therein, in the light of the circumstances under which they were made, not misleading.

(j) make available for inspection by representatives of the selling Holders and any counsel or accountant retained by such Holders, all financial and other records, pertinent corporate documents and properties of the Company, and cause the respective officers, directors and employees of the Company to supply all information reasonably requested by any such representative, counsel or accountant in connection with the Shelf Registration Statement; provided, however, that such records, documents or information which the Company determines in good faith to be confidential and notifies such representatives, counsel or accountants in writing that such records, documents or information are confidential, shall not be disclosed by the representatives, counsel or accountants unless (i) the disclosure of such records, documents or information is necessary to avoid or correct a material misstatement or omission in the Shelf Registration Statement, (ii) the release of such records, documents or information is ordered pursuant to a subpoena or other order from a court of

competent jurisdiction or (iii) such records, documents or information have been generally made available to the public otherwise than in violation of this Agreement.

(k) within a reasonable time prior to the filing of any Prospectus, any amendment to the Shelf Registration Statement or amendment or supplement to a Prospectus, provide copies of such document (not including any documents incorporated by reference therein unless requested) to the Holders of Registrable Securities that have provided a Registration Notice to the Company.

(l) use its reasonable best efforts to cause all Registrable Securities to be listed on any securities exchange on which similar securities issued by the Company are then listed.

(m) obtain a CUSIP number for all Registrable Securities, not later than the effective date of the Shelf Registration Statement.

(n) otherwise use its reasonable efforts to comply with all applicable rules and regulations of the Commission and make available to its security holders, as soon as reasonably practicable, an earnings statement covering at least 12 months which shall satisfy the provisions of Section 11(a) of the Securities Act and Rule 158 thereunder.

(o) use its reasonable best efforts to cause the Registrable Securities covered by the Shelf Registration Statement to be registered with or approved by such other governmental agencies or authorities as may be necessary by virtue of the business and

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operations of the Company to enable Holders that have delivered Registration Notices to the Company to consummate the disposition of such Registrable Securities.

The Company may require each Holder to furnish to the Company in writing such information regarding the proposed distribution by such Holder of such Registrable Securities as the Company may from time to time reasonably request in writing.

In connection with and as a condition to the Company's obligations with respect to the Shelf Registration Statement pursuant to Section 2 hereof and this Section 3, each Holder agrees that (i) it will not offer or sell its Registrable Securities under the Shelf Registration Statement until (A) it has either (1) provided a Registration Notice pursuant to Section 3(b) hereof or (2) had Registrable Securities included in the Shelf Registration Statement at the time it became effective pursuant to Section 2(b) hereof and (B) it has received copies of the supplemented or amended Prospectus contemplated by Section 3(b) hereof and receives notice that any required post-effective amendment has become effective; (ii) upon receipt of any notice from the Company of the happening of any event of the kind described in Section 3(e)(iv) hereof, such Holder will forthwith discontinue disposition of Registrable Securities pursuant to the Shelf Registration Statement until such Holder receives copies of the supplemented or amended Prospectus contemplated by Section 3(i) hereof and receives notice that any post-effective amendment has become effective, and, if so directed by the Company, such Holder will deliver to the Company (at the expense of the Company) all copies in its possession, other than permanent file copies then in such Holder's possession, of the Prospectus covering such registrable Securities current at the time of receipt of such notice; and (iii) all offers and sales under the Shelf Registration Statement shall be completed during the first available Sale Period when offers or sales can be made pursuant to clause (i) above, and upon expiration of such Sale Period the Holder will not offer or sell its Registrable Securities under the Shelf Registration Statement until it has again complied with the provisions of clauses (i)(A)(1) and (B) above, provided, however, that if the entirety of a Sale Period is for any reason not available to the Holder, the Holder shall also be entitled to make offers and sales during the next succeeding Sale Period.

SECTION 4. PIGGYBACK REGISTRATION.

(a) Whenever (x) the Company proposes to register any shares of its Common Stock (or securities convertible into or exchangeable or exercisable for such Common Stock) under the Securities Act for its own account or the account of any shareholder of the Company (other than offerings pursuant to employee plans, or non-cash offerings in connection with a proposed acquisition, exchange offer, recapitalization or similar transaction), and (y) the registration form otherwise to be used by the Company may be used for the registration of Registrable Securities (a "Piggyback Registration"), the Company will give prompt written notice to all Holders of its intention to effect such a registration and will, subject to Section 4(b) and Section 10 hereof, include in such registration all Registrable Securities with respect to which such Holders request in writing to be so included within 20 days after the receipt of the Company's notice.

(b) If a registration pursuant to this Section 4 involves an underwritten offering and the managing underwriter advises the Company in good faith that in its opinion the number of securities requested to be included in such registration exceeds the number which can be sold in such offering without having an adverse effect on such offering, including the price at which such securities can be sold, then the Company will be required to include in such

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registration the maximum number of shares that such underwriter advises can be so sold, allocated (x) first, to the securities the Company proposes to sell, (y) second, among the shares of Common Stock requested to be included in such registration by the Holders, considered in the aggregate (if such registration was initiated by the Company), and any other shareholder of the Company with shares of Common Stock eligible for registration, pro rata, on the basis of the number of shares of Common Stock such holder requests be included in such registration, and (z) third, among other securities, if any, requested and otherwise eligible to be included in such registration.

(c) Nothing contained herein shall prohibit the Company from determining, at any time, not to file a registration statement or, if filed, to withdraw such registration or terminate or abandon the registration related thereto.

SECTION 5. REQUESTED REGISTRATION.

(a) RIGHT TO REQUEST REGISTRATION. Upon the written request of Holders owning 10% or more of the outstanding Registrable Securities then owned in the aggregate by such Holders (the "Requesting Holders") (computed for these purposes as if all outstanding shares of Preferred Stock and all shares of Preferred Stock thereafter issuable pursuant to the Development Agreements have been converted into shares of Common Stock), requesting that the Company effect the registration under the Securities Act of at least the Minimum Registration Amount, the Company shall use its best efforts to effect, as expeditiously as possible, following the prompt (but in no event later than 15 days following the receipt of such written request) delivery of notice to all Holders, the registration under the Securities Act of such number of shares of Registrable Securities owned by the Requesting Holders and requested by the Requesting Holders to be so registered (subject to Section 5(c) hereof), together with (x) all other shares of Common Stock entitled to registration, and (y) securities of the Company which the Company elects to register and offer for its own account, provided, however, that the Company shall not be required to (i) subject to Section 5(b) below, effect more than a total of three such registrations pursuant to this Agreement or (ii) file a registration statement relating to a registration request pursuant hereto within a period of six months after the effective date of any other registration statement of the Company requested hereunder (other than pursuant to Section 2) or pursuant to which the Requesting Holders shall have been given an opportunity to participate pursuant to Section 4 hereof and which opportunity they declined or which registration statement under Section 4 hereof included shares of Registrable Securities (so long as such registration statement became and was effective for sufficient time to permit the sales contemplated thereby); provided, further, that the Company shall not be required to file a registration statement relating to an offering of Common Stock on a delayed or continuous basis pursuant to Rule 415 (or any successor to similar effect) promulgated under the Securities Act if the Company is not, at the time, eligible to register shares of Common Stock on form S-3 (or a successor form).

Notwithstanding the foregoing, if the Board of Directors of the Company determines in its good faith judgment, (x) after consultation with a nationally recognized investment banking firm, that there will be an adverse effect on a then contemplated public offering of the Company's securities, (y) that the disclosures that would be required to be made by the Company in connection with such registration would be materially harmful to the Company because of

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transactions then being considered by, or other events then concerning the Company, or (z) the registration at the time would require the inclusion of pro forma or other information, which requirements the Company is reasonably unable to comply with, then the Company may defer the filing (but not the preparation) of the registration statement which is required to effect any registration pursuant to this Section 5 for a reasonable period of time, but not in excess of 90 calendar days (or any longer period agreed to by the Holders), provided that at all times the Company is in good faith using all reasonable efforts to file such registration statement as soon as practicable.

(b) EFFECTIVE REGISTRATION. A registration requested pursuant to this Section 5 shall not be deemed to have been effected (and, therefore, not requested for purposes of Section 5(a) above) (w) unless the registration statement relating thereto has become effective under the Securities Act, (x) if after it has become effective such registration is interfered with by any stop order, injunction or other order or requirement of the Commission or other governmental agency or court for any reason other than a misrepresentation or an omission by a Holder and, as a result thereof, the shares of Registrable Securities requested to be registered cannot be completely distributed in accordance with the plan of distribution, (y) if the conditions to closing specified in the purchase agreement or underwriting agreement entered into in connection with such registration are not satisfied or waived other than by reason of some act or omission by a participating Holder or (z) if with respect to what would otherwise be deemed the third, or last, request under Section 5(a) hereof, less than all of the shares of Common Stock that the Holders requested be registered were actually registered due to the operation of Section 5(c) hereof, provided that clause (z) above may not be invoked by the Holders unless (I) such request includes at least the Minimum Registrable Amount, or (II) if such request includes an amount that is less than the Minimum Registrable Amount, Rule 144 under the Securities Act is not available to the Holders for the sale in any three (3) month period of all of the shares of Common Stock owned by the Holders; and provided further that clause (z) above may be invoked only at the request of Holders meeting the foregoing requirements and owning more than 10% of the shares of Registrable Securities then owned (computed as aforesaid) in the aggregate by the Holders.

(c) PRIORITY. If a requested registration pursuant to this Section 5 involves an underwritten offering and the managing underwriter shall advise the Company that in its opinion the number of securities requested to be included in such registration exceeds the number which can be sold in such offering without having an adverse effect on such offering, including the price at which such securities can be sold, then the Company will be required to include in such registration the maximum number of shares that such underwriter advises can be so sold, allocated (x) first, among all shares of Common Stock requested by Holders to be included in such registration, pro rata on the basis of the number of shares of Common Stock then owned by each of them (or, if such holder requests that less than all of the shares of Common Stock owned by such holder be included in such registration such lesser number of shares) (y) second, to any securities requested to be included in such registration by any other shareholder of the Company having registration rights and (z) third, to any securities the Company proposes to sell.

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SECTION 6. REGISTRATION PROCEDURES.

If and whenever the Company is required to use its best efforts to effect or cause the registration of any Registrable Securities under the Securities Act as provided in this Agreement pursuant to Section 4 or 5 hereof, the Company shall:

(a) prepare and file with the Commission as expeditiously as possible but in no event later than 90 days after receipt of a request for registration with respect to such Registrable Shares, a registration statement on any form for which the Company then qualifies or which counsel for the Company shall deem appropriate, which form shall be available for the sale of the Registrable Securities in accordance with the intended methods of distribution thereof, and use its best efforts to cause such registration statement to become effective; provided that before filing with the Commission a registration statement or prospectus or any amendments or supplements thereto, including documents incorporated by reference after the initial filing of any registration statement, the Company shall (x) furnish to each participating Holder and to one firm of attorneys selected collectively by the participating Holders and the holders of other securities covered by such registration statement, but in no event to more than one such counsel for all such selling securityholders, copies of all such documents proposed to be filed, which documents shall be subject to the review of the participating Holders and such counsel, and (y) notify the participating Holders of any stop order issued or threatened by the Commission and take all reasonable actions required to prevent the entry of such stop order or to remove it if entered;

(b) prepare and file with the Commission such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective for a period of not less than 180 days or such shorter period which shall terminate when all Registrable Securities covered by such registration statement have been sold (but not before the expiration of the 90-day period referred to in Section 4(3) of the Securities Act and Rule 174 thereunder, or any successor thereto, if applicable), and comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement during such period in accordance with the intended methods of disposition by the sellers thereof set forth in such registration statement;

(c) furnish, without charge, to the participating Holders and

each underwriter, if any, such number of copies of such registration statement, each amendment and supplement thereto (including one conformed copy to each participating Holder and one signed copy to each managing underwriter and in each case including all exhibits thereto), and the prospectus included in such registration statement (including each preliminary prospectus), in conformity with the requirements of the Securities Act, and such other documents as the participating Holders may reasonably request in order to facilitate the disposition of the Registrable Securities registered thereunder;

(d) use its best efforts to register or qualify such Registrable Securities covered by such registration statement under such other securities or blue sky laws of such jurisdiction as the participating Holders, and the managing underwriter, if any, reasonably requests and do any and all other acts and things which may be reasonable necessary or advisable to enable the participating Holders and each underwriter, if any to consummate the disposition in such jurisdiction of the Registrable Securities registered thereunder, provided that the Company shall not be required to (x) qualify generally to do business in any jurisdiction where

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it would not otherwise be required to qualify but for this Section 6(d), (y) subject itself to taxation in any such jurisdiction or (z) consent to general service of process in any such jurisdiction;

(e) immediately notify the managing underwriter, if any, and the Holders at any time when a prospectus relating thereto is required to be delivered under the Securities Act, of the happening of any event which comes to the Company's attention if as a result of such event the prospectus included in such registration statement contains an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading, and the Company shall promptly prepare and furnish to the participating Holders and any other holder of securities covered by such registration statement and prospectus a supplement or amendment to such prospectus so that as thereafter delivered, such prospectus shall not contain an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading; provided, however, that if the Company determines in good faith that the disclosure that would be required to be made by the Company would be materially harmful to the Company because of transactions then being considered by, or other events then concerning, the Company, or a supplement or amendment to such prospectus at such time would require the inclusion of pro forma or other information, which requirement the Company is reasonably unable to comply with, then the Company may defer for a reasonable period of time, not to exceed 90 days, furnishing to the participating Holders and any other holder of securities covered by such registration statement and prospectus a supplement or amendment to such prospectus, provided, further, that at all times the Company is in good faith using all reasonable efforts to file such amendment as soon as practicable;

(f) use its best efforts to cause all such securities being registered to be listed on each securities exchange on which similar securities issued by the Company are then listed, and enter into such customary agreements including a listing, application and indemnification agreement in customary form (provided that the applicable listing requirements are satisfied), and to provide a transfer agent and register for such Registrable Shares covered by such registration statement no later than the effective date of such registration statement;

(g) make available for inspection by any of the participating Holders and any holder of securities covered by such registration statement, any underwriter participating in any distribution pursuant to such registration statement, and any attorney, accountant or other agent retained by such persons (collectively, the "Inspectors"), all financial and other records of the Company and its subsidiaries (collectively, 'Records'), if any, as shall be reasonably necessary to enable them to exercise their due diligence responsibility, and cause the Company's and its subsidiaries' officers, directors and employees to supply all information and respond to all inquiries reasonably requested by any such Inspector in connection with such registration statement. Notwithstanding the foregoing, the Company shall have no obligation to disclose any Records to the Inspector in the event the Company determines that such disclosure is reasonably likely to have an adverse effect on the Company's ability to assert the existence of an attorney-client privilege with respect thereto;

(h) if requested use its best efforts to obtain a "cold comfort" letter and a "bring-down cold comfort" letter from the Company's independent public accountants in customary form and covering such matters of the type customarily covered by such letters;

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(i) enter into a form of underwriting agreement that contains customary terms and provisions for similar securities offerings;

(j) make available senior management personnel to participate in, and cause them to cooperate with the underwriters in connection with, "road show" and other customary marketing activities, including "one-on-one" meetings with prospective purchasers of the Registrable Securities; and

(k) otherwise use its best efforts to comply with all applicable rules and regulations of the Commission, and make available to its security holders, as soon as reasonably practicable, an earning statement covering a period of at least 12 months, beginning with the first month after the effective date of the registration statement (as the term "effective date" is defined in Rule 158(c) under the Securities Act), which earning statement shall satisfy the provisions of Section 11(a) of the Securities Act and Rule 158 thereunder.

It shall be a condition precedent to the obligation of the Company to take any action pursuant to this Agreement in respect of Registrable Securities which are to be registered at the request of any of the participating Holders that the participating Holders shall furnish to the Company such information regarding the securities held by the participating Holders and the intended method of disposition thereof as the Company shall reasonably request and as shall be required in connection with the action taken by the Company.

Each of the Holders agrees that, upon receipt of any notice from the Company of the happening of any event of the kind described in Section 6(e) hereof, the Holders shall discontinue disposition of Registrable Shares pursuant to the registration statement covering such Registrable Securities until receipt of the copies of the supplemented or amended prospectus contemplated by Section 6(c) hereof or until otherwise notified by the Company, and, if so directed by the Company, the participating Holders shall deliver to the Company (at the Company's expense) all copies (including, without limitation, any and all drafts), other than permanent file copies, then in any participating Holder's possession, of the prospectus covering such Registrable Securities at the time of receipt of such notice. In the event the Company shall give any such notice, the period specified in Section 6(b) hereof shall be extended by the greater of (x) three months and (y) the number of days during the period from and including the date of the giving of such notice pursuant to Section 6(e) hereof to and including the date when each of the participating Holders shall have received the copies of the supplemented or amended prospectus contemplated by Section 6(e) hereof.

SECTION 7. SELECTION OF UNDERWRITERS.

If any offering pursuant to a registration statement is to be an underwritten offering, the Company will select a managing underwriter or underwriters to administer the offering; provided that in the case of a registration statement pursuant to Section 5 hereof, the Holders holding more than 50% of the shares of Registrable Securities held by the Holders to be included in such underwritten offering shall select the managing underwriter or underwriters, subject to the consent of the Company which shall not be unreasonably withheld.

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SECTION 8. REGISTRATION EXPENSES.

The Company shall pay, in connection with any registration pursuant to Section 2, 4 or 5, the following registration expenses incurred in connection therewith: (i) all Commission, stock exchange or NASD registration and filing fees, (ii) all fees and expenses of compliance with securities or blue sky laws (including reasonable fees and disbursements of counsel in connection with the blue sky qualifications of the Registrable Securities), (iii) printing expenses, (iv) internal expenses (including without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), (v) the fees and expenses incurred in connection with the listing of the Registrable Securities on any national securities exchange or interdealer quotation system, (vi) the reasonable fees and disbursements of counsel for the Company and customary fees and expenses for independent certified public accountants retained by the Company (including the expenses of any comfort letters or costs associated with the delivery by independent certified public accountants of a comfort letter or comfort letters), (vii) the reasonable fees and disbursements of not more than one firm of attorneys acting as legal counsel for (x) all of the selling shareholders, collectively, in respect of a registration pursuant to Section 2 hereof or (y) all of the participating Holders, collectively, in respect of a registration pursuant to Sections 4 or 5 hereof, (viii) the fees and expenses of any registrar and transfer agent for the Common Stock, (ix) the underwriting fees, discounts and commissions applicable to any shares of Common Stock sold for the account of the Company and (x) all expenses of any Person in preparing or assisting in preparing, word processing, printing and distributing any registration statement, prospectus, certificates and other documents relating to the performance of and compliance with this Agreement. Except as otherwise provided in clause (ix) of this Section 8, the Company shall have no obligation to pay any underwriting fees, discounts or commissions attributable

to the sale of Registrable Shares.

SECTION 9. INDEMNIFICATION; CONTRIBUTION.

(a) The Company agrees to indemnify and hold harmless each seller of Registrable Securities covered by a Registration Statement filed pursuant to this Agreement, and such seller's partners, directors, officers, employees and any Person who controls such seller under the Securities Act (each, an "Indemnitee") from and against any and all losses, claims, damages, liabilities and expenses (including reasonable costs of investigation) arising out of or based upon any untrue statement or alleged untrue statement of a material fact contained in any prepricing prospectus, registration statement or prospectus or in any amendment or supplement thereto, or arising out of or based upon any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages, liabilities or expenses rise out of or are based upon any untrue statement or omission or alleged untrue statement or omission which has been made therein or omitted therefrom in reliance upon and in conformity with the information relating to a participating Holder furnished in writing to the Company by or on behalf of a participating Holder expressly for use in connection therewith. The foregoing indemnity agreement shall be in addition to any liability which the Company may otherwise have.

(b) If any action, suit or proceeding shall be brought against an Indemnitee in respect of which indemnity may be sought against the Company, such Indemnitee shall promptly notify the Company, and the Company shall assume the defense thereof, including the

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employment of counsel and payment of all fees and expenses. The Indemnitee shall have the right to employ separate counsel in any such action, suit or proceeding and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Indemnitee unless (x) the Company has agreed in writing to pay such fees and expenses, (y) the Company has failed to assume the defense and employ counsel, or (z) the named parties to any such action, suit or proceeding (including any impleaded parties) include both such Indemnitee and the Company, and such Indemnitee shall have been advised by its counsel that representation of such Indemnitee and the Company by the same counsel would be inappropriate under applicable standards of professional conduct (whether or not such representation by the same counsel has been proposed) due to actual or potential differing interests between them (in which case the Company shall not have the right to assume the defense of such action, suit or proceeding on behalf of such Indemnitee). It is understood, however, that the Company shall, in connection with any one such action, suit or proceeding or separate but substantially similar or related actions, suits or proceedings in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the reasonable fees and expenses of only one separate firm of attorneys (in addition to any local counsel) at any time for all such Indemnitees not having actual or potential differing interests among themselves, and that all such fees and expenses shall be reimbursed as they are incurred. The Company shall not be liable for any settlement of any such action, suit or proceeding effected without its written consent, but if settled with such written consent, or if them be a final judgment for the plaintiff in any such action, suit or proceeding, the Company agrees to indemnify and hold harmless such Indemnitee, to the extent provided in the preceding paragraph, from and against any loss, claim, damage, liability or expense by reason of such settlement or judgment.

(c) Each of the participating Holders, severally and not jointly, agree to indemnify and hold harmless the Company, its directors, its officers who sign the registration statement, and any person who controls the Company within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, to the same extent as the foregoing indemnity from the Company to an Indemnitee, but only with respect to information relating to such Holder furnished in writing by or on behalf of such Holder expressly for use in the registration statement, prospectus or any prepricing prospectus, or any amendment or supplement thereto. If any action, suit or proceeding shall be brought against the Company, any of its directors, any such officer, or any such controlling person based on the registration statement, prospectus or any prepricing prospectus, or any amendment or supplement thereto, and in respect of which indemnity may be sought against any Holder pursuant to this Section 9(c), such Holder shall have the rights and duties given to the Company by Section 9(b) hereof (except that if the Company shall have assumed the defense thereof such Holder shall not be required to do so, but may employ separate counsel therein and participate in the defense thereof, but the fees and expenses of such counsel shall be at the Holder's expense), and the Company, its directors, any such officer, and any such controlling person shall have the rights and duties given to an Indemnitee by Section 9(b) hereof. The foregoing indemnity agreement shall be in addition to any liability which the participating Holders may otherwise have.

(d) If the indemnification provided for in this Section 9 is unavailable to an indemnified party under paragraphs (a) or (c) hereof in respect of any losses, claims, damages, liabilities or expenses referred to therein, then an indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages, liabilities or expenses in such proportion as is appropriate to reflect the relative fault of the Company and of the participating Holders in

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connection with the statements or omissions that resulted in such losses, claims, damages, liabilities or expenses. The relative fault of the Company on the one hand and a participating Holder on the other hand shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company on the one hand or by such participating Holder on the other hand and the parties' relative intent, knowledge, access or information and opportunity to correct or prevent such statement or omission.

(e) The Company and the participating Holders agree that it would not be just and equitable if contribution pursuant to this Section 9 were determined by a pro rata allocation or by any other method of allocation that does not take account of the equitable considerations referred to in Section 9(d) hereof. The amount paid or payable by an indemnified party as a result of the losses, claims, damages, liabilities and expenses referred to in Section 9(d) hereof shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating any claim or defending any such action, suit or proceeding. Notwithstanding the provisions of this Section 9, no participating Holder shall be required to contribute any amount in excess of the amount by which the proceeds to such participating Holder exceeds the amount of any damages which such participating Holder has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

(f) No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened action, suit or proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such action, suit or proceeding.

(g) Any losses, claims, damages, liabilities or expenses for which an indemnified party is entitled to indemnification or contribution under this Section 9 shall be paid by the indemnifying party to the indemnified party as such losses, claims, damages, liabilities or expenses are incurred. The indemnity and contribution agreements contained in this Section 9 shall remain operative and in full force and effect, regardless of (i) any investigation made by or on behalf of an Indemnitee, the Company, its directors or officers, or any person controlling the Company, and (ii) any termination of this Agreement.

SECTION 10. PARTICIPATION IN UNDERWRITTEN REGISTRATIONS.

A Holder may not participate in any underwritten offering pursuant to Section 4 or 5 hereof unless such Holder (i) agrees to sell its Registrable Securities on the basis provided in any underwriting arrangements which, to the extent applicable solely to the participating Holders, are approved by the participating Holders in their reasonable discretion or which, to the extent applicable to the Company and the participating Holders, are approved by the Company in its reasonable discretion and (ii) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents (including lock-up

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agreements) reasonably required under the terms of such underwriting arrangements which are not in consistent with the terms of this Agreement.

SECTION 11. OTHER REGISTRATION RIGHTS.

The Company agrees that it shall not enter into any agreement which provides registration rights to any Person that are inconsistent with the

provisions contained in this Agreement. If the Company does become a party to such an agreement, the Company agrees that to the extent that the provisions of such agreement conflict with this Agreement, the provisions of this Agreement shall control.

SECTION 12. RULE 144 SALES.

(a) The Company covenants that it will file the reports required to be filed by the Company under the Securities Act and the Exchange Act, so as to enable any Holder to sell Registrable Securities pursuant to Rule 144 under the Securities Act.

(b) In connection with any sale, transfer or other disposition by any Holder of any Registrable Securities pursuant to Rule 144 under the Securities Act, the Company shall cooperate with such Holder to facilitate the timely preparation and delivery of certificates representing Registrable Securities to be sold and not bearing any Securities Act legend, and enable certificates for such Registrable Securities to be for such number of shares and registered in such names as the selling Holders may reasonably request at least two business days prior to any sale of Registrable Securities.

SECTION 13. MISCELLANEOUS.

(a) AMENDMENTS AND WAIVERS. The provisions of this Agreement, including the provisions of this sentence, may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereto may not be given without the written consent of the Company and Holders constituting Majority Holders; provided, however, that no amendment, modification or supplement or waiver or consent to the departure with respect to the provisions of Sections 1 through 12, inclusive, hereof or which would impair the rights of any Holder under such provisions, shall be effective as against any Holder. Notice of any amendment, modification or supplement to this Agreement adopted in accordance with this Section 13(a) shall be provided by Company to each Holder at least thirty (30) days prior to the effective date of such amendment, modification or supplement.

(b) NOTICES. All notices and other communications provided for or permitted hereunder shall be made in writing by hand delivery, registered first-class mail, telex, telecopier or any courier guaranteeing overnight delivery, (i) if to a Holder, at the most current address given by such Holder to the Company by of a notice given in accordance with the provisions of this Section 13(b), which address initially is, with respect to each Holder, the address set forth in the Contribution Agreement, the Asset Contribution Agreement or the Development Agreements, or (ii) if to the Company, at One Logan Square, Suite 1105, Philadelphia, PA 19103.

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All such notices and communications shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five business days after being deposited in the mail, postage prepaid, if mailed; when answered back, if telexed; when receipt is acknowledged, if telecopied; or at the time delivered if delivered by an air courier guaranteeing overnight delivery.

(c) SUCCESSORS AND ASSIGNS. This Agreement shall inure to the benefit of and be binding upon the successors, assigns and transferees of each of the Company and the Holders, including without limitation and without the need for an express assignment, subsequent Holders. If any successor, assignee or transferee of any Holder shall acquire Registrable Securities, in any manner, whether by operation of law or otherwise, such Registrable Securities shall be held subject to all of the terms of this Agreement, and by taking and holding such Registrable Securities such Person shall be entitled to receive the benefits hereof and shall be conclusively deemed to have agreed to be bound by all of the terms and provisions hereof.

(d) HEADINGS. The headings in this Agreement are for the convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(e) GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE WITHOUT GIVING EFFECT TO THE CONFLICTS OF LAW PROVISIONS THEREOF.

(f) SPECIFIC PERFORMANCE. The Company and the Holders acknowledge that there would be no adequate remedy at law if any party fails to perform any of its obligations hereunder, and accordingly agree that the Company and each Holder, in addition to any other remedy to which it may be entitled at law or in equity, shall be entitled to compel specific performance of the obligations of another under this Agreement in accordance with the terms and conditions of this Agreement in any court of the United States or any State thereof having jurisdiction.

(g) ENTIRE AGREEMENT. This Agreement is intended by the Company as a final expression of its agreement and is intended to be a complete and exclusive statement of the agreement and understanding of the Company in respect of the subject matter contained herein. This Agreement supersedes all prior agreements and understandings of the Company with respect to such subject matter.

(h) Notwithstanding any other provision of this Agreement to the contrary, the total number of days that the Holders shall be precluded from the disposition of Registrable Securities under an effective Registration Statement coupled with the total number of days that the Company may defer the filing of the registration statement hereunder shall not exceed 180 in any 12-month period during the first two years from the date of this Agreement, and shall not exceed 120 days in any 12-month period thereafter.

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IN WITNESS WHEREOF, the Company has executed this Agreement 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

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CORPORATE OFFICE MANAGEMENT, INC.
Agreement for Services

This Agreement for Services ("Agreement") is made as of this 28th day of September, 1998, between Corporate Office Properties Trust (COPT) and Corporate Office Properties, L.P. (COPLP) jointly ("Customer") and Corporate Office Management, Inc. ("Provider").

In consideration of the mutual agreements set forth herein and for other good and valuable consideration passing between the parties, Provider agrees to provide the services requested by the Customer in strict compliance with the terms and conditions hereinafter set forth.

1. Project. The existing, proposed, or other projects to which the Provider's service shall relate (the "Projects") shall be defined by Customer at time of request along with a description of required services and schedule.
2. Services. The services or tasks that can be performed by the Provider (the "Services") at the request of the Customer are set forth in Exhibit A attached hereto, entitled Scope of Services.
3. Payment. All services performed by the Provider by Provider's own personnel, shall be charged on a time basis by functional group as outlined on Exhibit B attached hereto and made a part hereof. Provider will charge seventy five (75%) percent of rates for the period through December 31, 1999 and one hundred (100%) thereafter. Provider shall be entitled to the payments set forth in Exhibit B provided that Provider has performed the Services required and provided that Provider is in full compliance with all other terms and conditions of this Agreement. All other services provided by the Provider requiring the use of Consultants shall be subject to the payment schedule attached as Exhibit C. Additionally, all reimbursables shall be charged in accordance with the terms defined in the Payment Schedule noted as Exhibit C. Provided Provider is in compliance with all terms and conditions of this Agreement, Customer will make payment to Provider not later than Thirty (30) days after the submission of appropriate invoice.
4. Expenses. Provider shall be entitled to reimbursement for out-of-pocket expenses as set forth in Exhibit C. In the event that expense reimbursement is so provided, such reimbursement shall be made at the same time that payment of compensation is due Provider pursuant to this Agreement.
5. Cooperation. Notwithstanding any other provisions of this Agreement including the Exhibits hereto, Provider shall consult with and request necessary information of Customer as frequently as reasonably required in the performance of this Agreement, and

Provider shall cooperate with the Customer and any other person or organization designated by Customer as involved in the Projects, and shall perform this Agreement as designated by Customer all to the general satisfaction of Customer. Upon request by Provider, Customer will furnish readily available and existing information related to the performance of Services hereunder.

6. Ownership of Work Product. All tangible work product produced by Provider in connection with the performance of this Agreement, including but not limited to, accounting records, tenant information, legal documents, reports, correspondence, and minutes of meeting, shall be the property of the Customer upon payment for services by Customer and any such materials in the possession of the Provider upon termination of this Agreement for any reason shall be promptly delivered to Customer.
7. Additional Services. Upon request of Customer, Provider shall perform services beyond the Scope of Services required by this Agreement. Provider shall perform such services for the hourly rates set forth in Exhibit B attached hereto.
8. Termination. Both Customer and Provider shall have the absolute right to terminate this Agreement for any reason upon thirty (30) calendar days written notice to each other. In the event of such termination, Provider shall be paid pro rata for Services actually performed since the last payment. In the event Exhibit C provides for expense reimbursement, Provider shall also be paid actual reimbursable expenses incurred through the date of termination. Such payment shall be made by Customer no later than fifteen (15) days from the date of termination, provided Provider has complied with all terms and conditions of this Agreement. Upon such termination and payment, Customer shall have no liability to Provider in any manner arising out of this Agreement and Provider hereby waives and

releases any and all claims against Customer arising out of this Agreement.

Customer may also terminate this Agreement for default by the Provider. In the event that Provider shall, be found to have in the sole judgment of Owner, become insolvent, or file or have filed against it, any petition in bankruptcy, make an assignment for the benefit of creditors, or commence or have commenced against it any proceeding, or enter into any other proceeding or arrangement for relief of debtors or fail to adhere to the schedules set forth in requests, or as it may be modified by written agreement, or fail to pursue the work in accordance with this contract, or fail to supply a sufficient number of skilled personnel (including failure occasioned by labor dispute), or interfere with or disrupt or threaten Customer's premises or furnishing services in connection with the Projects (including interference or disruption arising from a labor dispute), or fail to comply with the terms and conditions of this Agreement, then any such event shall constitute a default by Provider hereunder and any such event shall be deemed a breach of this Agreement. Customer shall give to Provider written notice of such default. Upon receipt of such notice, Provider shall have two (2) days in which to cure such default. If, such default cannot be cured or is not cured within two (2) days after such notice, Customer may terminate this Agreement, and enter into agreements with others to complete the Services required hereunder. The cost of such completion, as well as other costs, damages or expenses, including legal fees, incurred as a result of such default, shall be charged against

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any unpaid amounts due Provider under this Agreement. The rights and remedies of Customer hereunder are in addition to any and all rights and remedies available to Customer under this Agreement.

9. Indemnity and Insurance. Provider agrees to indemnify and hold harmless Customer, its officers, directors, agents and employees, from and against claims, suites, judgement, damages, losses and expenses, from the negligent professional act of omission of Provider, its officers, directors, agents, employees or subcontracts, in the performance of this Agreement. Provider shall bear proportional costs of defending any actions or proceedings brought against Customer, its officers, directors, agents and employees, arising in whole or in part out of any such negligent professional acts or omission.

Provider shall carry all insurance required by law. In addition, Provider shall carry insurance, for the benefit of the Customer, in such forms, amounts, and with such companies, as are acceptable to the Customer, covering bodily injury, sickness, disease or death of any employee of Provider or any other person or damage to property to Customer or others arising out of Providers performance of this Agreement or bodily injury or death of any person or property damage arising out of the ownership, maintenance or use of a motor vehicle in any manner arising out of or relating to the performance of this Agreement.

10. Notices. All notices and communications concerning this contract shall be effective only if delivered to the authorized representatives of Customer and Provider, designated below, personally or at the addresses set forth below:

Customer's Representative

Clay W. Hamlin, III
Chief Executive Officer
Corporate Office Properties Trust
401 City Avenue; Suite 615
Bala Cynwyd, Pennsylvania 19004-1126

Provider's Representative

Mr. Randall M. Griffin
President
Corporate Office Management, Inc.
8815 Centre Park Drive, Suite 400
Columbia, MD 21045

11. Access to Records. Customer and Provider agree to provide access to their books, documents and records to appropriate governmental officials as maybe required.
12. Assignment. Provider shall not assign any of its rights under this Agreement nor shall Provider retain any persons or entities not directly employed by the Provider's
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organization to perform any services under this Agreement without the prior consent of Customer.

- 13. Waiver and Severability. No provision of this Agreement shall be deemed to have been waived unless such waiver be in writing. Any waiver shall extend only to the particular case and only in the manner specified, and shall not be construed in any way to be a waiver of any further or other rights hereunder. The invalidity or unenforceability of any provision of this Agreement, or any application thereof, shall not affect or impair any other provision or the validity or enforceability of the remainder of this Agreement, or any other application thereof.
- 14. Governing Law. This Agreement shall be governed by the laws of the State of Maryland. Customer and Provider have caused this Agreement to be executed by their duly authorized representatives as of the date set forth in the first paragraph hereof.

Witness: Customer: Corporate Office
Properties Trust

/s/ Roger A. Waesche, Jr. /s/ Clay W. Hamlin III

By: Clay W. Hamlin, III
Chief Executive Officer

Witness: Customer: Corporate Office
Properties, L.P.

/s/ Roger A. Waesche, Jr. /s/ Clay W. Hamlin III

By: Clay W. Hamlin, III
Chief Executive Officer of Corporate
Properties Trust, General Partner

Witness: Provider: Corporate Office
Management, Inc.

/s/ Roger A. Waesche, Jr. /s/ Randall M. Griffin

By: Randall M. Griffin
President

Exhibit A
Scope of Available Services

Accounting	General ledger maintenance, monthly financial reporting, quarterly and annual SEC filings, SEC 8-K filings, tax compliance, REIT compliance.
Asset Management	Property management oversight, leasing, budgeting.
Acquisitions	Analysis, Investment Committee approval, coordination with Corporate Office Services.
Corporate	Oversight of all activities, including management of overall operations and organizational strategic planning.
Finance	Sourcing debt and equity capital, financial analysis.
Investor Relations	Interaction with investment community.
Information Technology	Hardware and software procurement and management.
Legal	Lease preparation, contract preparation, financial document review, SEC and corporate matter work.
Marketing	Develop and coordinate overall COPT marketing plan.

EXHIBIT B
PAYMENT SCHEDULE

Provider shall be reimbursed for services rendered based upon the following allocations of all operational expenses:

Department	September 28 through December 31, 1998	Thereafter
Accounting	50%	90%
Asset Management	85%	100%
Acquisitions	100%	100%
Corporate	70%	90%
Finance	55%	85%
Investor Relations	100%	100%
Information Technology	85%	90%
Legal	75%	95%
Marketing	100%	100%

EXHIBIT C
PAYMENT SCHEDULE

The following shall be used for all services not provided directly by Corporate Office Management, Inc. personnel:

- A. Contracted Consultants shall be charged per original invoice.
- B. Reimbursables: Included in rate charges on Exhibit B.

ONE CONSTELLATION CENTRE

THIS AGREEMENT OF LEASE (the "Lease") is made this 28th day of September, 1998, by and between ST. BARNABAS LIMITED PARTNERSHIP, a Maryland limited partnership ("Landlord") and CONSTELLATION PROPERTIES, INC., a Maryland corporation ("Tenant"), WITNESSETH that the parties hereby agree as follows:

1. Premises. Landlord is the owner of the One Constellation Centre Office Building (the "Building"), an office building located at 6009 Oxon Hill Road, Oxon Hill, Maryland 20745.

Landlord does hereby lease unto Tenant, and Tenant does hereby rent from Landlord, that portion of the Building located on the fourth, fifth and sixth floors designated as Suites 400, 500 and 600 containing the agreed upon equivalent of 48,863 square feet of rentable area (the "Premises") described on the schedule attached hereto as Exhibit "A" and made a part hereof. In addition thereto, Tenant shall have the right to use, on a non-exclusive basis, and in common with the other tenants of the Building the Common Areas of the Building (as that term is defined in Section 5.2.6 hereof).

2. Term. This Lease shall commence on September 28, 1998 (the "Commencement Date") and shall be for a term (the "Term") of two (2) years, expiring on September 28, 2000.

3. Security Deposit and Advance Rent. Intentionally Left Blank.

4. Use. Tenant shall have the right to use and occupy the Premises of this Lease, if at all, solely for general office purposes in accordance with applicable zoning regulations and for no other purpose.

5. Rent.

5.1 Base Rent. As rent for the Premises during each year of the Term, Tenant shall pay to Landlord an annual base rent of Nine Hundred Three Thousand Nine Hundred Sixty-Five Dollars and Fifty-Two Cents (\$903,965.52) (the "Base Rent") in equal monthly installments of Seventy-Five Thousand Three Hundred Thirty Dollars and Forty-Six Cents (\$75,330.46) each, in advance on the first day of each calendar month during the Term, and without deduction, setoff or demand.

5.2 Definitions. For the purposes hereof, the following definitions shall apply:

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5.2.1 "Property" shall mean the Building, the land upon which same is situated and all fixtures and equipment thereon or therein, all commonly owned or shared appurtenances, including but not limited to, parking areas, walkways, landscaping and utilities, whether located on the land upon which the Building is situated or elsewhere.

5.2.2 "Building Expenses" shall be all those expenses paid or incurred by Landlord in connection with the owning, maintaining, operating and repairing of the Property or any part thereof, in a manner deemed reasonable and appropriate by Landlord and shall include, without limitation, the following:

1. All costs and expenses of operating, repairing, lighting, cleaning, and insuring (including liability for personal injury, death and property damage and workers' compensation insurance covering personnel) the Property or any part thereof, as well as all costs incurred in removing snow, ice and debris therefrom and of policing and regulating traffic with respect thereto, and depreciation of all machinery and equipment used therein or thereon, replacing or repairing of pavement, parking areas, curbs, walkways, drainage, lighting facilities, landscaping (including replanting and replacing flowers and other planting);

2. Electricity, steam and fuel used in lighting, heating, ventilating and air conditioning;

3. Maintenance and repair of mechanical and electrical equipment including heating, ventilating and air conditioning equipment;

4. Window cleaning and janitor service, including equipment, uniforms, and supplies and sundries;

5. Maintenance of elevators, stairways, rest rooms, lobbies, hallways and other Common Areas;

6. Repainting and redecoration of all Common Areas;

7. Sales or use taxes on supplies or services;

8. Management fees, wages, salaries and compensation of all persons engaged in the maintenance, operation or repair of the Property (including Landlord's share of all payroll taxes);

9. Legal, accounting and engineering fees and expenses, except for those related to disputes with tenants or which are a result of and/or are based on Landlord's negligence or other tortious conduct;

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10. Costs and expenses that may result from compliance with any governmental laws or regulations that were not applicable to the Common Areas at the time same were originally constructed;

11. Condominium fees and assessments paid to Constellation Centre Condominium; and

12. All other expenses which under generally accepted accounting principles would be considered as an expense of maintaining, operating, or repairing the Property. Notwithstanding the foregoing, all expenses (whether or not such expenses are enumerated on items 1 through 11 of this Section 5.2.2) which would be considered capital in nature under generally accepted accounting principles shall be excluded from "Building Expenses."

5.2.3 "Taxes" shall mean all real property taxes including currently due installments of assessments, sewer rents, ad valorem charges, water rates, rents and charges, front foot benefit charges, and all other governmental impositions in the nature of any of the foregoing. Excluded from Taxes are (i) federal, state or local income taxes, (ii) franchise, gift, transfer, excise, capital stock, estate or inheritance taxes, and (iii) penalties or interest charged for late payment of Taxes. If at any time during the Term the method of taxation prevailing at the commencement of the Term shall be altered so as to cause the whole or any part of the items listed in the first sentence of this subparagraph 5.2.3 to be levied, assessed or imposed, wholly or partly as a capital levy, or otherwise, on the rents received from the Building, wholly or partly in lieu of imposition of or in addition to the increase of taxes in the nature of real estate taxes issued against the Property, then the charge to the Landlord resulting from such altered additional method of taxation shall be deemed to be within the definition of "Taxes."

5.2.4 "Base Year Building Expenses" shall mean the actual Building Expenses incurred by Landlord during 1998 per rentable square foot.

5.2.5 "Base Year Taxes" shall mean the actual Taxes incurred by Landlord during the 1998-1999 tax year per rentable square foot.

5.2.6 "Common Areas" shall mean those areas and facilities which may be from time to time furnished to the Building by Landlord for the non-exclusive general common use of tenants and other occupants of the Building, their officers, employees, and invitees, including (without limitation) the hallways, stairs, parking facilities, washrooms, and elevators.

5.3 Rent Adjustments for Taxes.

5.3.1 At or after the time that Taxes are due and payable, Landlord shall total the Taxes and shall allocate such Taxes to the rentable area within the Building in the following

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manner: Taxes shall be totaled and such total shall be divided by the total rentable square feet in the Building thereby deriving the "Cost of Taxes Per Square Foot" of rentable area.

5.3.2 In the event that the Cost of Taxes Per Square Foot assessed for any tax year which is wholly or partly within the Term are greater than the Base Year Taxes, Tenant shall pay to Landlord, as additional rent at the time such Taxes are due and payable, the amount of such excess times the number of rentable square feet in the Premises. Any additional rent due Landlord under this Section 5.3 shall be due and payable within thirty (30) days after Landlord shall have submitted a written statement to Tenant showing the amount due. Landlord may, in its discretion, make a reasonable estimate of such additional rent with respect to Taxes, and require Tenant to pay each month during such year 1/12 of such amount, at the time of payment of monthly installments of Base Rent. In such event, Tenant shall pay, or Landlord shall refund or credit to Tenant's account, any underpayment or overpayment of such additional rent within thirty (30) days of Landlord's annual written statement of Taxes due. Tenant shall have the right to examine, at Tenant's sole expense, Landlord's records with respect to any such increases in rent; provided, however, that unless Tenant shall have given Landlord written notice of exception to any such statement within thirty (30) days after delivery thereof, the same shall be conclusive and binding on Tenant. No credit shall be given to Tenant if the cost

of Taxes Per Square Foot are less than the Base Year Taxes.

As of the date of this Lease, the tax year is a fiscal year commencing July 1. If the appropriate authorities shall hereafter change the tax year to a calendar year, or to a fiscal year commencing on a date other than July 1, appropriate adjustments shall be made in the computation of any additional rent due hereunder.

All reasonable expenses incurred by Landlord (including attorneys', appraisers' and consultants' fees, and other costs) in contesting any increase in Taxes or any increase in the assessment of the Property shall be included as an item of Taxes for the purpose of computing additional rent due hereunder.

5.4 Rent Adjustments for Building Expenses.

5.4.1 After the end of each calendar year, Landlord shall compute the Building Expenses for such year and shall allocate such costs to the rentable area within the Building in the following manner: Building Expenses shall be totaled and such total shall be divided by the total rentable square feet in the Building thereby deriving the "Cost of Building Expenses Per Square Foot" of rentable area.

5.4.2 In the event that the cost of Building Expenses Per Square Foot of rentable area for any year which is wholly or partly within the Term are greater than the Base Year Building Expenses, Tenant shall pay to Landlord, as additional rent, the amount of such excess times the number of rentable square feet in the Premises, as set forth in Section 1 above. If

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occupancy of the Building during any calendar year is less than ninety percent (90%), then Building Expenses for that calendar year shall be "grossed up" to that amount of Building Expenses that, using reasonable projections, would normally be expected to be incurred during the calendar year in question if the Building was ninety percent (90%) occupied during the applicable calendar year period, as determined under generally accepted accounting principles; it being understood that the written statement submitted to Tenant shall provide a reasonably detailed description of how the Building Expenses were grossed up and that only those component expenses that are affected by variations in occupancy levels shall be grossed up. Such additional rent shall be computed on a year-to-year basis. Any such additional rent shall be due within thirty (30) days after the Landlord has submitted a written statement to Tenant showing the amount due. Landlord may, in its discretion, make a reasonable estimate of such additional rent with respect to any calendar year, and require Tenant to pay each month during such year 1/12 of such amount, at the time of payment of monthly installments of Base Rent. In such event, Tenant shall pay, or Landlord shall refund or credit to Tenant's account, any underpayment or overpayment of such additional rent within thirty (30) days of Landlord's written statement of actual Building Expenses for the Calendar year. Tenant shall have the right to examine, at Tenant's sole expense, Landlord's records with respect to any such increases in rent; provided, however, that unless Tenant shall have given Landlord written notice of exception to any such statement within thirty (30) days after delivery thereof, the same shall be conclusive and binding on Tenant. No credit shall be given to the Tenant if the cost of Building Expenses Per Square Foot are less than the Base Year Building Expenses. Notwithstanding anything to the contrary contained herein Landlord shall use diligent efforts to keep Building Expenses at reasonable amounts, while maintaining the Building as a first class office building.

5.5 Additional Rent Payments. Tenant's obligation to pay any additional rent accruing during the Term pursuant to Sections 5.3 and 5.4 hereof shall apply pro rata to the proportionate part of a tax year as to Taxes, and calendar year, as to Building Expenses, in which this Lease begins or ends, for the portion of each such year during which this Lease is in effect. Such obligation to make payments of such additional rent shall survive the expiration or sooner termination of the Term, whether or not this Lease is superseded by a subsequent lease of the Premises or of any other space or Tenant leaves the Building; any such superseding lease shall not serve to supersede Tenant's obligation for any such additional rent unless it makes express reference thereto and recites that such additional rent is abated in consideration of the superseding lease.

5.6 Payments. All payments or installments of any rent hereunder and all sums whatsoever due under this Lease (including but not limited to court costs and attorneys fees) shall be deemed rent, shall be paid to Landlord at the address designated by Landlord, and if not paid when due, shall be subject to a late charge of \$35.00 for each late payment and shall bear interest at the rate of 18% per annum (but not more than the maximum allowable legal rate applicable to Tenant) until paid. Additionally, if any of Tenant's checks for payment of rent or additional rent are returned to Landlord for insufficient funds, Tenant shall pay to Landlord as

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additional rent \$50.00 for each such check returned for insufficient funds, and if two or more of Tenant's checks in payment of rent or additional rent due hereunder are returned for insufficient funds in any calendar year, Landlord reserves the right upon ten (10) days advance written notice to Tenant to thereafter require Tenant to pay all rent and additional rent and other sums whatsoever due under this Lease in cash, by money order or by certified check or cashier's check. If an attorney is employed to enforce Landlord's rights under this Lease, Tenant shall pay all fees and expenses of such attorney whether or not legal proceedings are instituted by Landlord. However, where legal proceedings are instituted by Landlord against Tenant, and said legal proceedings result in a monetary judgment in favor of Landlord, those reasonable attorney fees for which Tenant shall be liable to Landlord shall not be less than fifteen percent (15%) of such monetary judgment. Time is of the essence in this Lease.

6. Requirements of Applicable Law. Landlord warrants that on the Commencement Date, the Premises shall comply with all applicable laws, ordinances, rules and regulations of governmental authorities having jurisdiction over the Property ("Applicable Laws"). Tenant, at its sole cost and expense, shall thereafter comply promptly with all Applicable Laws now in force or which may hereafter be in force, which impose any duty upon Landlord or Tenant with respect to the use, occupancy or alteration of the Premises or any part thereof and for the prevention of fires; provided, however, that Landlord and not Tenant shall correct all structural defects in the Building necessary to comply with Applicable Laws, and make all repairs, changes or alterations necessary because the Building was not constructed in compliance with any of said Applicable Laws.

7. Certificate of Occupancy. Tenant will not use or occupy the Premises in violation of any certificate of occupancy, permit, or other governmental consent issued for the Building. If any governmental authority, after the commencement of the Term, shall contend or declare that the Premises are being used for a purpose which is in violation of such certificate of occupancy, permit, or consent, then Tenant shall, upon five (5) days' notice from Landlord, immediately discontinue such use of the Premises. If thereafter the governmental authority asserting such violation threatens, commences or continues criminal or civil proceedings against Landlord for Tenant's failure to discontinue such use, in addition to any and all rights, privileges and remedies given to Landlord under this Lease for default therein, Landlord shall have the right to terminate this Lease forthwith. Tenant shall indemnify and hold Landlord harmless of and from any and all liability for any such violation or violations.

8. Contest-Statute, Ordinance, Etc. Tenant may, after notice to Landlord, by appropriate proceedings conducted promptly at Tenant's own expense in Tenant's name and whenever necessary in Landlord's name, contest in good faith the validity or enforcement of any such statute, ordinance, law, order, regulation or requirement and may similarly contest any assertion of violation of any certificate of occupancy, permit, or any consent issued for the Building. Tenant may, pending such contest, defer compliance therewith if, in the opinion of counsel for Landlord, such deferral shall not subject either the Landlord or the Premises or the

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Property (or any part thereof) to any penalty, fine or forfeiture, and if Tenant shall post a bond with corporate surety approved by Landlord sufficient, in Landlord's opinion, fully to indemnify Landlord from loss.

9. Tenant's Improvements. Tenant shall make such improvements to the Premises as it may deem necessary at its sole cost and expense. Tenant shall not make any alterations, decorations, installations, additions or improvements to the Premises, including but not limited to, the installation of any fixtures, amenities, equipment, appliances, or other apparatus, without Landlord's prior written consent, and then only by contractors or mechanics employed or approved by Landlord. All such work, alterations, decorations, installations, additions or improvements shall be done at Tenant's sole expense and at such times and in such manner as Landlord may from time to time designate. Landlord's consent to and/or approval of Tenant's plans and specifications for the aforesaid improvements shall create no responsibility or liability on the part of Landlord for their completeness, design sufficiency, or compliance with all laws, rules and regulations of governmental agencies or authorities. All alterations, decorations, installations, additions or improvements made by either of the parties hereto upon the Premises, except movable office furniture put in at the expense of Tenant and other items as mutually agreed upon in writing, shall be the property of Landlord and shall remain upon and be surrendered with the Premises at the termination of this Lease without molestation or injury.

10. Repairs and Maintenance.

10.1 Tenant's Care of the Premises and Building. During the Term, Tenant shall:

(i) keep the Premises and the fixtures, appurtenances and improvements therein in good order and condition;

(ii) make repairs and replacements to the Premises required because of Tenant's misuse or primary negligence, except to the extent that the repairs or replacements are covered by Landlord's insurance as required hereunder;

(iii) repair and replace special equipment or decorative treatments installed by or at Tenant's request and that serve the Premises only, except to the extent the repairs or replacements are needed because of Landlord's misuse or primary negligence, and are not covered by Tenant's insurance as required hereunder;

(iv) pay for all damage to the Building, its fixtures and appurtenances, as well as all damages sustained by Tenant or occupants of the Building due to any waste, misuse or neglect of the Premises, its fixtures and appurtenances by Tenant, except to the extent that the repair of such damage is covered by Landlord's insurance as required hereunder; and

(v) not commit waste.

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In addition Tenant shall not place a load upon any floor of the Premises exceeding the floor load per square foot area which such floor was designed to carry and which may be allowed under Applicable Laws. Landlord reserves the right to prescribe the weight and position of all heavy equipment brought onto the Premises and prescribe any reinforcing required under the circumstances, all such reinforcing to be at Tenant's expense.

10.2 Landlord's Repairs. Except for the repairs and replacements that Tenant is required to make pursuant to Section 10.1 above, Landlord shall make all other repairs and replacements to the Premises, Common Areas and Building (including Building fixtures and equipment) as shall be reasonably deemed necessary to maintain the Building in a condition comparable to other first class suburban office buildings in the Baltimore-Washington corridor area. This maintenance shall include the roof, foundation, exterior walls, interior structural walls, all structural components, and all systems such as mechanical, electrical, multi-tenant HVAC, and plumbing. The costs associated with such repairs shall be deemed a part of Building Expenses; provided, however, that costs of all of such repairs which would be considered capital in nature under generally accepted accounting principles shall be paid by Landlord. There shall be no allowance to Tenant for a diminution of rental value, no abatement of rent, and no liability on the part of Landlord by reason of inconvenience, annoyance or injury to business arising from Landlord, Tenant or others making any repairs or performing maintenance as provided for herein.

10.3 Time for Repairs. Repairs or replacements required pursuant to Sections 10.1 and 10.2 above shall be made within a reasonable time (depending on the nature of the repair or replacement needed - generally no more than fifteen (15) days) after receiving notice or having actual knowledge of the need for a repair or replacement.

10.4 Surrender of the Premises. Upon the termination of this Lease, Tenant shall surrender the Premises to Landlord in the same broom clean condition that the Premises were in on the Commencement Date except for:

(i) ordinary wear and tear;

(ii) damage by the elements, fire, and other casualty unless Tenant would be required to repair under the provisions of this Lease;

(iii) damage arising from any cause not required to be repaired or replaced by Tenant; and

(iv) alterations as permitted by this Lease unless consent was conditioned on their removal.

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On surrender, Tenant shall remove from the Premises its personal property, trade fixtures and any alterations required to be removed pursuant to the terms of this Lease and repair any damage to the Premises caused by this removal. Any items not removed by Tenant as required above shall be considered abandoned. Landlord may dispose of abandoned items as Landlord chooses and bill Tenant for the cost of their disposal.

11. Conduct on Premises. Tenant shall not do, or permit anything to be done in the Premises, or bring or keep anything therein which will, in any way, increase the rate of fire insurance on the Building, or invalidate or conflict with the fire insurance policies on the Building, fixtures or on property kept therein, or obstruct or interfere with the rights of the Landlord or of other tenants, or in any other way injure or annoy Landlord or the other tenants, or subject Landlord to any liability for injury to persons or damage to property, or interfere with the good order of the Building, or conflict with Applicable Laws, or the Maryland Fire Underwriters Rating Bureau. Tenant agrees that any increase

of fire insurance premiums on the Building or contents caused by the occupancy of Tenant and any expense or cost incurred in consequence of negligence or carelessness or the willful action of Tenant, Tenant's employees, agents, servants, or invitees shall, as they accrue be added to the rent heretofore reserved and be paid as a part thereof; and Landlord shall have all the rights and remedies for the collection of same as are conferred upon the Landlord for the collection of rent provided to be paid pursuant to the terms of this Lease.

12. Insurance.

12.1 Tenant's Insurance. Tenant shall keep in force at its own expense, so long as this Lease remains in effect, (a) public liability insurance, including insurance against assumed or contractual liability under this Lease, with respect to the Premises, to afford protection with limits, per person and for each occurrence, of not less than Two Million Dollars (\$2,000,000), combined single limit, with respect to personal injury and death and property damage, such insurance to provide for only a reasonable deductible, (b) all-risk property and casualty insurance, including theft, written at replacement cost value and with replacement cost endorsement, covering all of Tenant's personal property in the Premises and all improvements installed in the Premises by or on behalf of Tenant whether pursuant to the terms of Section 34, Section 9, or otherwise, such insurance to provide for only a reasonable deductible, (c) if, and to the extent, required by law, workmen's compensation or similar insurance offering statutory coverage and containing statutory limits, and (d) shall insure all plate and other interior glass in the Premises for and in the name of the Landlord. Such policies shall be maintained in companies and in form reasonably acceptable to Landlord and shall be written as primary policy coverage and not contributing with, or in excess of, any coverage which Landlord shall carry. Tenant shall deposit the policy or policies of such required insurance or certificates thereof with Landlord prior to the Commencement Date, which policies shall name Landlord or its designee and, at the request of Landlord, its mortgagees, as additional named insured and shall also contain a provision stating that such policy or policies shall not be canceled except after thirty (30) day's written notice to Landlord or its designees. All such policies of insurance shall be effective as of

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the date Tenant occupies the Premises and shall be maintained in force at all times during the Term of this Lease and all other times during which Tenant shall occupy the Premises. In addition to the foregoing insurance coverage, Tenant shall require any contractor retained by it to perform work on the Premises to carry and maintain, at no expense to Landlord, during such times as contractor is working in the Premises, a non-deductible (i) comprehensive general liability insurance policy, including, but not limited to, contractor's liability coverage, contractual liability coverage, completed operations coverage, broad form property damage endorsement and contractor's protective liability coverage, to afford protection with limits per person and for each occurrence, of not less than Two Hundred Thousand Dollars (\$200,000.00), combined single limit, with respect to personal injury and death and property damage, such insurance to provide for no deductible, and (ii) workmen's compensation insurance or similar insurance in form and amounts as required by law. In the event of damage to or destruction of the Premises and the termination of this Lease by Landlord pursuant to Section 17 herein, Tenant shall pay Landlord all of its insurance proceeds relating to improvements made in the Premises by or on behalf of Tenant whether pursuant to the terms of Section 9 or otherwise. If Tenant fails to comply with its covenants made in this Section, if such insurance would terminate or if Landlord has reason to believe such insurance is about to be terminated, Landlord may at its option cause such insurance as it in its sole judgment deems necessary to be issued, and in such event Tenant agrees to pay promptly upon Landlord's demand, as additional rent the premiums for such insurance.

12.2 Landlord's Insurance. Landlord shall keep in force at its own expense (a) contractual and comprehensive general liability insurance, including public liability and property damage, with a minimum combined single limit of liability of Two Million Dollars (\$2,000,000.00) for personal injuries or death of persons occurring in or about the Building and Premises, and (b) all-risk property and casualty insurance written at replacement cost value covering the Building and all of Landlord's improvements in and about same.

12.3 Waiver of Subrogation. Each party hereto waives claims arising in any manner in its favor and against the other party and agrees that neither party hereto shall be liable to the other party or to any insurance company (by way of subrogation or otherwise) insuring the other party for any loss or damage to the Building, the Premises or other tangible property, or any resulting loss of income, or losses under worker's compensation laws and benefits, or against liability on or about the Building, even though such loss or damage might have been occasioned by the negligence of such party, its agents or employees if any such loss or damage is covered by insurance benefiting the party suffering such loss or damage as was required to be covered by insurance carried pursuant to this Lease. Landlord shall cause each insurance policy carried by it insuring against liability on or about the Building or insuring the Premises and the Building or income resulting therefrom against loss by fire or any of the

casualties covered by the all-risk insurance carried by it hereunder to be written in such a manner as to provide that the insurer waives all right of recovery by way of subrogation against Tenant in connection with any loss or damage covered by such policies. Tenant shall cause each insurance policy carried by it insuring against liability or insuring the Premises (including the contents thereof and Tenant's

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Improvements installed therein by Tenant or on its behalf) against loss by fire or any of the casualties covered by the all-risk insurance required hereunder to be written in such a manner as to provide that the insurer waives all right of recovery by way of subrogation against Landlord in connection with any loss or damage covered by such policies.

13. Rules and Regulations. Tenant agrees to be bound by the rules and regulations set forth on the schedule attached hereto as Exhibit "B" and made a part hereof. Landlord shall have the right, from time to time, to issue additional or amended rules and regulations regarding the use of the Building, so long as said rules shall be reasonable and non-discriminatory between tenants. When so issued the same shall be considered a part of this Lease and Tenant covenants that said additional or amended rules and regulations shall likewise be faithfully observed by Tenant, the employees of Tenant and all persons invited by Tenant into the Building, provided, that said additional or amended rules are made applicable to all office tenants similarly situated as Tenant. Landlord shall not be liable to Tenant for the violation of any of the said rules and regulations, or the breach of any covenant or condition in any lease, by any other tenant in the Building.

14. Mechanics' Liens. Tenant shall not do or suffer to be done any act, matter or thing whereby Tenant's interest in the Premises, or any part thereof, may be encumbered by any mechanics' lien. Tenant shall discharge, within ten (10) days after the date of filing, any mechanics' liens filed against Tenant's interest in the Premises, or any part thereof, purporting to be for labor or material furnished or to be furnished to Tenant. Landlord shall not be liable for any labor or materials furnished or to be furnished to Tenant upon credit, and no mechanics' or other lien for labor or materials shall attach to or affect the reversionary or other estate or interest of Landlord in and to the Premises, or the Property.

15. Tenant's Failure to Repair. In the event that Tenant fails after reasonable prior written notice from Landlord, to keep the Premises in a good state of condition and repair pursuant to Section 10 above, or to do any act or make any payment required under this Lease or otherwise fails to comply herewith, Landlord may, at its option (but without being obliged to do so) immediately, or at any time thereafter and without notice, perform the same for the account of Tenant, including the right to enter upon the Premises at all reasonable hours to make such repairs, or do any act or make any payment or compliance which Tenant has failed to do, and upon demand, Tenant shall reimburse Landlord for any such expense incurred by Landlord including but not limited to any costs, damages and counsel fees. Any moneys expended by Landlord, as aforesaid, shall be deemed additional rent, collectible as such by Landlord. All rights given to Landlord in this section shall be in addition to any other right or remedy of Landlord herein contained.

16. Property -- Loss, Damage. Landlord, its agents and employees shall not be liable to Tenant for (i) any damage or loss of property of the Tenant placed in the custody of persons employed to provide services for or stored in or about the Premises and/or the Building, unless such damage or loss is the result of the negligence of Landlord, (ii) any injury or damage to persons, property or the business of Tenant resulting from a latent defect in or material change in the condition of

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the Building, and (iii) interference with the light, air, or other incorporeal hereditaments of the Premises.

17. Destruction -- Fire or Other Casualty. In case of partial damage to the Premises by fire or other casualty insured against by Landlord, Tenant shall give immediate notice thereof to Landlord, who shall thereupon cause damage to all property owned by it to be repaired with reasonable speed at expense of Landlord, due allowance being made for reasonable delay which may arise by reason of adjustment of loss under insurance policies on the part of Landlord and/or Tenant, and for reasonable delay on account of "labor troubles" or any other cause beyond Landlord's control, and to the extent that the Premises are rendered untenable the rent shall proportionately abate from the date of such casualty, provided the damage above mentioned occurred without the fault or neglect of Tenant, Tenant's servants, employees, agents or visitors. If such partial damage is due to the fault or neglect of Tenant, or Tenant's servants, employees, agents, or invitees, the damage shall be repaired by Landlord to the extent of Landlord's insurance coverage, but there shall be no apportionment or abatement of rent. In the event the damage shall be so extensive to the whole

Building as to render it uneconomical, in Landlord's opinion, to restore for its present uses and Landlord shall decide not to repair or rebuild the Building, this Lease, at the option of Landlord, shall be terminated upon written notice to Tenant and the rent shall, in such event, be paid to or adjusted as of the date of such damage, and the terms of this Lease shall expire by lapse of time and conditional limitation upon the third day after such notice is mailed, and Tenant shall thereupon vacate the Premises and surrender the same to Landlord, but no such termination shall release Tenant from any liability to Landlord arising from such damage or from any breach of the obligations imposed on Tenant hereunder, or from any obligations accrued hereunder prior to such termination.

18. Eminent Domain. If (1) the whole or more than fifty percent (50%) of the floor area of the Premises shall be taken or condemned by Eminent Domain for any public or quasi-public use or purpose, and either party shall elect, by giving written notice to the other, or (2) more than twenty-five percent (25%) of the floor area of the Building shall be so taken, and Landlord shall elect, in its sole discretion, by giving written notice to the Tenant, any said written notice to be given not more than sixty (60) days after the date on which title shall vest in such condemnation proceeding, to terminate this Lease, then, in either such event, the Term of this Lease shall cease and terminate as of the date of title vesting. In case of any taking or condemnation, whether or not the Term of this Lease shall cease and terminate, the entire award shall be the property of Landlord, and Tenant hereby assigns to Landlord all its right, title and interest in and to any such award, except that Tenant shall be entitled to claim, prove and receive in the proceedings such awards as may be allowed for moving expenses, loss of profit and fixtures and other equipment installed by it which shall not, under the terms of this Lease, be or become the property of Landlord at the termination hereof, but only if such awards shall be made by the condemnation, court or other authority in addition to, and be stated separately from, the award made by it for the Property or part thereof so taken.

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19. Sublease, Assignment and Recapture Provisions.

19.1 Tenant shall not have the right to assign this Lease or sublet all or any portion of the Premises without Landlord's prior written consent, which consent may be given or withheld by Landlord in its reasonable discretion. In the event of an approved assignment, such assignee shall assume in writing all of Tenant's obligations under this Lease and Tenant shall have no further liability hereunder. Any assignment or subletting shall be under and subject to Landlord's Recapture Option (as defined below).

19.2 At any time and from time to time during the Term, Landlord may elect to terminate this Lease as to any or any portion of the Premises.

(a) Landlord shall exercise its rights under Section 19.2 (the "Recapture Option"), if at all, by giving Tenant notice thereof in writing (the "Recapture Notice"). The Recapture Notice shall set forth (i) the space as to which the Recapture Option is being exercised (the "Recaptured Space"); (ii) Landlord's determination of the number of square feet in the Recaptured Space; and (iii) the date upon which such termination is effective (the "Recapture Date"). The parties acknowledge and agree that the Recapture Date shall be the date that the replacement tenant takes possession of the Recaptured Space and begins to pay rent thereon. Upon receipt of a Recapture Notice, and prior to the Recapture Date, Tenant shall surrender possession of the Recaptured Space to Landlord in the condition required under Section 10.4 of this Lease.

(b) The Recapture Option shall not be exhausted by one (1) exercise thereof (unless Landlord exercises the Recapture Option for the entire Premises) and Landlord may exercise the Recapture Option on any number of occasions during the Term.

(c) If Landlord exercises the Recapture Option, effective as of the Recapture Date:

(i) this Lease shall terminate as the Recaptured Space;

(ii) the Premises shall be reduced by the number of square feet in the Recaptured Space;

(iii) The Base Rent shall be reduced by an amount equal to the product of \$18.50 and the square footage of the Recaptured Space;

(iv) the monthly installments of Base Rent shall be adjusted based upon the new Base Rent, and if the Recaptured Date is any day other than the first day of a calendar month, Landlord and Tenant shall prorate the Base Rent on a per diem basis;

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(v) if Tenant has paid any Taxes with respect to the recaptured Space for any period after the Recapture Date, Landlord shall pay

Tenant the amount of such Taxes; and

(vi) effective as of the Recapture Date, Tenant's proportionate share of Taxes and Building Expenses shall be adjusted to reflect the reduction in the size of the Premises.

Promptly following each Recapture Date, Landlord and Tenant shall enter into an amendment to this Lease, setting forth the new Base Rent and Tenant's proportionate share for payment of Taxes and Building Expenses.

20. Default; Remedies; Bankruptcy of Tenant. Any one or more of the following events shall constitute an "Event of Default" hereunder, at Landlord's election: (a) the sale of Tenant's interest in the Premises under attachment, execution or similar legal process or, the adjudication of Tenant as a bankrupt or insolvent, unless such adjudication is vacated within thirty (30) days; (b) the filing of a voluntary petition proposing the adjudication of Tenant as a bankrupt or insolvent, or the reorganization of Tenant, or an arrangement by Tenant with its creditors, whether pursuant to the Federal Bankruptcy Code or any similar federal or state proceeding, unless such petition is filed by a party other than Tenant and is withdrawn or dismissed within thirty (30) days after the date of its filing; (c) the admission, in writing, by Tenant of its inability to pay its debts when due; (d) the appointment of a receiver or trustee for the business or property of Tenant, unless such appointment is vacated within thirty (30) days of its entry; (e) the making by Tenant of an assignment for the benefit of its creditors, or if, in any other manner, Tenant's interest in this Lease shall pass to another by operation of law; (f) the failure of Tenant to pay any rent, additional rent or other sum of money when due and such failure continues for a period of seven (7) days after receipt of written notice that the same is past due hereunder; (g) the default by Tenant in the performance or observance of any covenant or agreement of this Lease (other than a default involving the payment of money), which default is not cured within thirty (30) days after the giving of notice thereof by Landlord, unless such default is of such nature that it cannot be cured within such thirty (30) day period, in which case no Event of Default shall occur so long as Tenant shall commence the curing of the default within such thirty (30) day period and shall thereafter diligently prosecute the curing of same.

Upon the occurrence and continuance of an Event of Default, Landlord, with such notice to Tenant as provided for by law or as expressly provided for herein, may do any one or more of the following: (a) sell, at public or private sale, all or any part of the goods, chattels, fixtures and other personal property belonging to Tenant which are or may be put into the Premises during the Term, whether or not exempt from sale under execution or attachment (it being agreed that said property shall at all times be bound with a lien in favor of Landlord and shall be chargeable for all rent and for the fulfillment of the other covenants and agreements herein contained), and apply the proceeds of such sale, first, to the payment of all costs and expenses of conducting the

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sale or caring for or storing said property; second, toward the payment of any indebtedness, including, without limitation, indebtedness for rent, which may be or may become due from Tenant to Landlord; and third, to pay the Tenant, on demand in writing, any surplus remaining after all indebtedness of Tenant to Landlord has been fully paid; (b) perform, on behalf and at the expense of Tenant, any obligation of Tenant under this Lease which Tenant has failed to perform and of which Landlord shall have given Tenant notice, the cost of which performance by Landlord, together, with interest thereon at the rate of eighteen percent (18%) per annum, from the date of such expenditure, shall be deemed additional rent and shall be payable by Tenant to Landlord upon demand; (c) elect to terminate this Lease and the tenancy created hereby by giving notice of such election to Tenant in which event Tenant shall be liable for Base Rent, Additional Rent, and other indebtedness that otherwise would have been payable by Tenant during the remainder of the Term had there been no Event of Default, and on notice reenter the Premises, by summary proceedings or otherwise, and remove Tenant and all other persons and property from the Premises, and store such property in a public warehouse or elsewhere at the cost and for the account of Tenant, without resort to legal process and without Landlord being deemed guilty of trespass or becoming liable for any loss or damage occasioned thereby; and also the right, but not the obligation, to re-let the Premises for any unexpired balance of the Term, and collect the rent therefor. In the event of such re-letting by Landlord, the re-letting shall be on such terms, conditions and rental as Landlord may deem proper, and the proceeds that may be collected from the same, less the expense of re-letting (including reasonable leasing fees and commissions and reasonable costs of renovating the Premises), shall be applied upon the Tenant's rental obligation as set forth in this Lease for the unexpired portion of the Term. Tenant shall be liable for any balance that may be due under this Lease, although Tenant shall have no further right of possession of the Premises; and (d) exercise any other legal or equitable right or remedy which it may have at law or in equity. Notwithstanding the provisions of clause (b) above and regardless of whether an Event of Default shall have occurred, Landlord may exercise the remedy described in clause (b) without any notice to Tenant if Landlord, in its good faith judgment, believes it would be materially injured by the failure to take rapid action, or if the unperformed

obligation of Tenant constitutes an emergency.

To the extent permitted by law, Tenant hereby expressly waives any and all rights of redemption, granted by or under any present or future laws in the event of Tenant's being evicted or dispossessed for any cause, or in the event of Landlord's obtaining possession of the Premises, by reason of the violation by Tenant of any of the covenants and conditions of this Lease, or otherwise. Landlord and Tenant hereby expressly waive trial by jury in any action or proceeding or counterclaim brought by either party hereto against the other party on any and every matter, directly or indirectly arising out of or with respect to this Lease, including, without limitation, the relationship of Landlord and Tenant, the use and occupancy by Tenant of the Premises, any statutory remedy and/or claim of injury or damage regarding this Lease.

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Any costs and expenses incurred by Landlord (including, without limitation, reasonable attorneys' fees) in enforcing any of its rights or remedies under this Lease shall be deemed to be additional rent and shall be repaid to Landlord by Tenant upon demand.

Notwithstanding any of the other provisions of this Lease, in the event Tenant shall voluntarily or involuntarily come under the jurisdiction of the Federal Bankruptcy Code and thereafter Tenant or its trustee in bankruptcy, under the authority of and pursuant to applicable provisions thereof, shall have the power and so using same determine to assign this Lease, Tenant agrees that (i) Tenant or its trustee shall provide to Landlord sufficient information enabling it to independently determine whether Landlord will incur actual and substantial detriment by reason of such assignment and (ii) "adequate assurance of future performance" under this Lease, as that term is generally defined under the Federal Bankruptcy Code, shall be provided to Landlord by Tenant and its assignee as a condition of said assignment.

21. Damages. If this Lease is terminated by Landlord pursuant to Section 20, Tenant shall, nevertheless, remain liable for all rent and damages which may be due or sustained prior to such termination, and all reasonable costs, fees and expenses including, but not limited to, attorneys' fees, costs and expenses incurred by Landlord in pursuit of its remedies hereunder, or in renting the Premises to others from time to time and additional damages (the "Liquidated Damages"), which shall be an amount equal to the total rent which, but for termination of this Lease, would have become due during the remainder of the Term, less the amount of rent, if any, which Landlord shall receive during such period from others to whom the Premises may be rented (other than any additional rent received by Landlord as a result of any failure of such other person to perform any of its obligations to Landlord), in which case such Liquidated Damages shall be computed and payable in monthly installments, in advance on the first day of each calendar month following termination of the Lease and continuing until the date on which the Term would have expired but for such termination, and any suit or action brought to collect any such Liquidated Damages for any month shall not in any manner prejudice the right of Landlord to collect any Liquidated Damages for any subsequent month by a similar proceeding.

If this Lease is terminated pursuant to Section 20, Landlord may relet the Premises or any part thereof, alone or together with other premises, for such term(s) which may be greater or less than the period which otherwise would have constituted the balance of the Term and on such terms and conditions (which may include concessions, free rent and/or alterations of the Premises) as Landlord, in its sole discretion, may determine, but Landlord shall not be liable for, nor shall Tenant's obligations hereunder be diminished by reason of, any failure by Landlord to relet the Premises or any failure by Landlord to collect any rent due upon such reletting.

22. Services and Utilities. Landlord shall provide the following listed services and utilities, namely:

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(a) heating, ventilation, and air conditioning ("HVAC") for the Premises during "Normal Business Hours" (as defined below) to maintain temperatures for comfortable use and occupancy;

(b) electric energy in accordance with Section 23 following;

(c) automatic passenger elevators providing adequate service leading to the floor on which the Premises are located;

(d) evening, unescorted janitorial services to the Premises including removal of trash;

(e) hot and cold water sufficient for drinking, lavatory toilet and ordinary cleaning purposes from fixtures either within the Premises (if provided pursuant to this Lease) or on the floor on which the Premises are located;

(f) replacement of lighting tubes, lamp ballasts and bulbs;

(g) extermination and pest control when and if necessary; and

(h) maintenance of Common Areas in a manner comparable to other first class suburban office buildings in the Baltimore-Washington corridor.

Notwithstanding the foregoing, if at any time during the Term and any extension or renewal thereof, Landlord shall, after reasonable investigation determine that trash and similar waste generated by Tenant and/or emanating from the Premises is in excess of that of other standard office tenants within the Building leasing a premises of the same or similar size to that of the Premises, Landlord shall bill Tenant and Tenant shall pay to Landlord as additional rent hereunder within thirty (30) days of the date of Landlord's invoice for the same, those costs and expenses of trash removal which are reasonably attributable to such excess trash and similar waste generated by Tenant and/or emanating from the Premises. As used herein, the term "Normal Business Hours" is defined from 8:00 a.m. to 6:00 p.m. on business days and from 8:00 a.m. to 1:00 p.m. on Saturdays. Landlord shall have no responsibility to provide any services under (a) above except during Normal Business Hours unless arrangements for after-hours services have been made pursuant to terms and conditions acceptable to Landlord and embodied in a separate written agreement between Landlord and Tenant. Landlord reserves the right to stop service of the HVAC, elevator, plumbing and electric systems, when necessary, by reason of accident, or emergency, or for repairs, alterations, replacements, or improvements, which in the judgment of Landlord are desirable or necessary to be made, until said repairs, alterations, replacements, or improvements shall have been completed. Landlord shall have no responsibility or liability for failure to supply HVAC, elevator, plumbing, cleaning, and electric service, during said period or when prevented from so doing by laws, orders, or regulations of any Federal, State, County or Municipal authority or by strikes, accidents or by any other cause

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whatsoever beyond Landlord's control. Landlord's obligations to supply HVAC are subject to applicable laws and regulations as to energy conservation and other such restrictions. In the event that Tenant should require supplemental HVAC for the Premises, any maintenance repair and/or replacement required for such supplemental service shall be performed by Landlord but the cost of such maintenance repair and/or replacement (including labor and materials) shall be paid by Tenant as additional rent.

23. Electric Current. Throughout the Term, Landlord shall furnish Tenant without additional charge during Normal Business Hours (as defined in Section 22) a reasonable amount of electric current at 110 volts ("Normal Usage Amount") for lighting purposes within the Premises and the powering of a normal amount of office equipment and appliances. As used herein, the term "Normal Usage Amount" is means electric power supplied at the rate of three (3) watts per square foot of Premises. In this regard, Tenant shall:

(1) If Landlord reasonably determines based upon engineering studies of electrical load consumed that Tenant is materially exceeding the Normal Usage Amount Tenant shall pay to Landlord such amounts as additional rent as shall equitably reimburse Landlord for the cost of the extra electric power so consumed by Tenant;

(2) If Tenant desires to operate its business in the Premises at other than normal business hours it shall pay for same at rates mutually agreed upon by separate agreement between the parties, it being understood that Landlord shall have no obligation to supply Normal Usage Amount to Tenant for after hours usage until such a mutual agreement is reached;

(3) If Tenant shall desire to place and install in the Premises electric equipment or appliances other than normal and typical to general office usage it shall pay for such installations including any additional electric lines and facilities required and shall pay for the electric power used in such equipment if same exceeds Normal Usage Amount.

24. Telephone. Landlord has arranged for the installation of telephone service within the Building. Tenant shall be responsible for contacting the utility company supplying said telephone service and arranging to have such telephone facilities as it may desire to be extended and put into operation in the Premises. All telephone and telecommunications services desired by Tenant shall be ordered and utilized at the sole expense of Tenant. All costs related to installation and the provision of such service shall be borne and paid for directly by Tenant.

In the event Tenant wishes to utilize the services of a telephone or telecommunications provider whose equipment is not servicing the Building at such time Tenant wishes to install its telecommunications equipment serving the Premises ("Provider"), no such Provider shall be permitted to install its lines or other equipment without first securing the prior written consent of Landlord, which consent shall not be unreasonably withheld. Prior to the commencement of any work in or about the Building by the Provider, the Provider shall agree to

regulations, job site rules, and such other requirements as reasonably determined by Landlord to be necessary to protect the interest of the Building and Property, the other tenants and occupants of the Building and the Landlord, including, without limitation, providing security in such form and amount as reasonable determined by Landlord. Each Provider must be duly licensed, insured and reputable. Landlord shall incur no expense whatsoever with respect to any aspect of Provider's provision of its services, including without limitation, the costs of installation, materials and service.

25. Acceptance of Premises. Tenant shall have reasonable opportunity, provided it does not thereby interfere with Landlord's work, to examine the Premises to determine the condition thereof. Upon taking possession of the Premises, Tenant shall be deemed to have accepted same as being satisfactory and in the condition called for hereunder, except for latent defects and punch list items previously noted to Landlord.

26. Inability to Perform. This Lease and the obligation of Tenant to pay rent hereunder and perform all of the other covenants and agreements hereunder on the part of Tenant to be performed shall in no way be affected, impaired or excused because Landlord is unable to fulfill any of its obligations under this Lease or to supply, or is delayed in supplying, any service to be supplied by it under the terms of this Lease or is unable to make, or is delayed in making any repairs, additions, alterations, or decorations or is unable to supply, or is delayed in supplying, any equipment or fixtures if Landlord is prevented or delayed from so doing by reason of strikes or labor troubles or any outside cause whatsoever including, but not limited to, governmental preemption in connection with a National Emergency, or by reason of any rule, order or regulation of any department or subdivision of any government agency or by reason of the conditions of supply and demand which have been or are affected by war or other emergency. Similarly, Landlord shall not be liable for any interference with any services supplied to Tenant by others if such interference is caused by any of the reasons listed in this Section 26. Nothing contained in this Section shall be deemed to impose any obligation on Landlord not expressly imposed by other sections of this Lease.

27. No Waivers. The failure of Landlord to insist, in any one or more instances, upon a strict performance of any of the covenants of this Lease, or to exercise any option herein contained, shall not be construed as a waiver, or a relinquishment for the future, of such covenant or option, but the same shall continue and remain in full force and effect. The receipt by Landlord of rent, with knowledge of the breach of any covenant hereof, shall not be deemed a waiver of such breach, and no waiver by Landlord of any provision hereof shall be deemed to have been made unless expressed in writing and signed by Landlord.

28. Access to Premises and Change in Services. Landlord shall have the right, without abatement of rent, to enter the Premises at any hour to examine the same, or to make such repairs and alterations as Landlord shall deem necessary for the safety and preservation of the Building, and also to exhibit the Premises to be let; provided, however, that except in the case of

emergency such entry shall only be after notice first given to Tenant if Tenant is occupying the Premises. If, during the last month of the Term, Tenant shall have removed all or substantially all of Tenant's property therefrom, Landlord may immediately enter and alter, renovate and redecorate the Premises, without elimination or abatement of rent, or incurring liability to Tenant for any compensation, and such acts shall have no effect upon this Lease. Nothing herein contained, however, shall be deemed or construed to impose upon Landlord any obligation, responsibility or liability whatsoever, for the care, supervision or repair, of the Building or any part thereof, other than as herein elsewhere expressly provided. Landlord shall also have the right at any time, without the same constituting an actual or constructive eviction and without incurring any liability to Tenant therefor, to change the arrangement and/or location of entrances or passageways, doors and doorways, and corridors, stairs, toilets, elevators, or other public parts of the Building, and to change the name by which the Building is commonly known and/or its mailing address.

29. Estoppel Certificates. Tenant agrees at any time and from time to time upon not less than ten (10) days' prior notice by Landlord to execute, acknowledge and deliver to Landlord a statement in writing certifying that this Lease is unmodified and in full force (or if there have been modifications, that the same is in full force and effect as modified and stating the modifications) and the dates to which the rent and other charges have been paid in advance, if any, and stating whether or not to the best knowledge of the signer of such certificate Landlord is in default in performance of any covenant, agreement or condition contained in this Lease and, if so, specifying each such default of which the signer may have knowledge, it being intended that any such statement delivered hereunder may be relied upon by third parties not a party to this Lease.

Tenant agrees to execute the Estoppel Certificate in the form attached hereto as Exhibit "D" upon acceptance of the Premises.

30. Subordination. Tenant accepts this Lease, and the tenancy created hereunder, subject and subordinate to any mortgages, overleases, leasehold mortgages or other security interests now or hereafter a lien upon or affecting the Building or the Property or any part thereof. Tenant shall, at any time hereafter, on request, execute any instruments or leases or other documents that may be required by any mortgage or mortgagee or overlandlord (herein a "Mortgagee") for the purpose of subjecting or subordinating this Lease and the tenancy created hereunder to the lien of any such mortgage or mortgages or underlying lease, and the failure of Tenant to execute any such instruments, releases or documents shall constitute a default hereunder.

31. Attornment. Upon any termination of Landlord's interest in the Premises, Tenant shall, upon request, attorn to the person or organization then holding title to the reversion of the Premises (the "Successor") and to all subsequent Successors, and shall pay to the Successor all of the rents and other monies required to be paid by the Tenant hereunder and perform all of the other terms, covenants, conditions and obligations in this Lease contained; provided, however, that if in

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connection with such attornment Tenant shall so request from such Successor in writing, such Successor shall execute and deliver to Tenant an instrument wherein such Successor agrees that as long as Tenant performs all of the terms, covenants and conditions of this Lease, on Tenant's part to be performed, Tenant's possession under the provisions of this Lease shall not be disturbed by such Successor.

32. Notices. All notices, demands and requests required under this Lease shall be in writing. All such notices, demands and requests shall be deemed to have been properly given if either sent by United States registered or certified mail, or overnight by any nationally recognized overnight delivery service, postage prepaid, addressed (i) if to the Landlord at 8815 Centre Park Drive, Suite 400, Columbia, Maryland 21045, with copies sent to General Counsel, 8815 Centre Park Drive, Suite 400, Columbia, Maryland 21045 or (ii) if to Tenant at the Premises.

Any party may designate a change of address by written notice to the above parties, given at least ten (10) days before such change of address is to become effective.

33. Relocation. Intentionally Left Blank.

34. Tenant's Space. Tenant accepts the Premises in "as is" condition as of the date of this Lease.

35. Quiet Enjoyment. Tenant, upon the payment of rent and the performance of all the terms of this Lease, shall at all times during the Term and during any extension or renewal term peaceably and quietly enjoy the Premises without any disturbance from the Landlord or any other person claiming through the Landlord.

36. Vacation of Premises. Tenant shall vacate the Premises at the end of the Term of this Lease. If Tenant fails to vacate at such time there shall be payable to Landlord an amount equal to double the monthly rent stated in Section 5 for each month or part of a month that Tenant holds over, plus all other payments provided for herein, and the payment and acceptance of such payments shall not constitute an extension or renewal of this Lease. In event of any such holdover, Landlord shall also be entitled to all remedies provided by law for the speedy eviction of tenants, and to the payment of all attorneys' fees and expenses incurred in connection therewith.

37. Partners' Liability. It is understood that the Owner of the Building is a Maryland Limited Partnership. All obligations of said Owner hereunder are limited to the net assets of the Owner from time to time. No general or limited partner of Owner, or of any successor partnership, whether now or hereafter a partner, shall have any personal responsibility or liability for the obligations of Owner hereunder.

38. Separability. If any term or provision of this Lease or the application thereof to any person or circumstances shall, to any extent, be invalid or unenforceable, the remainder of this Lease or

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the application of such term or provision of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Lease shall be valid and be enforced to the fullest extent permitted by law.

39. Indemnification. Tenant shall indemnify and hold harmless Landlord and all of its and their respective partners, directors, officers, agents and employees from any and all liability, loss, cost or expense arising from all third-party claims resulting from or in connection with:

(i) the conduct or management of the Premises or of any business therein, or any work or thing whatsoever done, or any condition created in or about the Premises during the Term of this Lease or during the period of time, if any, prior to the Commencement Date that Tenant may have been given access to the Premises;

(ii) any act, omission or negligence of Tenant or any of its subtenants or licensees or its or their partners, directors, officers, agents, employees, invitees or contractors;

(iii) any accident, injury or damage whatever occurring in, at or upon the Premises; and

(iv) any breach or default by Tenant in the full and prompt payment and performance of Tenant's obligations under this Lease;

together with all costs and expenses reasonably incurred or paid in connection with each such claim or action or proceeding brought thereon, including, without limitation, all reasonable attorney's fees and expenses.

In case any action or proceeding is brought against Landlord and/or any of its and their respective partners, directors, officers, agents or employees and such claim is a claim from which Tenant is obligated to indemnify Landlord pursuant to this Section 39, Tenant, upon notice from Landlord shall resist and defend such action or proceeding (by counsel reasonably satisfactory to Landlord). The obligations of Tenant under this Section shall survive termination of this Lease.

40. Captions. All headings anywhere contained in this Lease are intended for convenience or reference only and are not to be deemed or taken as a summary of the provisions to which they pertain or as a construction thereof.

41. Brokers. Tenant represents that Tenant has not dealt either directly or indirectly with any broker in connection with this Lease, and no broker is entitled to any commissions in connection with this Lease.

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42. Recordation. Tenant shall not, without Landlord's prior written consent, record this Lease or any memorandum of this Lease or offer this Lease or any memorandum of this Lease for recordation. If at any time Landlord or any mortgagee of Landlord's interest in the Premises shall require the recordation of this Lease or any memorandum of this Lease, such recordation shall be at Landlord's expense. If at any time Tenant shall require the recordation of this Lease or any memorandum of this Lease, such recordation shall be at Tenant's expense. If the recordation of this Lease or any memorandum of this Lease shall be required by any valid governmental order, or if any government authority having jurisdiction in the matter shall assess and be entitled to collect transfer taxes or documentary stamp taxes, or both transfer taxes and documentary stamp taxes on this Lease or any memorandum of this Lease, Tenant shall execute such acknowledgments as may be necessary to effect such recordations and pay, upon request of Landlord, one half of all recording fees, transfer taxes and documentary stamp taxes payable on, or in connection with this Lease or any memorandum of this Lease or such recordation.

43. Successors and Assigns. The covenants, conditions and agreements contained in this Lease shall bind and inure to the benefit of Landlord and Tenant, and their respective heirs, personal representatives, successors and assigns (subject, however, to the terms of Article 19 hereof).

44. Integration of Agreements. This writing is intended by the parties as a final expression of their agreement and is a complete and exclusive statement of its terms, and all negotiations, considerations and representations between the parties are incorporated. No course of prior dealings between the parties or their affiliates shall be relevant or admissible to supplement, explain, or vary any of the terms of this Lease. Acceptance of, or acquiescence to, a course of performance rendered under this Lease or any prior agreement between the parties or their affiliates shall not be relevant or admissible to determine the meaning of any of the terms or covenants of this Lease. Other than as specifically set forth in this Lease, no representations, understandings, or agreements have been made or relied upon in the making of this Lease.

45. Hazardous Material; Indemnity. Tenant shall not cause or permit any Hazardous Material (as hereinafter defined) to be brought upon, kept, or used in or about the Premises by Tenant, its agents, employees, contractors or invitees, without the prior written consent of Landlord (which Landlord shall not unreasonably withhold as long as Tenant demonstrates to Landlord's reasonable satisfaction that such Hazardous Material is necessary or useful to Tenant's

business and shall be used, kept and stored in a manner that complies with all laws regulating any such Hazardous Material so brought upon or used or kept in or about the Premises). If Tenant breaches the obligations stated in the preceding sentence, or if the presence of Hazardous Material on the Premises caused or permitted by Tenant results in contamination of the Premises, the Building and/or the Property, or if contamination of the Premises, the Building and/or the Property by Hazardous Material otherwise occurs, for which Tenant is legally liable to Landlord for damage resulting therefrom, then Tenant shall indemnify, defend and hold Landlord and its Mortgagee(s) harmless from any and all claims, judgments, damages, penalties, fines, costs, liabilities or losses (including, without limitation, diminution in value of the Premises, the Building and/or the

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Property, damages for the loss or restriction on use of rentable or usable space or of any amenity of the Premises, the Building and/or the Property, damages arising from any adverse impact on marketing of space, and sums paid in settlement of claims, attorneys' fees, consultant fees and expert fees) which arise during or after the Term as a result of such contamination. This indemnification of Landlord and its Mortgagee(s) by Tenant includes, without limitation, costs incurred in connection with any investigation of site conditions or any cleanup, remedial, removal, or restoration work required by any federal, state or local governmental agency or political subdivision because of Hazardous Material present in the soil or ground water on or under the Building. Without limiting the foregoing, if the presence of any Hazardous Material on the Premises, the Building and/or the Property caused or permitted by Tenant results in any contamination of the Premises, the Building and/or the Property, Tenant shall promptly take all actions at its sole expense as are necessary to return the Premises, the Building and/or the Property to the condition existing prior to the introduction of any such Hazardous Material to the Premises, the Building and/or the Property; provided that Landlord's approval of such actions shall first be obtained, which approval shall not be unreasonably withheld so long as such actions would not potentially have any material adverse long-term or short-term effect on the Premises or the Building.

As used herein, the term "Hazardous Material" means any hazardous or toxic substance, material or waste which is or becomes regulated by any local governmental authority, the State of Maryland or the United States Government. The term "Hazardous Material" includes, without limitation, any material or substance that is (i) defined as a "hazardous substance" under the laws of the State of Maryland, (ii) petroleum, (iii) asbestos, (iv) designated as a "hazardous substance" pursuant to Section 311 of the Federal Water Pollution Control Act (33 U.S.C. Section 1321), (v) defined as a "hazardous waste" pursuant to Section 1004 of the Federal Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq. (42 U.S.C. Section 6903), (vi) defined as a "hazardous substance" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Section 9601 et seq. (42 U.S.C. Section 9601), or (vii) defined as a "regulated substance" pursuant to Subchapter IX, Solid Waste Disposal Act (Regulation of Underground Storage Tanks), 42 U.S.C. Section 6991 et seq.

46. Americans With Disabilities Act. Notwithstanding any other provisions contained in this Lease and with the purpose of superseding any such provisions herein that might be construed to the contrary, it is the intent of the Landlord and Tenant that at all times while this Lease shall be in effect that the following provisions shall be deemed their specific agreement as to how the responsibility for compliance (and cost) with the Americans With Disabilities Act and amendments to same ("ADA"), both as to the Premises and the Property, shall be allocated between them, namely:

1. Landlord and Tenant agree to cooperate together in the initial design, planning and preparation of specifications for construction of the Premises so that same shall be in compliance with the ADA. Any costs associated with assuring that the plans and specifications

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for the construction of the Premises are in compliance with the ADA shall be borne by the party whose responsibility it is hereunder to bear the cost of preparation of the plans and specifications. Similarly those costs incurred in the initial construction of the Premises so that same are built in compliance with the ADA shall be included within Tenant's Improvements and handled in the manner as provided for in other Sections of this Lease.

2. Modifications, alterations and/or other changes required to and within the Common Areas which are not capital in nature shall be the responsibility of Landlord to perform and the cost of same shall be considered a part of the Building Expenses and treated as such.

3. Modifications, alterations and/or other changes required to and within the Common Areas which are capital in nature shall be the responsibility of Landlord and at its cost and expense.

4. Modifications, alterations and/or other changes required to and within the Premises (after the initial construction of same), whether capital in nature or non-capital in nature, shall be the responsibility of Tenant and at its cost and expense; unless said changes are structural in nature and result from the original design of the Building, in which instance they shall be the responsibility of Landlord and at its cost and expense.

Each party hereto shall indemnify and hold harmless the other party from any and all liability, loss, cost or expense arising as a result of a party not fulfilling its obligations as to compliance with the ADA as set forth in this Section 46.

47. Several Liability. If the Tenant shall be one or more individuals, corporations or other entities, whether or not operating as a partnership or joint venture, then each such individual, corporation, entity, joint venturer or partner shall be deemed to be both jointly and severally liable for the payment of the entire rent and other payments specified herein.

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IN WITNESS WHEREOF, Landlord and Tenant have respectively affixed their hands and seals to this Lease as of the day and year first above written.

LANDLORD:

ST. BARNABAS LIMITED PARTNERSHIP,
a Maryland limited partnership

By: COPT COLUMBIA, LLC, General Partner

By: Corporate Office Properties, L.P., a
Delaware limited partnership, its
sole member

By: Corporate Office Properties
Trust, its sole general partner

By: /s/ Clay W. Hamlin, III

Clay W. Hamlin, III
President and Chief
Executive Officer

TENANT:

CONSTELLATION PROPERTIES, INC.,
a Maryland corporation

By: /s/ Dan R. Skowronski (SEAL)

Dan R. Skowronski
Secretary

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EXHIBIT "A"

to Agreement of Lease by and between
St. Barnabas Limited Partnership, Landlord
and Constellation Properties, Inc., Tenant

FLOOR PLAN

[GRAPHIC OMITTED]

EXHIBIT "A"

to Agreement of Lease by and between
St. Barnabas Limited Partnership, Landlord
and Constellation Properties, Inc., Tenant

FLOOR PLAN

[GRAPHIC OMITTED]

EXHIBIT "A"

to Agreement of Lease by and between
St. Barnabas Limited Partnership, Landlord
and Constellation Properties, Inc., Tenant

FLOOR PLAN

[GRAPHIC OMITTED]

EXHIBIT "B"

to Agreement of Lease by and between
St. Barnabas Limited Partnership, Landlord
and Constellation Properties, Inc., Tenant

RULES AND REGULATIONS

To the extent that any of the following Rules and Regulations, or any Rules and Regulations subsequently enacted conflict with the provisions of the Lease, the provisions of the Lease shall control.

1. Tenant shall not obstruct or permit its agents, clerks or servants to obstruct, in any way, the sidewalks, entry passages, corridors, halls, stairways or elevators of the Building, or use the same in any other way than as a means of passage to and from the offices of Tenant; bring in, store, test or use any materials in the Building which could cause a fire or an explosion or produce any fumes or vapor; make or permit any improper noises in the Building; smoke in the elevators; throw substances of any kind out of the windows or doors, or down the passages of the Building, in the halls or passageways; sit on or place anything upon the window sills; or clean the windows.

2. Waterclosets and urinals shall not be used for any purpose other than those for which they were constructed; and no sweepings, rubbish, ashes, newspaper or any other substances of any kind shall be thrown into them. Waste and excessive or unusual use of electricity or water is prohibited.

3. Tenant shall not (i) obstruct the windows, doors, partitions and lights that reflect or admit light into the halls or other places in the Building, or (ii) inscribe, paint, affix, or otherwise display signs, advertisements or notices in, on, upon or behind any windows or on any door, partition or other part of the interior or exterior of the Building without the prior written consent of Landlord which shall not be unreasonably withheld. If such consent be given by Landlord, any such sign, advertisement, or notice shall be inscribed, painted or affixed by Landlord, or a company approved by Landlord, but the cost of the same shall be charged to and be paid by Tenant, and Tenant agrees to pay the same promptly, on demand.

4. No contract of any kind with any supplier of towels, water, ice, toilet articles, waxing, rug shampooing, venetian blind washing, furniture polishing, lamp servicing, cleaning of electrical fixtures, removal of waste paper, rubbish or garbage, or other like service shall be entered into by Tenant, nor shall any vending machine of any kind be installed in the Building, without the prior written consent of Landlord, which consent of Landlord shall not be unreasonably withheld.

5. When electric wiring of any kind is introduced, it must be connected as directed by Landlord, and no stringing or cutting of wires will be allowed, except with the prior written consent of Landlord which shall not be unreasonably withheld, and shall be done only by contractors approved by Landlord. The number and location of telephones, telegraph instruments, electric appliances, call boxes, etc., shall be subject to Landlord's approval. No tenants shall lay linoleum or other similar floor covering so that the same shall be in direct contact with the floor of the Premises; and if linoleum or other similar floor covering is desired to be used, an interlining of builder's deadening felt shall be first affixed to the floor by a paste or other material, the use of cement or other similar adhesive material being expressly prohibited.

6. No additional lock or locks shall be placed by Tenant on any door in the Building, without prior written consent of Landlord. Two keys will be furnished Tenant by Landlord; two additional keys will be supplied to Tenant by Landlord, upon request, without charge; any additional keys requested by Tenant shall be paid for by Tenant. Tenant, its agents and employees, shall not have any duplicate keys made and shall not change any locks. All keys to doors and washrooms shall be returned to Landlord at the termination of the tenancy, and in the event of any loss of any keys furnished, Tenant shall pay Landlord the cost thereof.

7. Tenant shall not employ any person or persons other than Landlord's janitors for the purpose of cleaning the Premises, without prior written consent of Landlord which shall not be unreasonably withheld. Landlord shall not be responsible to Tenant for any loss of property from the Premises however occurring, or for any damage done to the effects of Tenant by such janitors or any of its employees, or by any other person or any other cause.

8. No bicycles, vehicles or animals of any kind shall be brought into or kept in or about the Premises.

9. Tenant shall not conduct, or permit any other person to conduct, any auction upon the Premises; manufacture or store goods, wares or merchandise upon the Premises, without the prior written approval of Landlord, except the storage of usual supplies and inventory to be used by Tenant in the conduct of its business; permit the Premises to be used for gambling; make any unusual noises in the Building; permit to be played any musical instrument in the Premises; permit to be played any radio, television, recorded or wired music in such a loud manner as to disturb or annoy other tenants; or permit any unusual odors to be produced upon the Premises. Tenant shall not permit any portion of the Premises to be used for the storage,

manufacture, or sale of intoxicating beverages, narcotics, tobacco in any form, or as a barber or manicure shop.

10. No awnings or other projections shall be attached to the outside walls of the Building. No curtains, blinds, shades or screens shall be attached to or hung in, or used in connection with, any window or door of the Premises, without the prior written consent of Landlord which consent shall not be unreasonably withheld. Such curtains, blinds and shades must be of a quality, type, design, and color, and attached in a manner reasonably approved by Landlord.

11. Canvassing, soliciting and peddling in the Building are prohibited, and Tenant shall cooperate to prevent the same.

12. There shall not be used in the Premises or in the Building, either by Tenant or by others in the delivery or receipt of merchandise, any hand trucks except those equipped with rubber tires and side guards, and no hand trucks will be allowed in passenger elevators.

13. Tenant, before closing and leaving its Premises, shall ensure that all entrance doors to same are locked.

14. Landlord shall have the right to prohibit any advertising by Tenant which in Landlord's opinion tends to impair the reputation of the Building or its desirability as a building for offices, and upon written notice from Landlord, Tenant shall refrain from or discontinue such advertising.

15. Landlord hereby reserves to itself any and all rights not granted to Tenant hereunder, including, but not limited to, the following rights which are reserved to Landlord for its purposes in operating the Building:

(a) the exclusive right to the use of the name of the Building for all purposes, except that Tenant may use the name as its business address and for no other purpose;

(b) the right to change the name or address of the Building, without incurring any liability to Tenant for so doing;

(c) the right to install and maintain a sign or signs on the exterior of the Building;

(d) the exclusive right to use or dispose of the use of the roof of the Building;

(e) the right to limit the space on the directory of the Building to be allotted to Tenant;

(f) the right to grant to anyone the right to conduct any particular business or undertaking in the Building.

16. As used herein the term "Premises" shall mean and refer to the "Premises" as defined in Section 1 of the Lease.

17. Tenant shall not operate space heaters or other heating or ventilating equipment without the express prior written consent of Landlord in each instance first obtained. Tenant shall not install or operate any electrical equipment, appliances or lighting fixtures in the Premises which are not listed and labeled by Underwriter's Laboratories or other testing organization acceptable to Landlord.

EXHIBIT "C"

to Agreement of Lease by and between
St. Barnabas Limited Partnership, Landlord
and Constellation Properties, Inc., Tenant

SCHEDULE OF TENANT IMPROVEMENTS

Landlord shall deliver the Premises in "as is" condition and shall not be required to make any alterations to the Premises.

EXHIBIT "D"

to Agreement of Lease by and between
St. Barnabas Limited Partnership, Landlord
and Constellation Properties, Inc., Tenant

ESTOPPEL CERTIFICATE

Premises: One Constellation Centre
6009 Oxon Hill Road
Oxon Hill, Maryland 20745

Lease dated: ____, 199__, between ST. BARNABAS LIMITED PARTNERSHIP,
Landlord, and CONSTELLATION PROPERTIES, INC., Tenant.

The undersigned, the Tenant under the above Lease, hereby certifies to
_____ to induce _____ to loan certain funds to
Landlord/_____ to invest certain funds in the Landlord pursuant to
Landlord's Limited Partnership Agreement, that said Lease is presently in full
force and effect and unmodified; that the term thereof commenced
on _____, 19__ and full rental is now accruing thereunder; in
addition to the minimum rent payable under the Lease, Tenant is paying the
additional rents as required thereby; that the undersigned accepted possession
of said premises on _____, and that any improvements required by
the terms of said Lease to be made by the Landlord have been completed to the
satisfaction of the undersigned; that no rent under said Lease has been paid
beyond _____ and that the undersigned, as of this date, has no
charge, lien or claim of offset under said Lease or otherwise, against rents or
other charges due or to become due thereunder, except as to the security
deposits, if any, listed below and to the knowledge of the undersigned, there is
no default by the Landlord under the Lease.

Tenant Deposit held by Landlord: \$_____.

WITNESS OR ATTEST:

TENANT:

- - - - -

By: _____ (SEAL)

Title: _____

FIRST AMENDMENT TO AGREEMENT OF LEASE

THIS FIRST AMENDMENT TO AGREEMENT OF LEASE (this "Amendment") is made this 31st day of December, 1998, and is effective as of October 13, 1998, by ST. BARNABAS, LLC, a Maryland limited liability company, successor-in-interest to St. Barnabas Limited Partnership ("Landlord") and CONSTELLATION PROPERTIES, INC., a Maryland corporation ("Tenant").

W I T N E S S E T H:

WHEREAS, Landlord and Tenant entered into that Agreement of Lease dated September 28, 1998 (the "Lease"), by the terms of which Tenant has leased from Landlord and Landlord leased to Tenant that certain premises located on the fourth, fifth and sixth floors containing an agreed upon equivalent of 48,863 square feet of rentable area (the "Original Premises") and located within the office building known as One Constellation Centre, 6009 Oxon Hill Road, Oxon Hill, Maryland 20745 (the "Building"), all as more particularly described in the Lease; and

WHEREAS, as contemplated by Section 19.2 of the Lease, Landlord has notified Tenant that it desires to recapture two (2) separate areas of the Original Premises (as described below) and Landlord and Tenant mutually desire to amend the Lease with respect to the size of the Original Premises and other matters as more particularly set forth below.

NOW, THEREFORE, in consideration of the above Recitals and the mutual covenants and conditions contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Landlord and Tenant agree as follows:

1. Effective Date. The Effective Date of this Amendment shall be October 13, 1998.

2. Reduction of Premises.

2.1 As of October 13, 1998, the Original Premises shall be reduced by the space known as Suite 414, which contains 2,621 rentable square feet (the "Recapture Space #1") as shown on Exhibit A attached hereto and made a part hereof.

2.2 As of December 1, 1998, the Original Premises shall be reduced by the space known as Suite 412, which contains 2,654 rentable square feet (the "Recapture Space #2") as shown on Exhibit B attached hereto and made a part hereof.

Definition of "Premises".

3.1 For the period commencing on October 13, 1998 and ending on November 30, 1998, any references in the Lease to the "Premises" shall refer to 46,242 rentable square feet.

3.2 For the period commencing on December 1, 1998 and continuing through the expiration of the Term, any references in the Lease to the "Premises" shall refer to 43,588 rentable square feet.

3.3 Landlord shall use such varying definitions of "Premises" to compute Tenant's liability for any additional rent hereunder, including, without limitation, Building Expenses and Taxes.

3. Amendment of Section 5.1--Base Rent. Section 5.1 of the Lease is deleted in its entirety and the following is inserted in lieu thereof:

5.1 Base Rent. As rent for the Premises during each year of the Term, Tenant shall pay to Landlord an annual base rent, in equal monthly installments, in advance on the first day of each calendar month during the Term, and without deduction, setoff or demand, in accordance with the following schedule

Lease Year	Annual Base Rent	Monthly Installment of Base Rent
	(Or pro rata share thereof)	
9/28/98-10/12/98	\$903,965.52	\$75,330.46
10/13/98-11/30/98	\$855,477.00	\$71,289.75
12/1/98-9/28/00	\$806,378.04	\$67,198.17

Landlord shall credit any overpayment of Base Rent due hereunder against the next installment of Base Rent due under the terms of the Lease.

4. Ratification of Lease. All other terms, covenants and conditions of the Lease

shall remain the same and continue in full force and effect, and shall be deemed unchanged, except as such terms, covenants and conditions of the Lease have been amended or modified by this Amendment, and this Amendment shall constitute a part of the Lease.

IN WITNESS WHEREOF, Landlord and Tenant have respectively affixed their hands and seals to this Amendment as of the day and year written below their respective signatures.

WITNESS: LANDLORD:
ST. BARNABAS, LLC

/s/ Karen [ILLEGIBLE] By: /s/ Roger A. Waesche, Jr.(SEAL)

Roger A. Waesche, Jr.
Senior Vice President

WITNESS: TENANT:
CONSTELLATION PROPERTIES, INC.

/s/ Dawn Novak By: /s/ Steven D. Kesler (SEAL)

Name: Steven D. Kesler

Title: President

STATE OF MARYLAND, COUNTY OF Baltimore, TO WIT:

I HEREBY CERTIFY, that on this 31st day of December, 1998, before me, the undersigned Notary Public of said State, personally appeared ROGER A. WAESCHE, JR. who acknowledged himself to be a Senior Vice President of ST. BARNABAS, 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 Senior Vice President by signing the name of the limited liability company by himself as Senior Vice President.

WITNESS my hand and Notarial Seal.

/s/ Zarae Pitts

Notary Public

ZARAE PITTS
NOTARY PUBLIC STATE OF MARYLAND

My Commission Expires: My Commission Expires November 25, 2002

STATE OF MARYLAND, County of Herford , TO WIT:

I HEREBY CERTIFY, that on this 30th day of December, 1998, before me, the undersigned Notary Public of said State, personally appeared Steven D. Kesler, known to me (or satisfactorily proven) to be the person whose name is subscribed to the within instrument, and acknowledged himself/herself to be the President of CONSTELLATION PROPERTIES, INC., a Maryland corporation, that he/she, as such, being authorized so to do, executed the foregoing instrument on behalf of said Corporation by himself/herself as such President.

WITNESS my hand and Notarial Seal.

/s/ Janet R. Cunningham

Notary Public

My Commission Expires: May 1, 2000

Janet R. Cunningham, Notary Public
Herford County
State of Maryland
My Commission Expires May 1, 2000

THREE CENTRE PARK BUILDING

THIS AGREEMENT OF LEASE, made this 3rd day of August, 1998, by and between CONSTELLATION REAL ESTATE, INC., a Maryland corporation, Agent for Owner (the "Landlord") and CONSTELLATION PROPERTIES, INC., a Maryland corporation (the "Tenant"), witnesseth that the parties hereby agree as follows:

1. Premises. Landlord is the owner of the Three Centre Park Office Building (the "Building"), an office building located at 8815 Centre Park Drive, Columbia, Maryland 21045.

Landlord does hereby lease unto Tenant, and Tenant does hereby rent from Landlord a total area containing an agreed upon equivalent of 3,299 square feet of rentable area which is comprised of (i) that portion of the Building on the first floor designated as Suite 104 containing the agreed upon equivalent of 3,213 square feet of rentable area and (ii) that portion of the Building on the second floor designated as "Shower Area" containing the agreed upon equivalent of 86 square feet of rentable area (collectively, the "Premises") described on the schedule attached hereto as Exhibit "A" and made a part hereof. In addition thereto, Tenant shall have the right to use, on a non-exclusive basis, and in common with the other tenants of the Building the Common Areas of the Building (as that term is defined in Section 5.2.6 hereof).

2. Term.

2.1 This Lease shall commence April 20, 1998 (the "Commencement Date") and shall be for a term (the "Initial Term") of three (3) years, which shall expire on April 30, 2001.

2.2 Provided Tenant is not in default of any term, covenant or condition of this Lease, Tenant shall have the option to extend the Initial Term of this Lease for one (1) additional period of two (2) years (the "Renewal Term") to commence immediately upon the expiration of the Initial Term.

Tenant's rental of the Premises during the Renewal Term shall be upon the same terms, covenants and conditions contained in this Lease, except that Tenant shall pay to Landlord as Base Rent that amount equal to the "Prevailing Market Rate" for the Premises for the Renewal Term as hereinafter defined (including annual adjustments). For purposes of this Section 2.2, the term "Prevailing Market Rate" shall mean the then prevailing market rate being charged for comparable space in comparable office buildings within a ten (10) mile radius of the Premises, with consideration given for construction allowances, commissions, free rent, and other concessions or premiums. In order to exercise its option granted herein, Tenant shall notify Landlord in writing of its intent to renew not less than one hundred and eighty (180) days prior to the expiration of the Initial Term. Within thirty (30) days following the exercise by Tenant of its option to extend the Lease for the Renewal Term, Landlord shall notify Tenant in writing of its determination of the Prevailing Market Rate for the Renewal Term as reasonably determined by Landlord ("Landlord's Notice"). Within ten (10) days after receipt of Landlord's Notice, Tenant shall notify Landlord in writing of Tenant's acceptance or rejection of such rate. If Tenant shall accept such Prevailing Market Rate, Landlord and Tenant shall enter into an amendment to this Lease acknowledging such renewal and setting forth any terms at variance with the terms of this Lease. If within the ten (10) day period, Tenant shall reject such Prevailing Market Rate as determined by Landlord for the Renewal Term, then within twenty (20) days thereafter, Landlord and Tenant shall meet at a mutually acceptable time and place and shall use their reasonable efforts to agree upon the Prevailing Market Rate. If Landlord and Tenant shall fail to agree upon such Prevailing Market Rate within the twenty (20) day period, then Tenant's option to extend the Lease for the Renewal Term shall be void and inoperable. If Tenant shall fail to respond to Landlord's Notice as provided above, or if Tenant shall fail to deliver the requisite notice exercising its option to extend by the date prescribed above, then Tenant's option to extend the Term for the Renewal Term shall be void and inoperable.

2.3 As used herein, the word "Term" shall refer to the Initial Term and the Renewal Term, if any.

3. Security Deposit and Advance Rent. Intentionally Left Blank.

4. Use. Tenant shall use and occupy the Premises continuously during the Term of this Lease solely for general office purposes in accordance with applicable zoning regulations and for no other purpose. Tenant acknowledges that (a) violation of the foregoing continuous occupancy and use covenant shall be a material breach of this Lease, and (b) Landlord considers such continuous use and occupancy covenant a valuable contractual interest with which no other landlord should interfere by attempting to induce Tenant to move to another building. Tenant recognizes that its occupancy of the Premises continuously throughout the Term of this Lease provides Landlord a significant benefit in the perception of the Building by other prospective tenants who will negotiate with Landlord for space in the Building in the future as well as the perception of

other existing tenants who will be negotiating with Landlord to renew their leases and remain in the Building.

5. Rent.

5.1 Commencing on the Commencement Date, as rent for the Premises during each year of the Term, Tenant shall pay to Landlord an annual base rent ("Base Rent") in equal monthly installments in accordance with the following schedule, in advance on the first day of each calendar month during the Term, and without deduction, set off or demand.

Rental Year	Annual Base Rent	Monthly Base Rent
1	\$65,980.00	\$5,498.33
2	\$67,959.40	\$5,663.28
3	\$69,998.14	\$5,833.18

In addition to the Base Rent, if the Term should commence on a day other than the first day of a calendar month, Tenant shall pay to Landlord upon the Commencement Date, a sum equaling that percentage of the monthly rent installment which equals the percentage of such calendar month falling within the Term.

5.2 Definitions. For the purposes hereof, the following definitions shall apply:

5.2.1 "Property" shall mean the Building, the land upon which same is situated and all fixtures and equipment thereon or therein, all commonly owned or shared appurtenances, including but not limited to, parking areas, walkways, landscaping and utilities, whether located on the land upon which the Building is situated or elsewhere.

5.2.2 "Building Expenses" shall be all those expenses paid or incurred by Landlord in connection with the owning, maintaining, operating and repairing of the Property or any part thereof, in a manner deemed reasonable and appropriate by Landlord and shall include, without limitation, the following:

(a) All costs and expenses of operating, repairing, lighting, cleaning, and insuring (including liability for personal injury, death and property damage and workers' compensation insurance covering personnel) the Property or any part thereof, as well as all costs incurred in removing snow, ice and debris therefrom and of policing and regulating traffic with respect thereto, and depreciation of all machinery and equipment used therein or thereon, replacing or repairing of pavement, parking areas, curbs, walkways, drainage, lighting facilities, landscaping (including replanting and replacing flowers and other planting);

(b) Electricity, steam and fuel used in lighting, heating, ventilating and air conditioning;

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(c) Maintenance and repair of mechanical and electrical equipment including heating, ventilating and air conditioning equipment;

(d) Window cleaning and janitor service, including equipment, uniforms, and supplies and sundries;

(e) Maintenance of elevators, stairways, rest rooms, lobbies, hallways and other Common Areas;

(f) Repainting and redecoration of all Common Areas;

(g) Sales or use taxes on supplies or services;

(h) Management fees, wages, salaries and compensation of all persons engaged in the maintenance, operation or repair of the Property (including Landlord's share of all payroll taxes);

(i) Legal, accounting and engineering fees and expenses, except for those related to disputes with tenants or which are a result of and/or are based on Landlord's negligence or other tortious conduct;

(j) Costs and expenses that may result from compliance with any governmental laws or regulations that were not applicable to the Common Areas at the time same were originally constructed; and

(k) All other expenses which under generally accepted accounting principles would be considered as an expense of maintaining, operating, or repairing the Property. Notwithstanding the foregoing, all expenses (whether or not such expenses are enumerated on items 1 through 10 of this Section 5.2.2) which would be considered capital in nature under generally accepted accounting principles ("GAAP") shall be excluded from "Building Expenses," unless such expenses are amortized in accordance with GAAP.

Notwithstanding anything herein to the contrary, none of the following items shall be included in the computation of Building Expenses:

(a) Wages, salaries, fees, and fringe benefits paid to administrative or executive personnel or officers or partners of Landlord unless employed at competitive rates as independent contractors;

(b) Any charge for depreciation of the Building or equipment and any interest or other financing charge;

(c) Any charge for Landlord's income taxes, excess profit taxes, franchise taxes, or similar taxes on Landlord's business;

(d) All costs relating to activities for the solicitation and execution of leases of space in the Building;

(e) All costs for which Tenant or any other tenant in the Building is being charged other than pursuant to Sections 5.3 and 5.4;

(f) The cost of any electric current furnished to the Premises or any rentable area of the Building for purposes other than the operation of Building equipment and machinery and the lighting of public toilets, stairways, shaftways, and Building machinery or fan rooms;

(g) The cost of correcting defects in the construction of the Building or in the Building equipment, except that conditions (not occasioned by construction defects) resulting from ordinary wear and tear will not be deemed defects for the purpose of this section;

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(h) The cost of any repair made by Landlord because of the total or partial destruction of the Building or the condemnation of a portion of the Building;

(i) Any insurance premium to the extent that Landlord is entitled to be reimbursed for it by Tenant pursuant to this Lease or by any tenant of the Building pursuant to a similar lease other than pursuant to clauses comparable to this section;

(j) The cost of any items for which Landlord is reimbursed by insurance or otherwise compensated by parties other than tenants of the Building pursuant to clauses similar to this section;

(k) Any operating expense representing an amount paid to a related corporation, entity, or person that is in excess of the amount that would be paid in the absence of such relationship;

(l) The cost of any work or service performed for or facilities furnished to any tenant of the Building to a greater extent or in a manner more favorable to such tenant than that performed for or furnished to Tenant;

(m) The cost of alterations of space in the Building leased to other tenants;

(n) The cost of overtime or other expense to Landlord during its defaults or performing work expressly provided in this Lease to be borne at Landlord's expense;

(o) Amounts paid (including interest and penalties) in order to comply with or cure violations of statutes, laws, or ordinances by Landlord or any part of the Building, except as provided in Section 6;

5.2.3 "Taxes" shall mean all real property taxes including currently due installments of assessments, sewer rents, ad valorem charges, water rates, rents and charges, front foot benefit charges, and all other governmental impositions in the nature of any of the foregoing. Excluded from Taxes are (i) federal, state or local income taxes, (ii) franchise, gift, transfer, excise, capital stock, estate or inheritance taxes, and (iii) penalties or interest charged for late payment of Taxes. If at any time during the Lease Term the method of taxation prevailing at the commencement of the Term shall be altered so as to cause the whole or any part of the items listed in the first sentence of this Subparagraph 5.2.3 to be levied, assessed or imposed, wholly or partly as a capital levy, or otherwise, on the rents received from the Building, wholly or partly in lieu of imposition of or in addition to the increase of taxes in the nature of real estate taxes issued against the Property, then the charge to Landlord resulting from such altered additional method of taxation shall be deemed to be within the definition of "Taxes."

5.2.4 "Base Year Building Expenses" shall mean the actual Building Expenses per rentable square foot incurred by Landlord in 1998.

5.2.5 "Base Year Taxes" shall mean the actual Taxes incurred by

Landlord per rentable square foot for the 1998-1999 tax year.

5.2.6 "Common Areas" shall mean those areas and facilities which may be from time to time furnished to the Building by Landlord for the non-exclusive general common use of tenants and other occupants of the Building, their officers, employees, and invitees, including (without limitation) the hallways, stairs, parking facilities, washrooms, and elevators.

5.2.7 "Lease Year" shall mean the first twelve (12) month period following the Commencement Date and each succeeding twelve (12) month period thereafter up to the end of the Term; provided, however, that if the Commencement Date shall occur on a day other than the first day of a calendar month, then the first Lease Year shall include that portion of a calendar month in which the Commencement Date occurs in addition to the first twelve (12) month period.

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5.3 Rent Adjustments for Taxes.

5.3.1 At or after the time that Taxes are due and payable, Landlord shall total the Taxes and shall allocate such Taxes to the rentable area within the Building in the following manner: Taxes shall be totaled and such total shall be divided by the total rentable square feet in the Building thereby deriving the "Cost of Taxes Per Square Foot" of rentable area.

5.3.2 In the event that the Cost of Taxes Per Square Foot assessed for any tax year which is wholly or partly within the Lease Term are greater than the Base Year Taxes, Tenant shall pay to Landlord, as additional rent at the time such Taxes are due and payable, the amount of such excess times the number of rentable square feet in the Premises. Any additional rent due Landlord under this Section 5.3 shall be due and payable within thirty (30) days after Landlord shall have submitted a written statement to Tenant showing the amount due. For Tenant's obligation for such additional rent at the beginning or end of the Lease, see Section 5.6. Landlord may, in its discretion, make a reasonable estimate of such additional rent with respect to Taxes, and require Tenant to pay each month during such year 1/12 of such amount, at the time of payment of monthly installments of Base Rent. In such event, Tenant shall pay, or Landlord shall refund or credit to Tenant's account, any underpayment or overpayment of such additional rent within thirty (30) days of Landlord's annual written statement of Taxes due. Tenant shall have the right to examine, at Tenant's sole expense, Landlord's records with respect to any such increases in rent; provided, however, that unless Tenant shall have given Landlord written notice of exception to any such statement within thirty (30) days after delivery thereof, the same shall be conclusive and binding on Tenant. No credit shall be given to Tenant if the cost of Taxes Per Square Foot are less than the Base Year Taxes.

As of the date of this Lease, the tax year is a fiscal year commencing July 1. If the appropriate authorities shall hereafter change the tax year to a calendar year, or to a fiscal year commencing on a date other than July 1, appropriate adjustments shall be made in the computation of any additional rent due hereunder.

All reasonable expenses incurred by Landlord (including attorneys', appraisers' and consultants' fees, and other costs) in contesting any increase in Taxes or any increase in the assessment of the Property shall be included as an item of Taxes for the purpose of computing additional rent due hereunder.

5.4 Rent Adjustments for Building Expenses.

5.4.1 After the end of each calendar year, Landlord shall compute the Building Expenses for such year and shall allocate such costs to the rentable area within the Building in the following manner: Building Expenses shall be totaled and such total shall be divided by the total rentable square feet in the Building thereby deriving the "Cost of Building Expenses Per Square Foot" of rentable area.

5.4.2 In the event that the cost of Building Expenses Per Square Foot of rentable area for any year which is wholly or partly within the Term are greater than the Base Year Building Expenses, Tenant shall pay to Landlord, as additional rent, the amount of such excess times the number of rentable square feet in the Premises, as set forth in Section 1 above. If occupancy of the Building during any calendar year is less than ninety-five percent (95%), then Building Expenses for that calendar year shall be "grossed up" to that amount of Building Expenses that, using reasonable projections, would normally be expected to be incurred during the calendar year in question if the Building was ninety-five percent (95%) occupied during the applicable calendar year period, as determined under generally accepted accounting principles; it being understood that the written statement submitted to Tenant shall provide a reasonably detailed description of how the Building Expenses were grossed up and that only those component expenses that are affected by variations in occupancy levels shall be grossed up. Such additional rent shall be computed on a year-to-year basis. Any such additional rent shall be due within thirty (30)

days after Landlord has submitted a written statement to Tenant showing the amount due. Landlord may, in its discretion, make a reasonable estimate of such additional rent with respect to any calendar year, and require

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Tenant to pay each month during such year 1/12 of such amount, at the time of payment of monthly installments of Base Rent. In such event, Tenant shall pay, or Landlord shall refund or credit to Tenant's account, any underpayment or overpayment of such additional rent within thirty (30) days of Landlord's written statement of actual Building Expenses for the Calendar year. Tenant, at Tenant's sole expense, shall have the right to examine Landlord's records with respect to any such increases in rent; provided, however, that unless Tenant shall have given Landlord written notice of exception to any such statement within thirty (30) days after delivery thereof, the same shall be conclusive and binding on Tenant. No credit shall be given to Tenant if the cost of Building Expenses Per Square Foot are less than the Base Year Building Expenses. Notwithstanding anything to the contrary contained herein Landlord shall use diligent efforts to keep Building Expenses at reasonable amounts, while maintaining the Building as a first class office building.

5.5 Additional Rent Payments. Tenant's obligation to pay any additional rent accruing during the Lease Term pursuant to Sections 5.3 and 5.4 hereof shall apply pro rata to the proportionate part of a tax year as to Taxes, and calendar year, as to Building Expenses, in which this Lease begins or ends, for the portion of each such year during which this Lease is in effect. Such obligation to make payments of such additional rent shall survive the expiration or sooner termination of the Lease Term, whether or not this Lease is superseded by a subsequent lease of the Premises or of any other space or Tenant leaves the Building; any such superseding lease shall not serve to supersede Tenant's obligation for any such additional rent unless it makes express reference thereto and recites that such additional rent is abated in consideration of the superseding lease.

5.6 Payments. All payments or installments of any rent hereunder and all sums whatsoever due under this Lease (including but not limited to court costs and attorneys fees) shall be deemed rent, shall be paid to Landlord at the address designated by Landlord, and if not paid when due, shall be subject to a late charge of \$35.00 for each late payment and shall bear interest at the rate of 18% per annum (but not more than the maximum allowable legal rate applicable to Tenant) until paid. Additionally, if any of Tenant's checks for payment of rent or additional rent are returned to Landlord for insufficient funds, Tenant shall pay to Landlord as additional rent \$50.00 for each such check returned for insufficient funds, and if two or more of Tenant's checks in payment of rent or additional rent due hereunder are returned for insufficient funds in any calendar year, Landlord reserves the right upon ten (10) days advance written notice to Tenant to thereafter require Tenant to pay all rent and additional rent and other sums whatsoever due under this Lease in cash, by money order or by certified check or cashier's check. If an attorney is employed to enforce Landlord's rights under this Lease, Tenant shall pay all fees and expenses of such attorney whether or not legal proceedings are instituted by Landlord. However, where legal proceedings are instituted by Landlord against Tenant, and said legal proceedings result in a monetary judgment in favor of Landlord, those reasonable attorney fees for which Tenant shall be liable to Landlord shall not be less than fifteen percent (15%) of such monetary judgment. Time is of the essence in this Lease.

6. Requirements of Applicable Law. Landlord warrants that on the Commencement Date, the Premises shall comply with all applicable laws, ordinances, rules and regulations of governmental authorities having jurisdiction over the Property ("Applicable Laws"). Tenant, at its sole cost and expense, shall thereafter comply promptly with all Applicable Laws now in force or which may hereafter be in force, which impose any duty upon Landlord or Tenant with respect to the Tenant's specific use, occupancy or alteration of the Premises or any part thereof and for the prevention of fires; provided, however, that Landlord and not Tenant shall correct all structural defects in the Building necessary to comply with Applicable Laws, and make all repairs, changes or alterations necessary because the Building was not constructed in compliance with any of said Applicable Laws.

7. Certificate of Occupancy. Tenant shall not use or occupy the Premises in violation of any certificate of occupancy, permit, or other governmental consent issued for the Building. If any governmental authority, after the commencement of the Lease Term, shall contend or declare that the Premises are being used for a purpose which is in violation of such certificate of occupancy, permit, or consent, then Tenant shall, upon five (5) days' notice from Landlord, immediately discontinue such use of the Premises. If thereafter the governmental authority asserting such violation threatens, commences or continues criminal or civil proceedings against Landlord for

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Tenant's failure to discontinue such use, in addition to any and all rights,

privileges and remedies given to Landlord under this Lease for default therein, Landlord shall have the right to terminate this Lease forthwith. Tenant shall indemnify and hold Landlord harmless of and from any and all liability for any such violation or violations.

8. Contest-Statute, Ordinance, Etc. Tenant may, after notice to Landlord, by appropriate proceedings conducted promptly at Tenant's own expense in Tenant's name and whenever necessary in Landlord's name, contest in good faith the validity or enforcement of any such statute, ordinance, law, order, regulation or requirement and may similarly contest any assertion of violation of any certificate of occupancy, permit, or any consent issued for the Building. Tenant may, pending such contest, defer compliance therewith if, in the opinion of counsel for Landlord, such deferral shall not subject either Landlord or the Premises or the Property (or any part thereof) to any penalty, fine or forfeiture, and if Tenant shall post a bond with corporate surety approved by Landlord sufficient, in Landlord's opinion, fully to indemnify Landlord from loss.

9. Tenant's Improvements. Except to the extent that Landlord is responsible for making improvements to the Premises pursuant to Section 34 of this Lease, Tenant shall make such improvements to the Premises as it may deem necessary at its sole cost and expense. Tenant shall not make any alterations, decorations, installations, additions or improvements to the Premises, including but not limited to, the installation of any fixtures, amenities, equipment, appliances, or other apparatus, without Landlord's prior written consent which consent shall not be unreasonable withheld or delayed), and then only by contractors or mechanics employed or approved by Landlord. All such work, alterations, decorations, installations, additions or improvements shall be done at Tenant's sole expense and at such times and in such manner as Landlord may from time to time designate, subject to Force Majeure Events (as defined in Section 48). Landlord's consent to and/or approval of Tenant's plans and specifications for the aforesaid improvements shall create no responsibility or liability on the part of Landlord for their completeness, design sufficiency, or compliance with all laws, rules and regulations of governmental agencies or authorities. All alterations, decorations, installations, additions or improvements made by either of the parties hereto upon the Premises, except movable office furniture put in at the expense of Tenant and other items as mutually agreed upon in writing, shall be the property of Landlord and shall remain upon and be surrendered with the Premises at the termination of this Lease without molestation or injury.

10. Repairs and Maintenance.

10.1 Tenant's Care of the Premises and Building. During the Lease Term Tenant shall:

(i) keep the Premises and the fixtures, appurtenances and improvements therein in good order and condition;

(ii) make repairs and replacements to the Premises required because of Tenant's misuse or primary negligence, except to the extent that the repairs or replacements are covered by Landlord's insurance as required hereunder;

(iii) repair and replace special equipment or decorative treatments installed by or at Tenant's request and that serve the Premises only, except to the extent the repairs or replacements are needed because of Landlord's misuse or primary negligence, and are not covered by Tenant's insurance as required hereunder;

(iv) pay for all damage to the Building, its fixtures and appurtenances, as well as all damages sustained by Tenant or occupants of the Building due to any waste, misuse or neglect of the Premises, its fixtures and appurtenances by Tenant, except to the extent that the repair of such damage is covered by Landlord's insurance as required hereunder; and

(v) not commit waste.

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In addition Tenant shall not place a load upon any floor of the Premises exceeding the floor load per square foot area which such floor was designed to carry and which may be allowed under Applicable Laws. Landlord reserves the right to prescribe the weight and position of all heavy equipment brought onto the Premises and prescribe any reinforcing required under the circumstances, all such reinforcing to be at Tenant's expense.

10.2 Landlord's Repairs. Except for the repairs and replacements that Tenant is required to make pursuant to Section 10.1 above, Landlord shall make all other repairs and replacements to the Premises, Common Areas and Building (including Building fixtures and equipment) as shall be reasonably deemed necessary to maintain the Building in a condition comparable to other first class suburban office buildings in the Baltimore-Washington corridor area. This maintenance shall include the roof, foundation, exterior walls, interior structural walls, all structural components, and all systems such as mechanical,

electrical, multi-tenant HVAC, and plumbing. The costs associated with such repairs shall be deemed a part of Building Expenses; provided, however, that costs of all of such repairs which would be considered capital in nature under generally accepted accounting principles and any other items excluded from the definition of Building Expenses shall be paid by Landlord. There shall be no allowance to Tenant for a diminution of rental value, no abatement of rent, and no liability on the part of Landlord by reason of inconvenience, annoyance or injury to business arising from Landlord, Tenant or others making any repairs or performing maintenance as provided for herein.

10.3 Time for Repairs. Repairs or replacements required pursuant to Section 10.1 and 10.2 above shall be made within a reasonable time (depending on the nature of the repair or replacement needed - generally no more than fifteen (15) days) after receiving notice or having actual knowledge of the need for a repair or replacement, and subject to reasonable delays for Force Majeure Events (as defined in Section 48).

10.4 Surrender of the Premises. Upon the termination of this Lease, Tenant shall surrender the Premises to Landlord in the same broom clean condition that the Premises were in on the Commencement Date except for:

(i) ordinary wear and tear;

(ii) damage by the elements, fire, and other casualty unless Tenant would be required to repair under the provisions of this Lease;

(iii) damage arising from any cause not required to be repaired or replaced by Tenant; and

(iv) alterations as permitted by this Lease unless consent was conditioned on their removal.

On surrender Tenant shall remove from the Premises its personal property, trade fixtures and any alterations required to be removed pursuant to the terms of this Lease and repair any damage to the Premises caused by this removal. Any items not removed by Tenant as required above shall be considered abandoned. Landlord may dispose of abandoned items as Landlord chooses and bill Tenant for the cost of their disposal.

11. Conduct on Premises. Tenant shall not do, or permit anything to be done in the Premises, or bring or keep anything therein which shall, in any way, increase the rate of fire insurance on the Building, or invalidate or conflict with the fire insurance policies on the Building, fixtures or on property kept therein, or obstruct or interfere with the rights of Landlord or of other tenants, or in any other way injure or annoy Landlord or the other tenants, or subject Landlord to any liability for injury to persons or damage to property, or interfere with the good order of the Building, or conflict with Applicable Laws, or the Maryland Fire Underwriters Rating Bureau. Tenant agrees that any increase of fire insurance premiums on the Building or contents caused by the occupancy of Tenant and any expense or cost incurred in consequence of negligence or carelessness or the willful action

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of Tenant, Tenant's employees, agents, servants, or invitees shall, as they accrue be added to the rent heretofore reserved and be paid as a part thereof; and Landlord shall have all the rights and remedies for the collection of same as are conferred upon Landlord for the collection of rent provided to be paid pursuant to the terms of this Lease.

12. Insurance.

12.1 Tenant's Insurance. Tenant shall keep in force at its own expense, so long as this Lease remains in effect, (a) public liability insurance, including insurance against assumed or contractual liability under this Lease, with respect to the Premises, to afford protection with limits, per person and for each occurrence, of not less than One Million Dollars (\$1,000,000), combined single limit, with respect to personal injury and death and property damage, such insurance to provide for only a reasonable deductible, (b) all-risk property and casualty insurance, including theft, written at replacement cost value and with replacement cost endorsement, covering all of Tenant's personal property in the Premises and all improvements and installed in the Premises by or on behalf of Tenant whether pursuant to the terms of Section 34, Section 9, or otherwise, such insurance to provide for only a reasonable deductible, (c) if, and to the extent, required by law, workmen's compensation or similar insurance offering statutory coverage and containing statutory limits, and (d) shall insure all plate and other interior glass in the Premises for and in the name of Landlord. Such policies shall be maintained in companies and in form reasonably acceptable to Landlord and shall be written as primary policy coverage and not contributing with, or in excess of, any coverage which Landlord shall carry. Tenant shall deposit the policy or policies of such required insurance or certificates thereof with Landlord prior to the Commencement Date, which policies shall name Landlord or its designee and, at the request of Landlord, its mortgagees, as additional named insured and shall also contain a

provision stating that such policy or policies shall not be canceled except after thirty (30) day's written notice to Landlord or its designees. All such policies of insurance shall be effective as of the date Tenant occupies the Premises and shall be maintained in force at all times during the Term of this Lease and all other times during which Tenant shall occupy the Premises. In addition to the foregoing insurance coverage, Tenant shall require any contractor retained by it to perform work on the Premises to carry and maintain, at no expense to Landlord, during such times as contractor is working in the Premises, a non-deductible (i) comprehensive general liability insurance policy, including, but not limited to, contractor's liability coverage, contractual liability coverage, completed operations coverage, broad form property damage endorsement and contractor's protective liability coverage, to afford protection with limits per person and for each occurrence, of not less than Two Hundred Thousand Dollars (\$200,000.00), combined single limit, with respect to personal injury and death and property damage, such insurance to provide for no deductible, and (ii) workmen's compensation insurance or similar insurance in form and amounts as required by law. In the event of damage to or destruction of the Premises and the termination of this Lease by Landlord pursuant to Section 17 herein, Tenant agrees that it shall pay Landlord all of its insurance proceeds relating to improvements made in the Premises by or on behalf of Tenant whether pursuant to the terms of Section 34, Section 9, or otherwise. If Tenant fails to comply with its covenants made in this Section, if such insurance would terminate or if Landlord has reason to believe such insurance is about to be terminated, Landlord may at its option cause such insurance as it in its sole judgment deems necessary to be issued, and in such event Tenant agrees to pay promptly upon Landlord's demand, as additional rent the premiums for such insurance.

12.2 Landlord's Insurance. Landlord shall keep in force at its own expense (a) contractual and comprehensive general liability insurance, including public liability and property damage, with a minimum combined single limit of liability of Two Million Dollars (\$2,000,000.00) for personal injuries or death of persons occurring in or about the Building and Premises, and (b) all-risk property and casualty insurance written at replacement cost value covering the Building and all of Landlord's improvements in and about same.

12.3 Waiver of Subrogation. Each party hereto waives claims arising in any manner in its favor and against the other party and agrees that neither party hereto shall be liable to the other party or to any insurance company (by way of subrogation or otherwise) insuring the other party for any loss or damage to the Building, the Premises or other tangible property, or any resulting loss of

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income, or losses under worker's compensation laws and benefits, or against liability on or about the Building, even though such loss or damage might have been occasioned by the negligence of such party, its agents or employees if any such loss or damage is covered by insurance benefiting the party suffering such loss or damage as was required to be covered by insurance carried pursuant to this Lease. Landlord shall cause each insurance policy carried by it insuring against liability on or about the Building or insuring the Premises and the Building or income resulting therefrom against loss by fire or any of the casualties covered by the all-risk insurance carried by it hereunder to be written in such a manner as to provide that the insurer waives all right of recovery by way of subrogation against Tenant in connection with any loss or damage covered by such policies. Tenant shall cause each insurance policy carried by it insuring against liability or insuring the Premises (including the contents thereof and Tenant's Improvements installed therein by Tenant or on its behalf) against loss by fire or any of the casualties covered by the all-risk insurance required hereunder to be written in such a manner as to provide that the insurer waives all right of recovery by way of subrogation against Landlord in connection with any loss or damage covered by such policies.

13. Rules and Regulations. Tenant shall be bound by the rules and regulations set forth on the schedule attached hereto as Exhibit "B" and made a part hereof. Landlord shall have the right, from time to time, to issue additional or amended rules and regulations regarding the use of the Building, so long as said rules shall be reasonable and non-discriminatory between tenants. When so issued the same shall be considered a part of this Lease and Tenant covenants that said additional or amended rules and regulations shall likewise be faithfully observed by Tenant, the employees of Tenant and all persons invited by Tenant into the Building, provided, that said additional or amended rules are made applicable to all office tenants similarly situated as Tenant. Landlord shall not be liable to Tenant for the violation of any of the said rules and regulations, or the breach of any covenant or condition in any lease, by any other tenant in the Building.

14. Mechanics' Liens. Tenant shall not do or suffer to be done any act, matter or thing whereby Tenant's interest in the Premises, or any part thereof, may be encumbered by any mechanics' lien. Tenant shall discharge, within ten (10) days after the date of filing, any mechanics' liens filed against Tenant's interest in the Premises, or any part thereof, purporting to be for labor or material furnished or to be furnished to Tenant. Landlord shall not be liable for any labor or materials furnished or to be furnished to Tenant upon credit, and no

mechanics' or other lien for labor or materials shall attach to or affect the reversionary or other estate or interest of Landlord in and to the Premises, or the Property.

15. Tenant's Failure to Repair. In the event that Tenant fails after reasonable prior written notice from Landlord, to keep the Premises in a good state of condition and repair pursuant to Section 10 above, or to do any act or make any payment required under this Lease or otherwise fails to comply herewith, Landlord may, at its option (but without being obliged to do so) immediately, or at any time thereafter and without notice, perform the same for the account of Tenant, including the right to enter upon the Premises at all reasonable hours to make such repairs, or do any act or make any payment or compliance which Tenant has failed to do, and upon demand, Tenant shall reimburse Landlord for any such expense incurred by Landlord including but not limited to any costs, damages and counsel fees. Any moneys expended by Landlord, as aforesaid, shall be deemed additional rent, collectible as such by Landlord. All rights given to Landlord in this section shall be in addition to any other right or remedy of Landlord herein contained.

16. Property -- Loss, Damage. Landlord, its agents and employees shall not be liable to Tenant for (i) any damage or loss of property of Tenant placed in the custody of persons employed to provide services for or stored in or about the Premises and/or the Building, unless such damage or loss is the result of the negligence of Landlord, (ii) any injury or damage to persons, property or the business of Tenant resulting from a latent defect in or material change in the condition of the Building, and (iii) interference with the light, air, or other incorporeal hereditaments of the Premises.

17. Destruction -- Fire or Other Casualty. In case of partial damage to the Premises by fire or other casualty insured against by Landlord, Tenant shall give immediate notice thereof to Landlord, who shall thereupon cause damage to all property owned by it to be repaired with reasonable speed

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at expense of Landlord, due allowance being made for reasonable delay which may arise by reason of adjustment of loss under insurance policies on the part of Landlord and/or Tenant, and for reasonable delay on account of Force Majeure Events (as defined in Section 48), and to the extent that the Premises are rendered untenable the rent shall proportionately abate from the date of such casualty, provided the damage above mentioned occurred without the fault or neglect of Tenant, Tenant's servants, employees, agents or visitors. If such partial damage is due to the fault or neglect of Tenant, or Tenant's servants, employees, agents, or invitees, the damage shall be repaired by Landlord to the extent of Landlord's insurance coverage, but there shall be no apportionment or abatement of rent. In the event the damage shall be so extensive to the whole Building as to render it uneconomical, in Landlord's opinion, to restore for its present uses and Landlord shall decide not to repair or rebuild the Building, this Lease, at the option of Landlord, shall be terminated upon written notice to Tenant and the rent shall, in such event, be paid to or adjusted as of the date of such damage, and the terms of this Lease shall expire by lapse of time and conditional limitation upon the third day after such notice is mailed, and Tenant shall thereupon vacate the Premises and surrender the same to Landlord, but no such termination shall release Tenant from any liability to Landlord arising from such damage or from any breach of the obligations imposed on Tenant hereunder, or from any obligations accrued hereunder prior to such termination. Notwithstanding anything herein to the contrary, Tenant shall have the right to terminate this Lease by giving Landlord thirty (30) days' advance written notice if (i) Landlord advises Tenant that Landlord estimates that the Premises will be restored within a period in excess of one hundred twenty (120) days after the casualty, or (ii) Landlord in fact does not complete the restoration within one hundred twenty (120) days after the casualty, subject to extension for Force Majeure Events (as defined in Section 48).

18. Eminent Domain. If (1) the whole or more than fifty percent (50%) of the floor area of the Premises shall be taken or condemned by Eminent Domain for any public or quasi-public use or purpose, and either party shall elect, by giving written notice to the other, or (2) more than twenty-five percent (25%) of the floor area of the Building shall be so taken, and Landlord shall elect, in its sole discretion, by giving written notice to Tenant, any said written notice to be given not more than sixty (60) days after the date on which title shall vest in such condemnation proceeding, to terminate this Lease, then, in either such event, the Term of this Lease shall cease and terminate as of the date of title vesting. In case of any taking or condemnation, whether or not the Term of this Lease shall cease and terminate, the entire award shall be the property of Landlord, and Tenant hereby assigns to Landlord all its right, title and interest in and to any such award, except that Tenant shall be entitled to claim, prove and receive in the proceedings such awards as may be allowed for moving expenses, loss of profit and fixtures and other equipment installed by it which shall not, under the terms of this Lease, be or become the property of Landlord at the termination hereof, but only if such awards shall be made by the condemnation, court or other authority in addition to, and be stated separately from, the award made by it for the Property or part thereof so taken.

19. Assignment. So long as Tenant is not in default of any of the terms and conditions hereof, and further provided that Tenant has fully and faithfully performed all of the terms and conditions of this Lease, Landlord shall not unreasonably withhold its consent to an assignment of this Lease or sublease of the Premises for any of the then remaining portion of the unexpired Term provided: (i) the net assets of the assignee or sublessee shall not be less than the net assets of Tenant at the time of the signing of this Lease; (ii) in the event of an assignment, such assignee shall assume in writing all of Tenant's obligations under this Lease; (iii) in the event of a sublease, such sublease shall in all respects be subject to and in conformance with the terms of this Lease; and (iv) in all events Tenant continues to remain liable on this Lease for the performance of all terms, including but not limited to, payment of all rent due hereunder. Landlord and Tenant acknowledge and agree that it shall not be unreasonable for Landlord to withhold its consent to an assignment if in Landlord's sole business judgment, the assignee lacks sufficient business experience or net worth to successfully operate its business within the Premises in accordance with the terms, covenants and conditions of this Lease. If this Lease be assigned, or if the Premises or any part thereof be underlet or occupied by anybody other than Tenant, Landlord may, after default by Tenant, collect rent from the assignee, undertenant or occupant and apply the net amount collected to the rent herein reserved, but no such collection shall be deemed a waiver of this covenant, or the acceptance of the assignee, undertenant or occupant as tenant, or a release of Tenant from the further observance and performance by Tenant of the

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covenants herein contained. No assignment or sublease, regardless of whether Landlord's consent has been granted or withheld, shall be deemed to release Tenant from any of its obligations nor shall the same be deemed to release any person guaranteeing the obligations of Tenant hereunder from their obligations as guarantor. Notwithstanding anything herein to the contrary, Tenant shall have the right to transfer, assign or sublet its rights under this Lease to Baltimore Gas & Electric ("BGE") or to any subsidiary or affiliate of BGE without obtaining Landlord's prior written consent, but rather upon written notice to Landlord.

20. Default; Remedies; Bankruptcy of Tenant. Any one or more of the following events shall constitute an "Event of Default" hereunder, at Landlord's election: (a) the sale of Tenant's interest in the Premises under attachment, execution or similar legal process or, the adjudication of Tenant as a bankrupt or insolvent, unless such adjudication is vacated within thirty (30) days; (b) the filing of a voluntary petition proposing the adjudication of Tenant (or any guarantor of Tenant's obligations hereunder) as a bankrupt or insolvent, or the reorganization of Tenant (or any such guarantor), or an arrangement by Tenant (or any such guarantor) with its creditors, whether pursuant to the Federal Bankruptcy Code or any similar federal or state proceeding, unless such petition is filed by a party other than Tenant (or any such guarantor) and is withdrawn or dismissed within thirty (30) days after the date of its filing; (c) the admission, in writing, by Tenant (or any such guarantor) of its inability to pay its debts when due; (d) the appointment of a receiver or trustee for the business or property of Tenant (or any such guarantor), unless such appointment is vacated within thirty (30) days of its entry; (e) the making by Tenant (or any such guarantor) of an assignment for the benefit of its creditors, or if, in any other manner, Tenant's interest in this Lease shall pass to another by operation of law; (f) the failure of Tenant to pay any rent, additional rent or other sum of money when due and such failure continues for a period of seven (7) days after receipt of written notice that the same is past due hereunder; and (g) subject to reasonable delays for the occurrence of Force Majeure Events, the default by Tenant in the performance or observance of any covenant or agreement of this Lease (other than a default involving the payment of money), which default is not cured within thirty (30) days after the giving of notice thereof by Landlord, unless such default is of such nature that it cannot be cured within such thirty (30) day period, in which case no Event of Default shall occur so long as Tenant shall commence the curing of the default within such thirty (30) day period and shall thereafter diligently prosecute the curing of same.

Upon the occurrence and continuance of an Event of Default, Landlord, with such notice to Tenant as provided for by law or as expressly provided for herein, may do any one or more of the following: (a) sell, at public or private sale, all or any part of the goods, chattels, fixtures and other personal property belonging to Tenant which are or may be put into the Premises during the Lease Term, whether or not exempt from sale under execution or attachment (it being agreed that said property shall at all times be bound with a lien in favor of Landlord and shall be chargeable for all rent and for the fulfillment of the other covenants and agreements herein contained), and apply the proceeds of such sale, first, to the payment of all costs and expenses of conducting the sale or caring for or storing said property; second, toward the payment of any indebtedness, including, without limitation, indebtedness for rent, which may be or may become due from Tenant to Landlord; and third, to pay Tenant, on demand in writing, any surplus remaining after all indebtedness of Tenant to Landlord has been fully paid; (b) perform, on behalf and at the expense of Tenant, any obligation of Tenant under this Lease which Tenant has failed to perform and of

which Landlord shall have given Tenant notice, the cost of which performance by Landlord, together, with interest thereon at the rate of eighteen percent (18%) per annum, from the date of such expenditure, shall be deemed additional rent and shall be payable by Tenant to Landlord upon demand; (c) elect to terminate this Lease and the tenancy created hereby by giving notice of such election to Tenant in which event Tenant shall be liable for Base Rent, Additional Rent, and other indebtedness that otherwise would have been payable by Tenant during the remainder of the Term had there been no Event of Default, and on notice reenter the Premises, by summary proceedings or otherwise, and remove Tenant and all other persons and property from the Premises, and store such property in a public warehouse or elsewhere at the cost and for the account of Tenant, without resort to legal process and without Landlord being deemed guilty of trespass or becoming liable for any loss or damage occasioned thereby; and also the right, but not the obligation, to re-let the Premises for any unexpired balance of the Lease Term, and collect the rent therefor. In the event of such re-letting by Landlord, the re-

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letting shall be on such terms, conditions and rental as Landlord may deem proper, and the proceeds that may be collected from the same, less the expense of re-letting (including reasonable leasing fees and commissions and reasonable costs of renovating the Premises), shall be applied upon Tenant's rental obligation as set forth in this Lease for the unexpired portion of the Lease Term. Tenant shall be liable for any balance that may be due under this Lease, although Tenant shall have no further right of possession of the Premises; and (d) exercise any other legal or equitable right or remedy which it may have at law or in equity. Notwithstanding the provisions of clause (b) above and regardless of whether an Event of Default shall have occurred, Landlord may exercise the remedy described in clause (b) without any notice to Tenant if Landlord, in its good faith judgment, believes it would be materially injured by the failure to take rapid action, or if the unperformed obligation of Tenant constitutes an emergency.

Landlord and Tenant hereby expressly waive trial by jury in any action or proceeding or counterclaim brought by either party hereto against the other party on any and every matter, directly or indirectly arising out of or with respect to this Lease, including, without limitation, the relationship of Landlord and Tenant, the use and occupancy by Tenant of the Premises, any statutory remedy and/or claim of injury or damage regarding this Lease.

Any costs and expenses incurred by Landlord (including, without limitation, reasonable attorneys' fees) in enforcing any of its rights or remedies under this Lease shall be deemed to be additional rent and shall be repaid to Landlord by Tenant upon demand.

Notwithstanding any of the other provisions of this Lease, in the event Tenant shall voluntarily or involuntarily come under the jurisdiction of the Federal Bankruptcy Code and thereafter Tenant or its trustee in bankruptcy, under the authority of and pursuant to applicable provisions thereof, shall have the power and so using same determine to assign this Lease, Tenant agrees that (i) Tenant or its trustee shall provide to Landlord sufficient information enabling it to independently determine whether Landlord will incur actual and substantial detriment by reason of such assignment and (ii) "adequate assurance of future performance" under this Lease, as that term is generally defined under the Federal Bankruptcy Code, shall be provided to Landlord by Tenant and its assignee as a condition of said assignment.

21. Damages. If this Lease is terminated by Landlord pursuant to Section 20, Tenant shall, nevertheless, remain liable for all rent and damages which may be due or sustained prior to such termination, and all reasonable costs, fees and expenses including, but not limited to, attorneys' fees, costs and expenses incurred by Landlord in pursuit of its remedies hereunder, or in renting the Premises to others from time to time and additional damages (the "Liquidated Damages"), which shall be an amount equal to the total rent which, but for termination of this Lease, would have become due during the remainder of the Term, less the amount of rent, if any, which Landlord shall receive during such period from others to whom the Premises may be rented (other than any additional rent received by Landlord as a result of any failure of such other person to perform any of its obligations to Landlord), in which case such Liquidated Damages shall be computed and payable in monthly installments, in advance on the first day of each calendar month following termination of the Lease and continuing until the date on which the Lease Term would have expired but for such termination, and any suit or action brought to collect any such Liquidated Damages for any month shall not in any manner prejudice the right of Landlord to collect any Liquidated Damages for any subsequent month by a similar proceeding.

If this Lease is terminated pursuant to Section 20, Landlord may relet the Premises or any part thereof, alone or together with other premises, for such term(s) which may be greater or less than the period which otherwise would have constituted the balance of the Term and on such terms and conditions (which may include concessions, free rent and/or alterations of the Premises) as Landlord, in its sole discretion, may determine, but Landlord shall not be liable for, nor shall Tenant's obligations hereunder be diminished by reason of, any failure by

Landlord to relet the Premises or any failure by Landlord to collect any rent due upon such reletting.

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22. Services and Utilities. Landlord shall provide the following listed services and utilities, namely:

- (a) heating, ventilation, and air conditioning ("HVAC") for the Premises during "Normal Business Hours" (as defined below) to maintain temperatures for comfortable use and occupancy;
- (b) electric energy in accordance with Section 23 following;
- (c) automatic passenger elevators providing adequate service leading to the floor on which the Premises are located;
- (d) evening, unescorted janitorial services to the Premises including removal of trash;
- (e) hot and cold water sufficient for drinking, lavatory toilet and ordinary cleaning purposes from fixtures either within the Premises (if provided pursuant to this Lease) or on the floor on which the Premises are located;
- (f) replacement of lighting tubes, lamp ballasts and bulbs;
- (g) extermination and pest control when and if necessary; and
- (h) maintenance of Common Areas in a manner comparable to other first class suburban office buildings in the Baltimore-Washington corridor.

Notwithstanding the foregoing, if at any time during the Term and any extension or renewal thereof, Landlord shall, after reasonable investigation determine that trash and similar waste generated by Tenant and/or emanating from the Premises is in excess of that of other standard office tenants within the Building leasing a premises of the same or similar size to that of the Premises, Landlord shall bill Tenant and Tenant shall pay to Landlord as additional rent hereunder within thirty (30) days of the date of Landlord's invoice for the same, those costs and expenses of trash removal which are reasonably attributable to such excess trash and similar waste generated by Tenant and/or emanating from the Premises. "Normal Business Hours" as used herein is defined from 8:00 a.m. to 6:00 p.m. on business days and from 8:00 a.m. to 1:00 p.m. on Saturdays. Landlord shall have no responsibility to provide any services under (a) above except during Normal Business Hours unless arrangements for after-hours services have been made pursuant to terms and conditions acceptable to Landlord and embodied in a separate written agreement between Landlord and Tenant. Landlord reserves the right to stop service of the HVAC, elevator, plumbing and electric systems, when necessary, by reason of accident, or emergency, or for repairs, alterations, replacements, or improvements, which in the judgment of Landlord are desirable or necessary to be made, until said repairs, alterations, replacements, or improvements shall have been completed. Landlord shall have no responsibility or liability for failure to supply HVAC, elevator, plumbing, cleaning, and electric service, during said period or when prevented from so doing by laws, orders, or regulations of any Federal, State, County or Municipal authority or by strikes, accidents or by any other cause whatsoever beyond Landlord's control. Landlord's obligations to supply HVAC are subject to applicable laws and regulations as to energy conservation and other such restrictions. In the event that Tenant should require supplemental HVAC for the Premises, any maintenance repair and/or replacement required for such supplemental service shall be performed by Landlord but the cost of such maintenance repair and/or replacement (including labor and materials) shall be paid by Tenant as additional rent.

23. Electric Current. Throughout the Term Landlord shall furnish Tenant without additional charge during Normal Business Hours (as defined in Section 22) a reasonable amount of electric current at 110 volts ("Normal Usage Amount") for lighting purposes within the Premises and the powering of a normal amount of office equipment and appliances. "Normal Usage Amount" is defined for purposes of this Lease to mean electric power supplied at the rate of three (3) watts per square foot of Premises. In this regard Tenant agrees as follows:

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- (1) If Landlord reasonably determines based upon engineering studies of electrical load consumed that Tenant is materially exceeding the Normal Usage Amount Tenant shall pay to Landlord such amounts as additional rent as will equitably reimburse Landlord for the cost of the extra electric power so consumed by Tenant;
- (2) If Tenant desires to operate its business in the Premises at other than normal business hours it shall pay for same at rates mutually agreed upon by separate agreement between the parties, it being understood that Landlord shall have no obligation to supply Normal Usage Amount to Tenant for after hours

usage until such a mutual agreement is reached;

(3) If Tenant shall desire to place and install in the Premises electric equipment or appliances other than normal and typical to general office usage it shall pay for such installations including any additional electric lines and facilities required and shall pay for the electric power used in such equipment if same exceeds Normal Usage Amount.

24. Telephone. Landlord has arranged for the installation of telephone service within the Building. Tenant shall be responsible for contacting the utility company supplying said telephone service and arranging to have such telephone facilities as it may desire to be extended and put into operation in the Premises. Tenant acknowledges and agrees that all telephone and telecommunications services desired by Tenant shall be ordered and utilized at the sole expense of Tenant. All costs related to installation and the provision of such service shall be borne and paid for directly by Tenant.

In the event Tenant wishes to utilize the services of a telephone or telecommunications provider whose equipment is not servicing the Building at such time Tenant wishes to install its telecommunications equipment serving the Premises ("Provider"), no such Provider shall be permitted to install its lines or other equipment without first securing the prior written consent of Landlord, which consent shall not be unreasonably withheld. Prior to the commencement of any work in or about the Building by the Provider, the Provider shall agree to abide by such rules and regulations, job site rules, and such other requirements as reasonably determined by Landlord to be necessary to protect the interest of the Building and Property, the other tenants and occupants of the Building and Landlord, including, without limitation, providing security in such form and amount as reasonable determined by Landlord. Each Provider must be duly licensed, insured and reputable. Landlord shall incur no expense whatsoever with respect to any aspect of Provider's provision of its services, including without limitation, the costs of installation, materials and service.

25. Acceptance of Premises. Tenant shall have reasonable opportunity, provided it does not thereby interfere with Landlord's work, to examine the Premises to determine the condition thereof. Upon taking possession of the Premises, Tenant shall be deemed to have accepted same as being satisfactory and in the condition called for hereunder, except for latent defects and punch list items previously noted to Landlord.

26. Inability to Perform. This Lease and the obligation of Tenant to pay rent hereunder and perform all of the other covenants and agreements hereunder on the part of Tenant to be performed shall in no way be affected, impaired or excused because Landlord is unable to fulfill any of its obligations under this Lease or to supply, or is delayed in supplying, any service to be supplied by it under the terms of this Lease or is unable to make, or is delayed in making any repairs, additions, alterations, or decorations or is unable to supply, or is delayed in supplying, any equipment or fixtures if Landlord is prevented or delayed from so doing by reason of strikes or labor troubles or any outside cause whatsoever including, but not limited to, governmental preemption in connection with a National Emergency, or by reason of any rule, order or regulation of any department or subdivision of any government agency or by reason of the conditions of supply and demand which have been or are affected by war or other emergency. Similarly, Landlord shall not be liable for any interference with any services supplied to Tenant by others if such interference is caused by any of the reasons listed in this Section 26. Nothing contained in this Section 26 shall be deemed to impose any obligation on Landlord not expressly imposed by other sections of this Lease.

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27. No Waivers. The failure of Landlord to insist, in any one or more instances, upon a strict performance of any of the covenants of this Lease, or to exercise any option herein contained, shall not be construed as a waiver, or a relinquishment for the future, of such covenant or option, but the same shall continue and remain in full force and effect. The receipt by Landlord of rent, with knowledge of the breach of any covenant hereof, shall not be deemed a waiver of such breach, and no waiver by Landlord of any provision hereof shall be deemed to have been made unless expressed in writing and signed by Landlord.

28. Access to Premises and Change in Services. Landlord shall have the right, without abatement of rent, to enter the Premises at any hour to examine the same, or to make such repairs and alterations as Landlord shall deem necessary for the safety and preservation of the Building, and also to exhibit the Premises to be let; provided, however, that except in the case of emergency such entry shall only be after notice first given to Tenant. If, during the last month of the Lease Term, Tenant shall have removed all or substantially all of Tenant's property therefrom, Landlord may immediately enter and alter, renovate and redecorate the Premises, without elimination or abatement of rent, or incurring liability to Tenant for any compensation, and such acts shall have no effect upon this Lease. Nothing herein contained, however, shall be deemed or construed to impose upon Landlord any obligation, responsibility or liability whatsoever, for the care, supervision or repair, of the Building or any part thereof, other than as herein elsewhere expressly provided. Landlord shall also

have the right at any time, without the same constituting an actual or constructive eviction and without incurring any liability to Tenant therefor, to change the arrangement and/or location of entrances or passageways, doors and doorways, and corridors, stairs, toilets, elevators, or other public parts of the Building, and to change the name by which the Building is commonly known and/or its mailing address.

29. Estoppel Certificates. Tenant agrees at any time and from time to time upon not less than ten (10) days' prior notice by Landlord to execute, acknowledge and deliver to Landlord a statement in writing certifying that this Lease is unmodified and in full force (or if there have been modifications, that the same is in full force and effect as modified and stating the modifications) and the dates to which the rent and other charges have been paid in advance, if any, and stating whether or not to the best knowledge of the signer of such certificate Landlord is in default in performance of any covenant, agreement or condition contained in this Lease and, if so, specifying each such default of which the signer may have knowledge, it being intended that any such statement delivered hereunder may be relied upon by third parties not a party to this Lease. Tenant agrees to execute the Estoppel Certificate substantially in the form attached hereto as Exhibit "D" upon acceptance of the Premises.

30. Subordination. Tenant accepts this Lease, and the tenancy created hereunder, subject and subordinate to any mortgages, overleases, leasehold mortgages or other security interests now or hereafter a lien upon or affecting the Building or the Property or any part thereof. Tenant shall, at any time hereafter, on request, execute any instruments or leases or other documents that may be reasonably required by any mortgage or mortgagee or overlandlord (herein a "Mortgagee") for the purpose of subjecting or subordinating this Lease and the tenancy created hereunder to the lien of any such mortgage or mortgages or underlying lease, and the failure of Tenant to execute any such instruments, releases or documents shall constitute a default hereunder.

31. Attornment. Tenant agrees that upon any termination of Landlord's interest in the Premises, Tenant shall, upon request, attorn to the person or organization then holding title to the reversion of the Premises (the "Successor") and to all subsequent Successors, and shall pay to the Successor all of the rents and other monies required to be paid by Tenant hereunder and perform all of the other terms, covenants, conditions and obligations in this Lease contained; provided, however, that if in connection with such attornment Tenant shall so request from such Successor in writing, such Successor shall execute and deliver to Tenant an instrument wherein such Successor agrees that as long as Tenant performs all of the terms, covenants and conditions of this Lease, on Tenant's part to be performed, Tenant's possession under the provisions of this Lease shall not be disturbed by such Successor.

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32. Notices. All notices, demands and requests required under this Lease shall be in writing. All such notices, demands and requests shall be deemed to have been properly given if either sent by United States registered or certified mail, or overnight by any nationally recognized overnight delivery service, postage prepaid, addressed (i) if to Landlord at 8815 Centre Park Drive, Suite 400, Columbia, Maryland 21045, with copies sent to John Harris Gurley, Esquire, 8815 Centre Park Drive, Suite 400, Columbia, Maryland 21045 or (ii) if to Tenant at the Premises, with a copy to Constellation Properties, Inc., 250 West Pratt Street, 24th Floor, Baltimore, Maryland 21201, Attn: General Counsel. Any party may designate a change of address by written notice to the above parties, given at least ten (10) days before such change of address is to become effective.

33. Relocation. Landlord reserves the right at any time prior to the Commencement Date or during the Lease Term upon sixty (60) days' prior written notice to relocate Tenant within the Building provided: (1) that Tenant approves the location and size of the new premises and (2) Landlord pays all reasonable moving costs and relocation costs incurred by Tenant in connection with such move, including, without limitation, costs of reprinting a reasonable amount of stationery, reconnecting computers and telecommunication equipment. If Landlord exercises this right, the written notice to Tenant shall include a drawing showing the size and location of the new premises. If Tenant approves the new location, the parties shall execute an amendment to this Lease which will specify the change in premises, but this Lease shall in no other respect be amended and the rent payable hereunder shall not abate except for the period actually involved in the moving of Tenant. If Tenant does not send Landlord written notice of its disapproval of the proposed relocation within said sixty (60) day period, Tenant shall be conclusively presumed to have approved the same. If Tenant shall send a notice disapproving the proposed relocation during said sixty (60) day period, then Landlord, at its option, may (i) rescind the notice of relocation (in which event this Lease shall continue to the same extent as if no such notice had been sent), or (ii) terminate this Lease upon sixty (60) days' written notice (in which event the rights of the parties shall be the same as if the Lease had terminated by expiration of the Lease Term). Landlord shall make its election within ten (10) days following the first said sixty (60) day period and shall give Tenant written notice thereof specifying its election.

34. Tenant's Space. Attached hereto as Exhibit "C" is a copy of Landlord's "Tenant Improvements," specifying the materials and manner in which, at Landlord's expense, Landlord shall finish the Premises. Landlord shall cause all work necessary to complete the Premises in accordance with Exhibit "C" to be completed on or before the Commencement Date. All costs incurred for work and material, other than as described in "Tenant Improvements" shall be paid by Tenant immediately upon demand by Landlord. The cost of such work shall include all costs of labor and materials incurred by Landlord in the performance of such work, plus ten percent (10%) for overhead and ten percent (10%) for profit. At Tenant's request, Landlord shall fully cooperate with Tenant to establish such costs or estimates thereof in advance of performing the work.

35. Quiet Enjoyment. Tenant, upon the payment of rent and the performance of all the terms of this Lease, shall at all times during the Lease Term and during any extension or renewal term peaceably and quietly enjoy the Premises without any disturbance from Landlord or any other person claiming through Landlord.

36. Vacation of Premises. Tenant shall vacate the Premises at the end of the Term of this Lease or any extension or renewal thereof. If Tenant fails to vacate at such time there shall be payable to Landlord an amount equal to double the monthly rent stated in paragraph 5 for each month or part of a month that Tenant holds over, plus all other payments provided for herein, and the payment and acceptance of such payments shall not constitute an extension or renewal of this Lease. In event of any such holdover, Landlord shall also be entitled to all remedies provided by law for the speedy eviction of tenants, and to the payment of all attorneys' fees and expenses incurred in connection therewith.

37. Partners' Liability. It is understood that the Owner of the Building is a Maryland Limited Partnership. All obligations of said Owner hereunder are limited to the net assets of the Owner from time to time. No General or Limited Partner of Owner, or of any successor partnership, whether now

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or hereafter a partner, shall have any personal responsibility or liability for the obligations of Owner hereunder.

38. Separability. If any term or provision of this Lease or the application thereof to any person or circumstances shall, to any extent, be invalid or unenforceable, the remainder of this Lease or the application of such term or provision of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Lease shall be valid and be enforced to the fullest extent permitted by law.

39. Indemnification. Except for claims or damages resulting from Landlord's gross negligence, Tenant shall indemnify and hold harmless Landlord and all of its and their respective partners, directors, officers, agents and employees from any and all liability, loss, cost or expense arising from all third-party claims resulting from or in connection with:

(i) the conduct or management of the Premises or of any business therein, or any work or thing whatsoever done, or any condition created in or about the Premises during the Term of this Lease or during the period of time, if any, prior to the Commencement Date that Tenant may have been given access to the Premises;

(ii) any act, omission or negligence of Tenant or any of its subtenants or licensees or its or their partners, directors, officers, agents, employees, invitees or contractors;

(iii) any accident, injury or damage whatever occurring in, at or upon the Premises; and

(iv) any breach or default by Tenant in the full and prompt payment and performance of Tenant's obligations under this Lease;

together with all costs and expenses reasonably incurred or paid in connection with each such claim or action or proceeding brought thereon, including, without limitation, all reasonable attorney's fees and expenses.

In case any action or proceeding is brought against Landlord and/or any of its and their respective partners, directors, officers, agents or employees and such claim is a claim from which Tenant is obligated to indemnify Landlord pursuant to this Section 39, Tenant, upon notice from Landlord shall resist and defend such action or proceeding (by counsel reasonably satisfactory to Landlord). The obligations of Tenant under this Section shall survive termination of this Lease.

40. Captions. All headings anywhere contained in this Lease are intended for convenience or reference only and are not to be deemed or taken as a summary of the provisions to which they pertain or as a construction thereof.

41. Brokers. Tenant represents that Tenant has not dealt directly or indirectly

with any broker in connection with this Lease, and Tenant warrants that no broker negotiated this Lease or is entitled to any commissions in connection with this Lease.

42. Recordation. Tenant covenants that it shall not, without Landlord's prior written consent, record this Lease or any memorandum of this Lease or offer this Lease or any memorandum of this Lease for recordation. If at any time Landlord or any mortgagee of Landlord's interest in the Premises shall require the recordation of this Lease or any memorandum of this Lease, such recordation shall be at Landlord's expense. If at any time Tenant shall require the recordation of this Lease or any memorandum of this Lease, such recordation shall be at Tenant's expense. If the recordation of this Lease or any memorandum of this Lease shall be required by any valid governmental order, or if any government authority having jurisdiction in the matter shall assess and be entitled to collect transfer taxes or documentary stamp taxes, or both transfer taxes and documentary stamp taxes on this Lease or any memorandum of this Lease, Tenant shall execute such acknowledgments as may be necessary to effect such recordations and pay, upon request of

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Landlord, one half of all recording fees, transfer taxes and documentary stamp taxes payable on, or in connection with this Lease or any memorandum of this Lease or such recordation.

43. Successors and Assigns. The covenants, conditions and agreements contained in this Lease shall bind and inure to the benefit of Landlord and Tenant, and their respective heirs, personal representatives, successors and assigns (subject, however, to the terms of Article 19 hereof).

44. Integration of Agreements. This writing is intended by the Parties as a final expression of their agreement and is a complete and exclusive statement of its terms, and all negotiations, considerations and representations between the Parties are incorporated. No course of prior dealings between the Parties or their affiliates shall be relevant or admissible to supplement, explain, or vary any of the terms of this Lease. Acceptance of, or acquiescence to, a course of performance rendered under this Lease or any prior agreement between the Parties or their affiliates shall not be relevant or admissible to determine the meaning of any of the terms or covenants of this Lease. Other than as specifically set forth in this Lease, no representations, understandings, or agreements have been made or relied upon in the making of this Lease.

45. Hazardous Material; Indemnity. Tenant shall not cause or permit any Hazardous Material (as hereinafter defined) to be brought upon, kept, or used in or about the Premises by Tenant, its agents, employees, contractors or invitees, without the prior written consent of Landlord (which Landlord shall not unreasonably withhold as long as Tenant demonstrates to Landlord's reasonable satisfaction that such Hazardous Material is necessary or useful to Tenant's business and shall be used, kept and stored in a manner that complies with all laws regulating any such Hazardous Material so brought upon or used or kept in or about the Premises). If Tenant breaches the obligations stated in the preceding sentence, or if the presence of Hazardous Material on the Premises caused or permitted by Tenant results in contamination of the Premises, the Building and/or the Property, or if contamination of the Premises, the Building and/or the Property by Hazardous Material otherwise occurs, for which Tenant is legally liable to Landlord for damage resulting therefrom, then Tenant shall indemnify, defend and hold Landlord and its Mortgagee(s) harmless from any and all claims, judgments, damages, penalties, fines, costs, liabilities or losses (including, without limitation, diminution in value of the Premises, the Building and/or the Property, damages for the loss or restriction on use of rentable or usable space or of any amenity of the Premises, the Building and/or the Property, damages arising from any adverse impact on marketing of space, and sums paid in settlement of claims, attorneys' fees, consultant fees and expert fees) which arise during or after the Term as a result of such contamination. This indemnification of Landlord and its Mortgagee(s) by Tenant includes, without limitation, costs incurred in connection with any investigation of site conditions or any cleanup, remedial, removal, or restoration work required by any federal, state or local governmental agency or political subdivision because of Hazardous Material present in the soil or ground water on or under the Building. Without limiting the foregoing, if the presence of any Hazardous Material on the Premises, the Building and/or the Property caused or permitted by Tenant results in any contamination of the Premises, the Building and/or the Property, Tenant shall promptly take all actions at its sole expense as are necessary to return the Premises, the Building and/or the Property to the condition existing prior to the introduction of any such Hazardous Material to the Premises, the Building and/or the Property; provided that Landlord's approval of such actions shall first be obtained, which approval shall not be unreasonably withheld so long as such actions would not potentially have any material adverse long-term or short-term effect on the Premises or the Building.

As used herein, the term "Hazardous Material" means any hazardous or toxic substance, material or waste which is or becomes regulated by any local governmental authority, the State of Maryland or the United States Government. The term "Hazardous Material" includes, without limitation, any material or

substance that is (i) defined as a "hazardous substance" under the laws of the State of Maryland, (ii) petroleum, (iii) asbestos, (iv) designated as a "hazardous substance" pursuant to Section 311 of the Federal Water Pollution Control Act (33 U.S.C. Section 1321), (v) defined as a "hazardous waste" pursuant to Section 1004 of the Federal Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq. (42 U.S.C. Section 6903), (vi) defined as a "hazardous substance" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation

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and Liability Act, 42 U.S.C. Section 9601 et seq. (42 U.S.C. Section 9601), or (vii) defined as a "regulated substance" pursuant to Subchapter IX, Solid Waste Disposal Act (Regulation of Underground Storage Tanks), 42 U.S.C. Section 6991 et seq.

46. Americans With Disabilities Act. Notwithstanding any other provisions contained in this Lease and with the purpose of superseding any such provisions herein that might be construed to the contrary, it is the intent of Landlord and Tenant that at all times while this Lease shall be in effect that the following provisions shall be deemed their specific agreement as to how the responsibility for compliance (and cost) with the Americans With Disabilities Act and amendments to same ("ADA"), both as to the Premises and the Property, shall be allocated between them, namely:

46.1 Landlord and Tenant agree to cooperate together in the initial design, planning and preparation of specifications for construction of the Premises so that same shall be in compliance with the ADA. Any costs associated with assuring that the plans and specifications for the construction of the Premises are in compliance with the ADA shall be borne by the party whose responsibility it is hereunder to bear the cost of preparation of the plans and specifications. Similarly those costs incurred in the initial construction of the Premises so that same are built in compliance with the ADA shall be included within Tenant's Improvements and handled in the manner as provided for in other Sections of this Lease.

46.2 Modifications, alterations and/or other changes required to and within the Common Areas which are not capital in nature shall be the responsibility of Landlord to perform and the cost of same shall be considered a part of the Building Expenses and treated as such.

46.3 Modifications, alterations and/or other changes required to and within the Common Areas which are capital in nature shall be the responsibility of Landlord and at its cost and expense.

46.4 Modifications, alterations and/or other changes required to and within the Premises (after the initial construction of same), whether capital in nature or non-capital in nature, shall be the responsibility of Tenant and at its cost and expense; unless said changes are structural in nature and result from the original design of the Building, in which instance they shall be the responsibility of Landlord and at its cost and expense.

Each party hereto shall indemnify and hold harmless the other party from any and all liability, loss, cost or expense arising as a result of a party not fulfilling its obligations as to compliance with the ADA as set forth in this Section 46.

47. Several Liability. If Tenant shall be one or more individuals, corporations or other entities, whether or not operating as a partnership or joint venture, then each such individual, corporation, entity, joint venturer or partner shall be deemed to be both jointly and severally liable for the payment of the entire rent and other payments specified herein.

48. Force Majeure. If either party is delayed in performing its obligations hereunder by events outside the scope of its control, including, without limitation, weather conditions, war, labor troubles, moratoria, shortage of supplies (collectively, "Force Majeure Events"), then such party shall notify the other party in writing within thirty (30) days after the occurrence of the Force Majeure Event.

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IN WITNESS WHEREOF, Landlord and Tenant have respectively affixed their hands and seals to this Lease as of the day and year first above written.

WITNESS OR ATTEST:

LANDLORD:
CONSTELLATION REAL ESTATE, INC.,
Agent for Owner

/s/ Karen Singer

By: /s/ Roger A. Waesche, Jr. (SEAL)

Roger A. Waesche, Jr.
Sr. Vice President

WITNESS OR ATTEST:

TENANT:
CONSTELLATION PROPERTIES, INC.

By: /s/ Steven D. Kesler (SEAL)

Name: Steven D. Kesler

Title: Vice President

STATE OF MARYLAND, Howard County, TO WIT:

I HEREBY CERTIFY, that on this 3rd day of August, 1998, before me, the undersigned Notary Public of said State, personally appeared Roger A. Waesche, Jr. who acknowledged himself to be the Vice President of CONSTELLATION REAL ESTATE, INC., a Maryland corporation, 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 on behalf of said corporation for the purposes therein contained as the duly authorized Vice President of said corporation by signing the name of the corporation by himself as such Vice President.

WITNESS my hand and Notarial Seal.

/s/ Pamela Goodman

Notary Public

PAMELA GOODMAN

My Commission Expires: NOTARY PUBLIC STATE OF MARYLAND
My Commission Expires August 21, 2000

STATE OF MARYLAND, County of Harford, TO WIT:

I HEREBY CERTIFY, that on this 31st day of July, 1998, before me, the undersigned Notary Public of said State, personally appeared Steven D. Kesler, known to me (or satisfactorily proven) to be the person whose name is subscribed to the within instrument, and acknowledged himself to be the Vice President of CONSTELLATION PROPERTIES, INC., a Maryland corporation, and that he, as such Vice President, being authorized so to do, executed the foregoing instrument on behalf of said Corporation by himself as such Vice President.

WITNESS my hand and Notarial Seal.

/s/ Janet R. Cunningham

Notary Public

My Commission Expires: May 1, 2000

Janet R. Cunningham, Notary Public
Harford County
State of Maryland
My Commission Expires May 1, 2000

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EXHIBIT "A"
to Agreement of Lease by and between
Constellation Real Estate, Inc., Agent for Owner, Landlord
and Constellation Properties, Inc., Tenant

FLOOR PLAN

[SHOWER AREA - THREE CENTRE PARK]

[FLOOR PLAN OMITTED]

EXHIBIT "A"
to Agreement of Lease by and between
Constellation Real Estate, Inc., Agent for Owner, Landlord
and Constellation Properties, Inc., Tenant

FLOOR PLAN

[FIRST FLOOR - THREE CENTRE PARK]

[FLOOR PLAN OMITTED]

EXHIBIT "B"

to Agreement of Lease by and between
Constellation Real Estate, Inc., Agent for Owner, Landlord
and Constellation Properties, Inc., Tenant

RULES AND REGULATIONS

To the extent that any of the following Rules and Regulations, or any Rules and Regulations subsequently enacted conflict with the provisions of the Lease, the provisions of the Lease shall control.

1. Tenant shall not obstruct or permit its agents, clerks or servants to obstruct, in any way, the sidewalks, entry passages, corridors, halls, stairways or elevators of the Building, or use the same in any other way than as a means of passage to and from the offices of Tenant; bring in, store, test or use any materials in the Building which could cause a fire or an explosion or produce any fumes or vapor; make or permit any improper noises in the Building; smoke in the elevators; throw substances of any kind out of the windows or doors, or down the passages of the Building, in the halls or passageways; sit on or place anything upon the window sills; or clean the windows.

2. Waterclosets and urinals shall not be used for any purpose other than those for which they were constructed; and no sweepings, rubbish, ashes, newspaper or any other substances of any kind shall be thrown into them. Waste and excessive or unusual use of electricity or water is prohibited.

3. Tenant shall not (i) obstruct the windows, doors, partitions and lights that reflect or admit light into the halls or other places in the Building, or (ii) inscribe, paint, affix, or otherwise display signs, advertisements or notices in, on, upon or behind any windows or on any door, partition or other part of the interior or exterior of the Building without the prior written consent of Landlord which shall not be unreasonably withheld. If such consent be given by Landlord, any such sign, advertisement, or notice shall be inscribed, painted or affixed by Landlord, or a company approved by Landlord, but the cost of the same shall be charged to and be paid by Tenant, and Tenant agrees to pay the same promptly, on demand.

4. No contract of any kind with any supplier of towels, water, ice, toilet articles, waxing, rug shampooing, venetian blind washing, furniture polishing, lamp servicing, cleaning of electrical fixtures, removal of waste paper, rubbish or garbage, or other like service shall be entered into by Tenant, nor shall any vending machine of any kind be installed in the Building, without the prior written consent of Landlord, which consent of Landlord shall not be unreasonably withheld.

5. When electric wiring of any kind is introduced, it must be connected as directed by Landlord, and no stringing or cutting of wires shall be allowed, except with the prior written consent of Landlord which shall not be unreasonably withheld, and shall be done only by contractors approved by Landlord. The number and location of telephones, telegraph instruments, electric appliances, call boxes, etc., shall be subject to Landlord's approval. No tenants shall lay linoleum or other similar floor covering so that the same shall be in direct contact with the floor of the Premises; and if linoleum or other similar floor covering is desired to be used, an interlining of builder's deadening felt shall be first affixed to the floor by a paste or other material, the use of cement or other similar adhesive material being expressly prohibited.

6. No additional lock or locks shall be placed by Tenant on any door in the Building, without prior written consent of Landlord. Two keys will be furnished Tenant by Landlord; two additional keys will be supplied to Tenant by Landlord, upon request, without charge; any additional keys requested by Tenant shall be paid for by Tenant. Tenant, its agents and employees, shall not have any duplicate keys made and shall not change any locks. All keys to doors and washrooms shall be

Exhibit "B"-Page 1

returned to Landlord at the termination of the tenancy, and in the event of any loss of any keys furnished, Tenant shall pay Landlord the cost thereof.

7. Tenant shall not employ any person or persons other than Landlord's janitors for the purpose of cleaning the Premises, without prior written consent of Landlord which shall not be unreasonably withheld. Landlord shall not be responsible to Tenant for any loss of property from the Premises however occurring, or for any damage done to the effects of Tenant by such janitors or any of its employees, or by any other person or any other cause.

8. No bicycles, vehicles or animals of any kind shall be brought into or kept in or about the Premises.

9. Tenant shall not conduct, or permit any other person to conduct, any auction upon the Premises; manufacture or store goods, wares or merchandise upon the Premises, without the prior written approval of Landlord, except the storage of usual supplies and inventory to be used by Tenant in the conduct of its business; permit the Premises to be used for gambling; make any unusual noises in the Building; permit to be played any musical instrument in the Premises; permit to be played any radio, television, recorded or wired music in such a loud manner as to disturb or annoy other tenants; or permit any unusual odors to be produced upon the Premises. Tenant shall not permit any portion of the Premises to be used for the storage, manufacture, or sale of intoxicating beverages, narcotics, tobacco in any form, or as a barber or manicure shop.

10. No awnings or other projections shall be attached to the outside walls of the Building. No curtains, blinds, shades or screens shall be attached to or hung in, or used in connection with, any window or door of the Premises, without the prior written consent of Landlord which consent shall not be unreasonably withheld. Such curtains, blinds and shades must be of a quality, type, design, and color, and attached in a manner reasonably approved by Landlord.

11. Canvassing, soliciting and peddling in the Building are prohibited, and Tenant shall cooperate to prevent the same.

12. There shall not be used in the Premises or in the Building, either by Tenant or by others in the delivery or receipt of merchandise, any hand trucks except those equipped with rubber tires and side guards, and no hand trucks will be allowed in passenger elevators.

13. Tenant, before closing and leaving its Premises, shall ensure that all entrance doors to same are locked.

14. Landlord shall have the right to prohibit any advertising by Tenant which in Landlord's opinion tends to impair the reputation of the Building or its desirability as a building for offices, and upon written notice from Landlord, Tenant shall refrain from or discontinue such advertising.

15. Landlord hereby reserves to itself any and all rights not granted to Tenant hereunder, including, but not limited to, the following rights which are reserved to Landlord for its purposes in operating the Building:

(a) the exclusive right to the use of the name of the Building for all purposes, except that Tenant may use the name as its business address and for no other purpose;

(b) the right to change the name or address of the Building, without incurring any liability to Tenant for so doing;

(c) the right to install and maintain a sign or signs on the exterior of the Building;

(d) the exclusive right to use or dispose of the use of the roof of the Building;

(e) the right to limit the space on the directory of the Building to be allotted to Tenant;

Exhibit "B"-Page 2

(f) the right to grant to anyone the right to conduct any particular business or undertaking in the Building.

16. As used herein the term "Premises" shall mean and refer to the "Premises" as defined in Section 1 of the Lease.

17. Tenant shall not operate space heaters or other heating or ventilating equipment without the express prior written consent of Landlord in each instance first obtained. Tenant shall not install or operate any electrical equipment, appliances or lighting fixtures in the Premises which are not listed and labeled by Underwriter's Laboratories or other testing organization acceptable to Landlord.

Exhibit "B"-Page 3

FIRST AMENDMENT TO AGREEMENT OF LEASE

THIS FIRST AMENDMENT TO AGREEMENT OF LEASE (the "Amendment") is made as of this 30 day of December 30, 1998, and is effective as of December 14, 1998, by and between THREE CENTRE PARK, LLC, a Maryland limited liability company ("Landlord"), and CONSTELLATION PROPERTIES, INC., a Maryland corporation ("Tenant").

WITNESSETH:

WHEREAS, Landlord (through its then agent, Constellation Real Estate, Inc.) and Tenant have heretofore entered into that certain Agreement of Lease dated August 3, 1998 (the "Lease"), by the terms of which Landlord leases to Tenant and Tenant rents from Landlord that certain premises containing an agreed upon equivalent of 3,299 square feet of rentable area known as Suites 104 and the second floor "Shower Area" as shown on Exhibit "A" attached to and made a part of the Lease (collectively the "Original Premises"), said areas being located on the first and second floors of Landlord's Building located at 8815 Centre Park Drive, Columbia, Maryland 21045 (the "Building"), all as more particularly set forth in the Lease for a term which expires on April 30, 2001;

WHEREAS, Landlord and Tenant mutually desire to amend the Lease with respect to the size of the Premises and other matters as more particularly set forth below.

NOW, THEREFORE, in consideration of the above Recitals, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Landlord and Tenant agree as follows:

1. Expansion of Premises. The Original Premises shall be increased in size by an agreed upon 985 square feet of rentable area located contiguous to the Original Premises on the first floor of the Building as shown on Schedule "A" attached hereto and made a part hereof (the "Expansion Space"). From and after December 14, 1998, in each instance within the Lease wherein reference is made to the Premises, the same shall be construed to mean the aggregate of the Original Premises and the Expansion Space containing in the aggregate an agreed upon 4,284 rentable square feet of area.

2. Improvement of Expansion Space. Tenant accepts the Expansion Space in "As Is" condition as of the date of this Amendment. If Tenant desires to make improvements to the Expansion Space, Landlord, at Tenant's expense, shall improve the Expansion Space in accordance with the plans and specifications to be agreed upon the Landlord and Tenant.

3. Adjustment to Base Rent. Effective as of December 14, 1998, Tenant shall pay Landlord Annual Base Rent in connection with both the Original Premises and the Expansion Space, as set forth on the schedule below, in advance in equal monthly installments without deduction, setoff or demand:

Period of Term	Annual Base Rent	Monthly Installment of Base Rent
4/20/98 - 12/13/98	\$65,980.00	\$5,498.33
12/14/98 - 4/30/99	\$87,157.44	\$7,263.12
5/1/99 - 4/30/00	\$89,767.32	\$7,480.61
5/1/00 - 4/30/01	\$92,466.00	\$7,705.50

Within fifteen (15) days after receipt of an invoice from Landlord, Tenant shall pay to Landlord an amount equal to that percentage of the monthly Expansion Space Base Rent installment which equals the percentage of such calendar month falling within the Term.

4. Amendment of Definition of "Base Year Building Expenses" and "Base Year Taxes".

4.1 Amendment of Section 5.2.4. Commencing on December 14, 1998, with respect to the Expansion Space only, "Base Year Building Expenses" shall mean the actual Building Expenses incurred by Landlord in calendar year 1999, per rentable square foot of the Building.

4.2 Amendment of Section 5.2.5 Commencing on December 14, 1998, with respect to the Expansion Space only, "Base Year Taxes" shall mean the actual Taxes incurred for the 1999-2000 tax year per rentable square foot of the Building.

5. Ratification of Lease. All other terms, covenants and conditions of the Lease shall remain the same and continue in full force and effect, and shall be deemed

unchanged, except as such terms, covenants and conditions of the Lease have been amended or modified by this First Amendment to Agreement of Lease, and this First Amendment to Agreement of Lease shall, by this reference, constitute a part of the Lease.

WITNESS OR ATTEST:

LANDLORD:
THREE CENTRE PARK, LLC

/s/ Karen [ILLEGIBLE]

By: /s/ Roger A. Waesche, Jr. (SEAL)

Roger A. Waesche, Jr.
Senior Vice President

WITNESS OR ATTEST:

TENANT:
CONSTELLATION PROPERTIES, INC.
a Maryland corporation

/s/ Dawn Novak

By: /s/ Steven D. Kesler (SEAL)

Printed Name: Steven D. Kesler

Title: President

STATE OF Maryland, Cty of Baltimore, TO WIT:

I HEREBY CERTIFY, that on this 31st day of December, 1998, before me, the undersigned Notary Public of said State, personally appeared ROGER A. WAESCHE, JR., who acknowledged himself to be Senior Vice President of THREE CENTRE PARK, 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 Agent by signing the name of the limited liability company by himself as Senior Vice President.

WITNESS my hand and Notarial Seal.

/s/ Zarae Pitts

Notary Public

My Commission Expires: ZARAE PITTS
NOTARY PUBLIC STATE OF MARYLAND
My Commission Expires November 25, 2002

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STATE OF MARYLAND, CITY/COUNTY OF Harford, TO WIT:

I HEREBY CERTIFY, that on this 30th day of December, 1998, before me, the undersigned Notary Public of said State, personally appeared Steven D. Kesler, who acknowledged himself/herself to be President of CONSTELLATION PROPERTIES, INC., a Maryland corporation, known to me (or satisfactorily proven) to be the person whose name is subscribed to the within instrument, and acknowledged that he/she executed the same for the purposes therein contained as the duly authorized President of said corporation by signing the name of the corporation by himself/herself as President.

WITNESS my hand and Notarial Seal.

/s/ Janet R. Cunningham

Notary Public

My Commission Expires: May 1, 2000 Janet R. Cunningham, Notary Public
Herford County
State of Maryland
My Commission Expires May 1, 2000

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First Amendment to Lease
by and between
Three Centre Park, LLC, Landlord
and
Constellation Properties, Inc, Tenant

SCHEDULE "A"

DESCRIPTION OF EXPANSION SPACE

[FLOOR PLAN OMITTED]

PROJECT NUMBER: 0101.9

LOCATION:

7609 Energy Parkway
Baltimore, Maryland 21226
Suite 101, Office and Research

CONSTELLATION PROPERTIES, INC.

TENANT: BALTIMORE GAS AND ELECTRIC COMPANY

DATE: April 27, 1993

PROJECT NO. 0101.9
BRANDON I
SUITE NO. 101

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LEASE AGREEMENT

This Lease Agreement, made this 27th day of April, 1993, by and between
CONSTELLATION PROPERTIES, INC., hereinafter called "Landlord", and BALTIMORE GAS
AND ELECTRIC COMPANY, a Maryland corporation, hereinafter called "Tenant",

W I T N E S S E T H:

1. Premises. In consideration of the mutual promises herein contained, the Landlord hereby rents to the Tenant, and the latter does hereby rent from the former, the premises designated as Suite 101, containing the gross floor area of 7,470 rentable square feet of area as described in Schedule "A" (hereafter called the "Premises" or the "Leased Premises"), and located within the building owned by Landlord located at 7609 Energy Parkway, Baltimore, Maryland 21226 (the "Building").

2. Term. This Lease shall be for a term (the "Lease Term" or "Term") of three (3) years, plus the portion of a calendar month, if any, from the commencement date to the last day of the calendar month in which such commencement date occurs. As used in this Lease, the term "Commencement Date" as advanced or postponed pursuant to the terms hereof, shall be defined as the earliest to occur of, (a) July 1, 1993, (b) Tenant's occupancy of the Premises, or (c) one hundred and twenty (120) days from the full execution of this Lease.

3. Renewal Terms. Provided Tenant is not in default of any term, covenant or condition of this Lease, Tenant shall have the option to extend the Term of this Lease for three (3) additional one (1) year periods (the "First Renewal Term", "Second Renewal Term" and "Third Renewal Term", respectively and sometimes individually referred to as a "Renewal Term") to commence immediately upon the expiration of the then-current Term or Renewal Term, upon the same terms, covenants and conditions contained in this Lease, except that annual Base Rent payable during each Renewal Term shall equal the following dollar amounts, namely:

Renewal Term -----	Annual Base Rent -----	Monthly Installment of Annual Base Rent -----
First Renewal Term	\$44,649.81	\$3,720.82
Second Renewal Term	\$45,989.30	\$3,832.44
Third Renewal Term	\$47,368.98	\$3,947.42

Tenant shall exercise its options to renew the Term of this Lease by delivery of written notice thereof to Landlord at least ninety (90) days prior to the expiration of the then-current Term or Renewal Term. The options to extend the Term of this Lease as herein set forth shall, however, be void if Tenant is not in

possession of the Premises at the time of giving the requisite notice, or if Tenant is in default under any of the Terms of this Lease at that time, or if the Tenant does not deliver the requisite notice within the time period specified above. The options herein granted shall not be severed from this Lease or separately sold, assigned or transferred.

4. Rent. As used in this Lease, the term "Lease Year" shall mean the first twelve (12) month period following the Commencement Date, and each succeeding twelve (12) month period thereafter up to the end of the Term; provided, however, that if the Commencement Date shall occur on a day other than the first day of a calendar month, then the first Lease Year shall include that portion of a calendar month from the Commencement Date to the last day of the calendar month in which the Commencement Date occurs, and shall expire twelve (12) months after the first day of the first full calendar month of the Term.

As rent for the Premises during the Term, Tenant shall pay to Landlord an annual base rent (herein "Base Rent") set forth on the schedule below, in advance, in monthly installments on the first day of each calendar month during each respective Lease Year as set forth below, and without deduction, setoff or demand except as otherwise specifically set forth herein:

Lease Year -----	Annual Base Rent -----	Monthly Installment of Annual Base Rent -----
First Lease Year	\$40,860.90	\$3,405.08
Second Lease Year	\$42,086.73	\$3,507.23
Third Lease Year	\$43,349.33	\$3,612.44

If the Commencement Date shall occur on a day other than the first day of a calendar month, Tenant shall pay Landlord, on the Commencement Date, Base Rent through the first day of the next calendar month equal to the monthly installment of annual Base Rent for the first Lease Year divided by the number of days in that month times the number of days remaining in that month.

5. Additional Rent. Tenant agrees to pay as additional rent Tenant's proportionate share of all common expenses such as, but not limited to, real estate taxes, maintenance, common area expenses, and all risk building insurance. For purposes of computing Tenant's proportionate share of such common expenses, that amount determined by dividing the total actual common expenses paid or incurred by Landlord for the calendar year of 1992 (and the 1992-1993 tax year as to that portion of the common expenses comprised of real estate taxes) by the total number of rentable

square feet within the Building shall be deemed to be the base year charge for the common expenses as described above (which base year charge is included in the annual Base Rent described in Section 4 above). Such common area expenses shall include all costs and expenses that may result from compliance with any governmental laws or regulations that were not applicable to the common areas at the time same were originally constructed. Notwithstanding the foregoing, all expenses which would be considered capital in nature under generally accepted accounting principles shall be excluded from such common expenses. This estimated cost (as reflected in the base year charge for common expenses as set forth above) shall be adjusted annually to reflect actual annual common expenses for the Building's fiscal year and Tenant shall pay its proportionate share of any such adjustment. Said adjustment will be added to or subtracted from the next year's estimated monthly common expenses charge. All other net expenses, such as personal property taxes, gas and electric charges, improvements or betterments assessments and all other taxes or any charges assessed or payable during the Lease term are to be paid by the Tenant. Tenant agrees to forward any and all notices of any assessments promptly to Landlord.

6. Payment, Late Charge, Time of Essence. The Tenant covenants to pay the rent as herein provided without deduction whatsoever, and without any obligation on the Landlord to make demand for it. To any installment of Base Rent and additional rent accruing hereunder and any other sum payable hereunder, if not paid within seven (7) days of the due date, shall be added a late charge of five percent (5%) of the amount overdue for each late payment, and shall bear interest at the rate of eighteen (18%) percent per annum (but not more than the maximum allowable legal rate applicable to Tenant) until paid. Time is of the essence to this Lease.

7. Advance Rent/Security Deposit. Section Intentionally Deleted.

8. Improvements to the Premises.

8.1. Condition of the Premises. By execution of this Lease, Tenant acknowledges that it has inspected the Premises and is hereby accepting the same and all improvements thereon or therein in an "as is" condition and in the configuration as shown generally on the key plan attached hereto as Schedule "A" and by this reference made a part hereof; provided, however, that prior to delivery of possession of the Premises to Tenant, Landlord shall, at Landlord's cost and expense: (i) remove existing ceiling finishes within the Premises; (ii) remove all existing flooring finishes within the Premises leaving the existing concrete

flooring; (iii) perform all repairs and maintenance necessary to restore the heating, ventilating and air conditioning system ("HVAC") existing within the Premises to good working order; (iv) encase the opening for the overhead doors shown on Schedule "A" attached hereto; (v) secure any existing vents to the roof of the Premises with iron bars; and (vi) replace the existing doors within the Premises shown on Schedule "A" with glass panels consistent with the building standard materials used elsewhere within the Premises.

8.2. Delivery of Possession of the Premises. Landlord shall deliver possession of the Premises in the condition specified in Section 8.1 above by that date which is thirty (30) days from the date of execution of this Lease, but in no event later than July 1, 1993.

8.3. Tenant's Improvements. Tenant shall, at its sole cost and expense, complete all improvements and other work to be performed by Tenant to the Premises pursuant to plans and specifications submitted to Landlord and approved in writing by Landlord prior to Tenant's commencement of such work, which approval by Landlord shall not be unreasonably withheld, conditioned or delayed. Tenant shall submit its final plans and specifications for the Premises to Landlord for Landlord's approval no later than April 8, 1993. Unless Tenant shall elect that Landlord shall complete Tenant's improvements to the Premises as hereinafter set forth, Landlord's consent to and/or approval of Tenant's plans and specifications for the aforesaid improvements shall create no responsibility or liability on the part of Landlord for their completeness, design sufficiency, or compliance with all laws, rules, regulations and ordinances of governmental agencies or authorities. Such plans and specifications approved by Landlord shall be hereinafter referred to as the "Final Plans and Specifications." Promptly upon Landlord's approval of Tenant's Final Plans and Specifications, Landlord shall, at Tenant's expense, proceed on behalf of Tenant to secure all necessary building permits to complete the improvements to the Premises described and shown on the Final Plans and Specifications.

Tenant shall secure Landlord's prior written approval to any and all alterations, deviations or modifications to Tenant's Final Plans and Specifications. Prior to commencement of construction, Tenant shall deliver to

Landlord certificates or policies of insurance required for all of Tenant's contractors pursuant to the terms of Section 20 of this Lease. Tenant agrees to keep common areas within the Building and Property free and clear of equipment and building materials and, as far as practical, to confine its activities to the Premises. Tenant shall cause the improvements to

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the Premises to be constructed in a good and workmanlike manner and in accordance with those Final Plans and Specifications approved by Landlord.

All improvements and other items of any nature placed on or installed within the Premises as a part of Tenant's construction and installation of improvements to the Premises described in this Section 8.2 (hereafter "Tenant's Work"), other than trade fixtures and personal property items (including but not limited to Tenant's cubicle partitions), shall become and at all times remain the property of Landlord and, unless otherwise specifically provided in this Lease, shall not be removed from the Premises. If Tenant is in default, Landlord shall have the benefit of any applicable lien on Tenant's property located in or on the Premises as may be permitted under the laws of the State of Maryland, and in the event such lien is asserted by Landlord in any manner or by operation of law, Tenant shall not remove or permit the removal of said property until the lien has been removed and all defaults have been cured. Tenant shall at its sole cost and expense upon the expiration or earlier termination of the Term remove from the Premises Tenant's personal property and trade fixtures and repair and restore any damage to the Premises or Building caused by the installation and/or removal of such personal property and trade fixtures. Tenant shall not do or suffer to be done any act, matter or thing whereby said improvements shall be encumbered or have a lien of any type placed against same. Notwithstanding the foregoing, Landlord hereby acknowledges and agrees to the lien held by Bankers Trust Company, Trustee, under the original indenture dated February 1, 1919, and indentures supplemental thereto. Said improvements constructed or installed within the Premises as a part of Tenant's Work shall at all times while Tenant is in possession of the Premises be maintained, repaired, and/or replaced by Tenant at Tenant's cost and expense. In addition, Tenant agrees that at the expiration or early termination of this Lease, all of said improvements constructed or installed within the Premises as a part of Tenant's Work, except for Tenant's trade fixtures and personal property, shall be surrendered to Landlord in good order and condition, reasonable wear and tear excepted.

Notwithstanding the foregoing and anything contained in this Lease to the contrary, Tenant may elect to have Landlord complete the improvements to the Premises shown on Tenant's Final Plans and Specifications by written notification thereof from Tenant to Landlord given no later than April 15, 1993. If Tenant shall elect to have Landlord complete said improvements, Landlord shall promptly after Tenant's election commence such work and shall diligently prosecute the same to completion. All alterations, modifications, and/or deviations to the Final Plans and Specifications requested by Tenant shall be made in the form of written change orders prepared at Tenant's sole cost and expense

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and submitted by Tenant to Landlord in writing, and shall be subject to the prior approval of Landlord, which approval shall not be unreasonably withheld. The costs of all work performed by Landlord pursuant to Tenant's written change orders approved by Landlord shall include all costs of labor and materials, plus ten percent (10%) for overhead and ten percent (10%) for profit. At Tenant's request, Landlord shall fully cooperate with Tenant to establish such costs or estimates thereof in advance of performing such work. The costs of all work performed by Landlord in completing the improvements to the Premises at Tenant's request pursuant to this Section 8.3 including but not limited to (i) labor and materials for constructing and installing improvements shown on the Final Plans and Specifications, (ii) labor and materials for constructing and installing improvements shown on Tenant's requested and approved written change orders, and (iii) Landlord's overhead and profit charges on change order items in the amounts set forth in the preceding sentence (hereinafter collectively the "Completion Costs"), shall be paid by Tenant. Tenant shall pay such Completion Costs to Landlord as additional rent hereunder within thirty (30) days of the date of Landlord's invoice(s) to Tenant for the same, which invoices shall include reasonably supporting documentation.

8.4. Mechanic's Liens. Tenant shall pay promptly all persons furnishing labor or materials with respect to any work performed by Tenant or its contractors on or about the Premises. In the event any mechanic's or other lien shall at any time be filed against the Premises or Property by reason of work, labor, services or materials performed or furnished, or alleged to have been performed or furnished to Tenant or to anyone holding the Premises through or under Tenant, Tenant shall forthwith cause the same to be discharged of record or bonded to the satisfaction of Landlord. If Tenant shall fail to cause such lien forthwith to be so discharged or bonded after being notified of the filing thereof, then, in addition to any other right or remedy of Landlord, Landlord may discharge the same by paying the amount claimed to be due, and the amount so

paid by Landlord, including reasonable attorney's fees incurred by Landlord either defending against such lien or in procuring the discharge of such lien shall be due and payable by Tenant to Landlord as additional rent hereunder.

9. Care of Premises.

(a) The Tenant agrees that it will maintain, at its sole expense, the Leased Premises, fixtures, and appurtenances, including exterior doors and windows, window frames, hardware and the like, and electric meters, gas meters (if and to the extent such gas meter is installed by or on behalf of Tenant at Tenant's

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cost and expense), plumbing, heating and air conditioning equipment serving the Leased Premises and keep all in good order, clean, and repair throughout the Term of this Lease, and suffer or permit no waste or injury; that at Tenant's sole cost and expense, Tenant will comply with all laws, orders, and regulations of the Federal, State, County and City authorities now in force or which may hereafter be in force, which impose any duty upon Landlord or Tenant with respect to the use, occupancy or alteration of the Premises or any part thereof, and will not, through its own act or neglect, cause any situation to exist in or about the Leased Premises which would constitute a violation of any applicable Federal, State, County or City Code, Regulation or Ordinance governing use, occupancy, health, sanitation or fire pertaining to Tenant's use of the Leased Premises; that it will not do, or permit anything to be done, in the Leased Premises which will in any way increase the rate of fire insurance on the Building, or conflict with the fire insurance policies on the Building; that it will save harmless the Landlord from any liability arising from injury to person or property caused by any act or omission of Tenant, its agents, employees or guests; that it will repair at or before the end of the Term, or sooner if so requested by Landlord, all injury done by the installation or removal of furniture or other property and will surrender the Leased Premises at the end of the Term broom cleaned in as good condition as they were at the beginning of the Term, ordinary wear and tear excepted. In the event of any increase in insurance as a result of the failure of the Tenant to comply with the provisions of the section, the Tenant will pay the amount of such increase as additional rent within thirty (30) days after the Landlord's written demand.

The Landlord, its agents or employees shall be under no liability to the Tenant for any discontinuance of heat, air conditioning or hot water unless due to Landlord's negligence.

(b) Tenant shall not place a load upon any floor of the Leased Premises that exceeds the lesser of (i) floor load per square foot which such floor was designed to carry or (ii) the maximum floor load per square foot allowed by laws. Business machines and mechanical equipment shall be placed and maintained by Tenant, at Tenant's expense, in settings sufficient in Landlord's reasonable judgment to absorb and prevent vibration, noise and annoyance.

(c) There shall be no allowance to Tenant for any diminution of rental value and no liability on the part of Landlord by reason of inconvenience, annoyance or injury to business arising from the making by Landlord, Tenant or others of any repairs in or to the Building or the Leased Premises, or in or to the fixtures,

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appurtenances or equipment thereof. Said repairs shall be made without substantial interference in the Leased Premises.

(d) Tenant shall provide, at its sole expense, janitorial services and trash removal services in compliance with all applicable health and safety codes. Landlord shall supply and maintain a dumpster in the Common Area at all times.

(e) Except for the repairs and replacements that Tenant is required to make pursuant to the terms of this Section 9, Landlord shall make all other repairs and replacements to the structural areas of the Premises, and to the common areas and the Building and Property (including fixtures and equipment) as shall be reasonably deemed necessary by Landlord to maintain the Building and Property. This maintenance shall include the roof, foundation, exterior walls, concrete flooring, gutter downspouts, all other structural components, landscaping, and parking areas. The costs associated with such repairs shall be deemed a part of common expenses set forth in Section 5 hereof (unless such repair or maintenance shall be due to the gross negligence or willful misconduct of Landlord); provided, however, that all of such repairs which would be considered capital in nature under generally accepted accounting principles shall be paid by Landlord.

10. Utilities. Tenant shall, at its own cost and expense, pay all charges when due for utilities for which the Premises is separately metered, including but not limited to electricity and gas. The costs of all other utilities

incurred in the use of the Leased Premises, including but not limited to water and sewerage or any other utility for which the Premises shall not be separately metered, shall be paid by Tenant as additional rent hereunder pursuant to the terms of Section 5 hereof.

11. Use and Occupancy. Tenant shall have reasonable opportunity, provided it does not interfere with Landlord's work, to examine the Premises to determine the condition thereof. Upon taking possession of the Premises, Tenant shall be deemed to have accepted the same and all improvements thereon in an "as is" condition. The Leased Premises are to be used only for general office purposes and for no other purpose. Tenant will not use the Leased Premises for any unlawful purpose; Tenant covenants not to conduct nor permit to be conducted on the Leased Premises any business in violation of the existing Brandon Woods Business Park Rules and Regulations ("Rules and Regulations"), the certificate of occupancy issued for the Premises and Building, or any law of the City and/or County in which the Leased Premises are located or State or Federal law, ordinance or regulation.

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12. Access by Landlord. The Landlord shall retain duplicate keys to all of the doors of the Leased Premises, and the Landlord or his agents shall have access to the Leased Premises upon reasonable advance notice thereof to Tenant at all reasonable hours in order to inspect same, or to make any necessary repairs within the Leased Premises or on said Building. The Landlord shall have the right to show the Leased Premises to prospective tenants at any time during the final six (6) months of the Lease term, providing it does not unduly interfere with the Tenant's use of the Leased Premises. In the event of an emergency, landlord shall have immediate access to the Leased Premises.

13. Subordination. This Lease shall be subject to and subordinate at all times only to the lien of any first mortgage and/or deed of trust and to all advances made or hereafter to be made thereunder. This subordination provision shall be self-operative and no further instrument of subordination shall be required, provided that Tenant shall be entitled to the benefit of this Lease as long as Tenant is not in default.

14. Assignment or Subletting. Tenant shall not assign, mortgage or encumber this Lease, nor sublet the Leased Premises or any part thereof without the prior written consent of the Landlord, which consent of Landlord shall not be unreasonably withheld, conditioned or delayed. In the event of the insolvency or bankruptcy of Tenant, this Lease shall, at the option of the Landlord, terminate forthwith, and this Lease shall not, by operation of law or otherwise, be considered a part of the Tenant's estate.

15. Alterations. The Tenant covenants not to make or permit any alterations, additions or improvements to said Leased Premises without the prior written consent of the Landlord, and all additions and improvements made by Tenant, except only moveable office furniture, and equipment, shall become the property of the Landlord at the termination of this Lease or the vacating of the Leased Premises. Unless such alterations or modifications are made by Landlord on behalf of Tenant, Landlord's consent to or approval of Tenant's plans and specifications for the aforesaid improvements and/or alterations shall create no liability on the part of Landlord for their completeness, design sufficiency, or compliance with all laws, rules and regulations of governmental agencies or authorities.

16. Office Appearance Outside. Tenant shall not display any merchandise, place vending machines or other obstructions outside the Leased Premises, or in any lobby or passageway adjoining the same, nor shall Tenant permit rubbish, refuse or garbage to

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accumulate or a fire hazard to exist about the Leased Premises. All signs will conform to the Rules and Regulations.

17. Damage to Leased Premises. If the Leased Premises are partially damaged by fire or other casualty, not the fault of the Tenant, Landlord shall make repairs as speedily as conveniently possible using the insurance proceeds called for in Section 20. If the damage is so extreme as to render the Leased Premises wholly unfit for occupancy, all rents shall cease until the Leased Premises are put into repair by the Landlord. In the event of total destruction of the Building of which the Leased Premises form a part, or if in the judgment of the Landlord the damage to the Leased Premises cannot be repaired within one hundred twenty (120) days, and if the Landlord shall decide not to restore or repair the same, the Landlord may, within sixty (60) days after such fire or other casualty, by notification to the Tenant, terminate this Lease. In the event the Premises are only partially damaged and fit for occupancy, Tenant shall continue to pay rent, which rent shall be equitably adjusted based upon the portion of the Premises fit for occupancy and use. In no event shall Landlord be liable for any loss or damage sustained by Tenant by reason of fire or other accidental casualty unless caused by Landlord, its agent, employees or

contractors. In the event more than fifty percent (50%) of the Building is destroyed and the Leased Premises is unfit for occupancy, the Tenant may terminate this Lease upon thirty (30) days' prior written notice to the Landlord.

18. Waiver or Breach. No waiver of any breach of the covenants, provisions or conditions contained in this Lease shall be construed as a waiver of the covenant itself or any subsequent breach thereof; and if any breach shall occur and afterwards be compromised, settled or adjusted, this Lease shall continue in full force and effect as if no breach had occurred.

19. Rules and Regulations. Tenant shall comply with the Rules and Regulations as set forth in Schedule "B", which is attached hereto and hereby made a part of this Agreement. Any persistent violation of said Rules and Regulations shall be a violation of this Lease, which shall, subject to the notice provisions of Section 27(b), at the sole option of the Landlord, thereupon cease and terminate, and Tenant shall be liable for all rent (past and future) and other damages to Landlord as provided in Section 27(b), and/or Landlord shall be entitled to any other remedy which it may have at law or in equity and/or otherwise provided for in this Lease.

20. Insurance. Landlord will obtain and will keep in force at Tenant's expense, so long as this Lease remains in effect, all

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risk property insurance for the full replacement value of the Leased Premises.

During the term of this Lease Tenant will maintain and require its contractors and subcontractors to maintain the following forms of insurance:

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|-------|---|---|
| (i) | Commercial General Liability
Including contractual liability | \$2,000,000 combined
single limit on an
occurrence basis |
| (ii) | Business Auto Liability
Including all Owned, Non-Owned,
Hired and Leased Autos | \$2,000,000 combined
single limit |
| (iii) | Workers Compensation
Including U.S. Longshore and
Harbor Workers' Act and Jones
Act, if applicable | Statutory |
| | Employers Liability | \$2,000,000 (each
accident)
\$2,000,000 (disease-
policy limit)
\$2,000,000 (disease-
each employee) |

So long as Baltimore Gas and Electric Company (or a wholly owned subsidiary of Baltimore Gas and Electric Company) shall remain the Tenant under this Lease, Tenant is permitted to self insure all or part of its obligations under this Section in lieu of procuring and maintaining the above insurance policies.

As evidence of the above insurances, Tenant shall file and require its contractors and subcontractors to file with Landlord certificates of insurance. Such certificates shall name Landlord as an additional insured (except workers compensation) and provide that Landlord shall receive sixty (60) days prior written notice of non-renewal, cancellation of or significant modification to any of the above policies.

All insurance shall be placed and maintained with insurers authorized to do business in the state where the Leased Premises are located and who have an A.M. Best rating of A or better unless otherwise approved by Landlord.

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If Tenant fails to comply with its covenants made in this Section or if such insurance should terminate or if Landlord has reason to believe such insurance is about to terminate, Landlord may, at its option and sole judgment, cause such insurance to be issued, and in such event Tenant agrees to pay promptly upon Landlord's demand, as additional rent, the premiums for such insurance.

It shall be the Tenant's responsibility to secure insurance covering Tenant's property interest, such as personal contents within the Leased Premises and improvements and betterments.

21. Indemnity. Tenant will defend, indemnify and save Landlord (except for the negligence of the Landlord, its agent and employees) harmless from and

against any and all claims, actions, damages, liabilities and expenses in connection with loss of life, personal injury and/or damage to property arising from or out of any occurrence in, upon or at the Premises, or the occupancy or use by Tenant of the Premises or any part hereof, or occasioned wholly or in part, by act or omission of Tenant, its agents, contractors, employees or invitees. In case Landlord shall, without fault on its part, be made a party to any litigation commenced by or against Tenant, then Tenant shall protect, defend and hold Landlord harmless and shall pay all costs and expenses incurred by Landlord in connection with such litigation. Tenant shall indemnify and defend Landlord for any damage to any property of Landlord caused by or arising out of or in connection with any act or omission of Tenant, its employees, agents, contractors or invitees, or Tenant's occupancy or use of the Premises or common areas, or any thing, matter or condition of, on or pertaining to the Premises, or any breach by Tenant of any term, covenant or condition of this Lease to be performed or observed by Tenant.

22. Condemnation. In the event the whole or any part of the Leased Premises shall be taken under the power of eminent domain, or sold under threat thereof, or taken in any manner for public use, the Landlord, at its option, may terminate this Lease, which Lease shall then terminate on the effective date of the condemnation or sale. The compensation awarded or paid for such taking, both as to Landlord's reversionary interest and Tenant's interest under this Lease, shall belong to and be the sole property of the Landlord. Tenant shall have no claim against the Landlord or be entitled to any award or damages other than an abatement of the rent beyond the period of termination date and compensation

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paid for moving expenses and/or cost of removal of stock and/or trade fixtures, if allowable by the condemnor.

23. Legal Fees. Where legal proceedings are instituted by either party against the other, the prevailing party in such action shall be entitled to recover from the other party its reasonable attorney's fees, and if such prevailing party shall be Landlord, then Landlord's reasonable attorney's fees shall be paid by Tenant as additional rent hereunder.

24. Covenant to Surrender. This Lease and the tenancy hereby created shall cease and terminate at the end of the original Term hereof, without the necessity of any notice of termination from either Landlord or Tenant, and Tenant hereby waives notice to remove and agrees that Landlord shall be entitled to the benefit of law respecting summary recovery of possession of the Leased Premises from a Tenant holding over to the same extent as if statutory notice was given, provided, however, that this Lease and the tenancy hereby created shall not so cease and terminate at the end of the original Term if the Tenant shall have been granted an option or options to renew and shall be entitled to remain in possession under said option and/or options, and in said event, this Lease and the tenancy hereby created shall cease and terminate at the end of the last option period exercised under the terms of this Lease without the necessity of any notice of termination from either Landlord or Tenant, and the Tenant hereby waives notice to remove and agrees that Landlord shall be entitled to the benefit of law respecting summary recovery of possession of the Leased Premises from the Tenant holding over to the same extent as if statutory notice were given.

25. Holdover Provision. The failure of Tenant to surrender the Leased Premises on the date provided herein for the termination of the Lease term, and the subsequent holding over by Tenant without the express prior written consent of Landlord, shall result in the creation of a tenancy from month to month at a monthly rental of 150% of the base rent payable in the same manner as provided for in this Lease. This provision does not give Tenant any right to hold over at the expiration of the Term. All other terms and conditions of this Lease shall remain in full force during any month to month tenancy hereunder.

26. Quiet Enjoyment. Landlord covenants that, upon the payment of the rent herein provided, and the performance by the Tenant of all covenants herein, Tenant shall have and hold the

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Leased Premises, free from any interference from the Landlord, except as otherwise provided for herein.

27. Tenant Default.

(a) In case of the non-payment of rent at the time provided, and after four (4) days' written notice, or in case the said Leased Premises shall be deserted, or vacated, the Landlord shall have the right to enter the same and distrain for any amount of money that may be due under this Lease, either by necessary force or otherwise, without being liable to any prosecution therefor, and to apply any proceeds to the payment of the rent due or to be due, holding the Tenant liable for any deficiency, unless Landlord is negligent.

(b) It is agreed upon any default on the part of the Tenant of any provision or covenant of this Lease other than the non-payment of rent, the Landlord shall have the right, after ten (10) days' notice to the Tenant (provided that if the Tenant has commenced to repair the Premises within said ten (10) days and proceeds, with due diligence to complete same, it shall not constitute a default), to perform therefore on behalf of the Tenant at the risk and expense of the Tenant and to render a bill for the cost thereof to the Tenant, which shall be payable as rent. Upon failure of the Tenant to pay such bill within ten (10) days after sending such bill to the Tenant at the Leased Premises, the Landlord shall have the same rights against the Tenant (and with reference to the Leased Premises) as it has in the event of non-payment of rent. In addition to the above remedies, the Landlord shall have the right after ten (10) days' written notice of a violation by the Tenant of any of the covenants or provisions on the part of the Tenant contained in this Lease, to reenter and take possession of the Leased Premises without formal notice if the violation has not been corrected within said ten (10) days after notice (provided that if the Tenant has commenced to repair the Premises within said ten (10) days and proceeds, with due diligence to complete same, it shall not constitute a default), and it is further agreed that notwithstanding such reentry, the Tenant shall remain liable for all rent and other damages and losses as of the date of reentry, and shall further be liable, at the option of the Landlord, for the amount of rent reserved under the Lease for the balance of the term, less any amount of rent received by the Landlord during such period from others to whom the Premises may be rented on such terms and conditions and at such rentals as Landlord, in its sole discretion, shall deem proper, all of which shall be at the risk and expense of the Tenant. In addition, Landlord, at its option, shall have the right to repossess the Leased Premises and terminate this Lease.

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(c) In the event Landlord terminates this Lease, under this Section 27, the Landlord may, without further notice, reenter the Leased Premises and dispossess Tenant, the legal representatives of Tenant, or other occupant of the Leased Premises, and remove their effects and hold the Premises as if this Lease has not been made. The Landlord shall also be entitled to the benefit of all provisions of law for the recovery of land and tenements held over by Tenant in Anne Arundel County, Maryland.

(d) It is expressly agreed and understood that the exercise of any one or more of said rights shall not be construed as a waiver of any other rights, it being understood that all of said rights shall be cumulative and may be exercised simultaneously.

28. Notices. All notices from Tenant to Landlord shall be sent by Certified Mail, Return Receipt Requested, and addressed to Landlord at c/o Constellation Real Estate, Inc., Attn: John Harris Gurley, Esquire, 8815 Centre Park Drive, Suite 400, Columbia, Maryland 21045. All notices from Landlord to Tenant shall be sent by Certified Mail, Return Receipt Requested, and addressed to Tenant at Baltimore Gas and Electric Company, 7152 Windsor Boulevard, Baltimore, Maryland 21244, Attention: Claude S. Cohen, Supervisor, Real Estate Operations, with a copy to the Premises. Either party may from time to time designate in writing by Certified Mail, Return Receipt Requested, a substitute address, and thereafter all notices shall be sent to such substitute address.

29. Representations. Landlord or Landlord's agents have made no representations or promises with respect to the said Building or Leased Premises except as herein expressly set forth.

30. Trial by Jury. Landlord and Tenant do hereby waive trial by jury in any action, proceeding or counterclaim brought by either of the parties hereto for the collection or payment of rent or additional rent hereunder.

31. Gender. Reference to masculine, feminine or neuter gender shall include proper gender as the case may be. If more than one Tenant is named herein, the obligations of the persons so named shall be joint and several.

32. Estoppel Certificates. Tenant agrees that at any time and from time to time, upon not less than ten (10) days' prior notice by Landlord, it will execute, acknowledge and deliver to

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Landlord a statement in writing certifying that this Lease is unmodified and in full force and effect (or if there have been modifications) and the dates to which the rent and other charges have been paid in advance, if any, and stating whether or not, to the best knowledge of the signer of such certificate, Landlord is in default in performance of any covenant, agreement or condition contained in this Lease and, if so, specifying each such default of which the signer may have knowledge, it being intended that any such statement delivered hereunder may be relied upon by any third party not a party to this Lease.

33. Covenants, Terms and Conditions. This Lease and the covenants, terms and conditions contained herein shall inure to the benefit of and be binding on

Landlord, provided that if Landlord sells or otherwise transfers title to the Leased Premises, the Landlord shall be relieved of all covenants and obligations hereunder upon completion of such sale or transfer, and it shall be considered that the transferee has assumed and agreed to carry out all of the obligations of the Landlord hereunder. This Lease and the covenants, terms and conditions contained herein shall be binding on and inure to the benefit of Tenant, its successors and assigns, provided the transferor in fact assumes such obligations.

34. Warranties. Tenant will be subrogated to Landlord's claims, if any, against the manufacturer or supplier of any building components or equipment for breach of any warranty or representation and upon written request from Tenant, Landlord shall take all reasonable action requested by Tenant to enforce any such warranty, express or implied, issued on or applicable to any holding component or equipment which is enforceable by Landlord in its own rights, provided, however, that (a) Tenant is not in default under this Lease and (b) Landlord shall not be obligated to resort to litigation to enforce any such warranty unless Tenant shall pay all expenses in connection therewith.

35. Common Areas. Landlord shall keep the common areas in and around the Building in reasonable repair, and it shall substantially clean ice and snow from the parking areas to permit substantial use thereof for the intended purposes, with reasonable diligence under the circumstances.

36. Hazardous Material; Indemnity. Tenant shall not cause or permit any Hazardous Material (as hereinafter defined) to be brought upon, kept, or used in or about the Premises by Tenant, its agents, employees, contractors or invitees, without the prior

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written consent of Landlord (which Landlord shall not unreasonably withhold as long as Tenant demonstrates to Landlord's reasonable satisfaction that such Hazardous Material is necessary or useful to Tenant's business and will be used, kept and stored in a manner that complies with all laws regulating any such Hazardous Material so brought upon or used or kept in or about the Premises). If Tenant breaches the obligations stated in the preceding sentence, or if the presence of Hazardous Material on the Premises caused or permitted by Tenant results in contamination of the Premises, the Building and/or the Property, or if contamination of the Premises, the Building and/or the Property by Hazardous Material otherwise occurs, for which Tenant is legally liable to Landlord for damage resulting therefrom, then Tenant shall indemnify, defend and hold Landlord harmless from any and all claims, judgments, damages, penalties, fines, costs, liabilities or losses (including, without limitation, diminution in value of the Premises, the Building and/or the Property, damages for the loss or restriction on use of rentable or usable space or of any amenity of the Premises, the Building and/or the Premises, damages arising from any adverse impact on marketing of space, and sums paid in settlement of claims, attorneys' fees, consultant fees and expert fees) which arise during or after the Term as a result of such contamination. This indemnification of Landlord by Tenant includes, without limitation, costs incurred in connection with any investigation of site conditions or any cleanup, remedial, removal, or restoration work required by any federal, state or local governmental agency or political subdivision because of Hazardous Material present in the soil or ground water on or under the Building. Without limiting the foregoing, if the presence of any Hazardous Material on the Premises, the Building and/or the Property caused or permitted by Tenant results in any contamination of the Premises, the Building and/or the Property, Tenant shall promptly take all actions at its sole expense as are necessary to return the Premises, the Building and/or the Property to the condition existing prior to the introduction of any such Hazardous Material to the Premises, the Building and/or the Property; provided that Landlord's approval of such actions shall first be obtained, which approval shall not be unreasonably withheld so long as such actions would not potentially have any material adverse long-term or short-term effect on the Premises or the Building.

As used herein, the term "Hazardous Material" means any hazardous or toxic substance, material or waste which is or becomes regulated by any local governmental authority, the State of Maryland or the United States Government. The term "Hazardous

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Material" includes, without limitation, any material or substance that is (i) defined as a "hazardous substance" under the laws of the State of Maryland, (ii) petroleum, (iii) asbestos, (iv) designated as a "hazardous substance" pursuant to Section 311 of the Federal Water Pollution Control Act (33 U.S.C. Section 1321), (v) defined as a "hazardous waste" pursuant to Section 1004 of the Federal Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq. (42 U.S.C. Section 6903), (vi) defined as a "hazardous substance" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Section 9601 et seq. (42 U.S.C. Section 9601), or (vii) defined as a "regulated substance" pursuant to Subchapter IX, Solid Waste

37. Brokers. Tenant represents that Tenant has not dealt with any broker in connection with this Lease, and Tenant warrants that no broker negotiated this Lease or is entitled to any commissions in connection with this Lease. Similarly, Landlord represents that Landlord has not dealt with any broker in connection with this Lease, and Landlord warrants that no broker negotiated this Lease or is entitled to any commissions in connection with this Lease.

38. Separability. If any term or provision of this Lease or the application thereof to any person or circumstances shall, to any extent, be invalid or unenforceable, the remainder of this Lease or the application of such term or provision of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Lease shall be valid and be enforced to the fullest extent permitted by law.

39. Relocation. Section Intentionally Deleted.

40. Captions. All headings anywhere contained in this Lease are intended for convenience or reference only and are not to be deemed or taken as a summary of the provisions to which they pertain or as a construction thereof.

41. Entire Agreement. This writing is intended by the parties hereto as a final expression of their agreement, and is a complete and exclusive statement of its terms, and all negotiations, considerations and representations between the parties hereto are incorporated herein. No course of prior

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dealings between the parties or their affiliates shall be relevant or admissible to supplement, explain, or vary any of the terms of this Lease. Acceptance of, or acquiescence to a course of performance rendered under this Lease or any prior agreement between the parties hereto or their affiliates shall not be relevant or admissible to determine the meaning of any of the terms or covenants of this Lease. Other than as specifically set forth herein, no representations, understandings or agreements have been made or relied upon in the making of this Lease.

42. Recordation. Tenant covenants that it will not, without Landlord's prior written consent, record this Lease or any memorandum of this Lease. If at any time Tenant shall require the recordation of this Lease or any memorandum of this Lease, such recordation shall be at Tenant's expense (including but not limited to any stamps or transfer taxes which may be assessed in connection with such recordation.) If the recordation of this Lease or any memorandum of this Lease shall be required Landlord or by any mortgagee of Landlord's interest in the Premises, such recordation shall be at Landlord's expense (including any stamps or transfer taxes which may be assessed in connection with such recordation.)

43. Tenant's Right of First Refusal. Landlord agrees that during the Term and any extension or renewal thereof, Tenant shall have a continuing right-of-first refusal to lease from Landlord the 1,000 rentable square feet of space contiguous to the Premises and more particularly shown cross-hatched on Schedule C attached hereto and made a part hereof (the "Expansion Space"). At such time and from time to time as Landlord shall enter into meaningful negotiations with a third party to lease all or any portion of the Expansion Space, Landlord shall so notify Tenant to that effect in writing.

Tenant shall exercise the foregoing right-of-first refusal by delivering written notice to Landlord within thirty (30) days of Tenant's receipt of the aforesaid notice from Landlord, said notice from Tenant to indicate: (i) that Tenant agrees to exercise the aforesaid right-of-first refusal to lease the Expansion Space for the balance of the Term as renewed or extended; (ii) that rent for the Expansion Space shall be equivalent to the rent payable by Tenant for the Premises (including rent escalations) computed on a per rentable square basis for the balance of the Term as renewed or extended (without concession, abatement, improvement allowance, set-off or demand except as otherwise specifically set forth herein); (iii) Tenant shall take possession of the Expansion Space

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in an "as is" condition within sixty (60) days of that date on which Tenant exercises its right-of-first refusal for the Expansion Space; and (iv) that the Expansion Space shall be leased on the same terms and conditions as set forth in this Lease. In the event that Tenant exercises the right-of-first refusal granted herein, Landlord and Tenant shall enter into an amendment to this Lease for the Expansion Space within thirty (30) calendar days of receipt by Landlord of Tenant's notice exercising said right-of-first refusal. If Tenant is in default under the terms of this Lease at the time Tenant exercises its right-of-first refusal, or if Tenant declines to exercise its right as provided

above, or if Tenant fails to deliver notice thereof within the thirty (30) day period stipulated above, or if Tenant fails to execute an amendment to this Lease for the Expansion Space within said thirty (30) day period, then in any of such events, this right-of-first refusal as to the Expansion Space shall then lapse and Landlord shall be free to proceed with its meaningful negotiations; provided, however, that this right-of-first refusal shall again be operative at such time as the Expansion Space or any portion thereof shall again for whatever reason become available for Lease.

IN WITNESS WHEREOF, the parties hereto, by the properly authorized persons and with their respective seals attached, have duly executed this Lease the day and year first above written.

ATTEST OR WITNESS:

LANDLORD:

CONSTELLATION PROPERTIES, INC.,
a Maryland corporation

/s/ [ILLEGIBLE]

By: /s/ J. Richard O'Connell (SEAL)

Vice President

ATTEST OR WITNESS:

TENANT:

BALTIMORE GAS AND ELECTRIC COMPANY,
a Maryland corporation

/s/ [ILLEGIBLE]

By: /s/ G.D. Schwartz, Jr. (SEAL)

Title: Vice President

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STATE OF MARYLAND, COUNTY OF Baltimore:

BEFORE ME, a Notary Public of the State of Maryland, in and for the County aforesaid, personally appeared J. Richard O'Connell, Vice President of CONSTELLATION PROPERTIES, INC., a Maryland corporation, and acknowledged that he, as such Vice President, being authorized so to do, executed the foregoing document on behalf of said corporation by signing the name of the corporation by himself as such Vice President.

WITNESS my hand and notarial seal this 27th day of April, 1993.

/s/ Eileen A. Cassell

Notary Public

My Commission Expires: 2/2/94

STATE OF MARYLAND, COUNTY OF Baltimore:

BEFORE ME, a Notary Public of the State of Maryland, in and for the County aforesaid, personally appeared Dowell G. Schwartz, Jr., of BALTIMORE GAS AND ELECTRIC COMPANY, a Maryland corporation, and acknowledged that he, as such Vice President, being authorized so to do, executed the foregoing document on behalf of said corporation by signing the name of the corporation by himself as such Vice President.

WITNESS my hand and notarial seal this 22nd day of April, 1993.

/s/ [ILLEGIBLE]

Notary Public

My Commission Expires: 11-15-93

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Brandon Woods Business Park
Rules and Regulations

1. No improvements, betterments or changes to the Leased Premises including plumbing and electric wiring will be installed without prior written approval of the Landlord and shall be done only by contractors approved by Landlord. The number and location of telephones, telegraph instruments, electric appliances, call boxes, etc., shall be subject to Landlord's approval, which consent shall not be unreasonably withheld.
2. No sign, placard, picture, advertisement, name or notice shall be inscribed, displayed, printed or affixed on or to any part of the outside or inside of the Building without the Tenant's first obtaining the written consent of Landlord which consent of Landlord shall not be unreasonably withheld. Landlord shall have the right to remove any such sign, placard, picture, advertisement, name or notice without notice to and at the expense of Tenant. All approved signs or lettering on doors shall be printed, painted, or affixed or inscribed at the expense of Tenant by a person or company approved by the Landlord. Tenant shall not place anything or allow anything to be placed near or on the glass of any window, door, partition or wall which may appear unsightly from outside the Leased Premises, which consent shall not be unreasonably withheld.
3. No awnings or other projections shall be attached to the outside walls of the Building. No curtains, blinds, shades or screens shall be attached to or hung in, or used in conjunction with, any window or door of the Leased Premises, without the prior written consent of Landlord which consent of Landlord shall not be unreasonably withheld. Such curtains, blinds and shades must be of a quality, type, design, and color, and attached in a manner approved by Landlord.
4. The sidewalks, passages, exits, entrances, and stairways shall not be obstructed by Tenants or used by them for any purpose other than for ingress to and egress from their respective Leased Premises. All passages, exits, entrances, stairways, balconies and roof are not for the use of the general public and the Landlord shall in all cases retain the right to

Schedule B - Page 1

control and prevent access thereto by all persons whose presence, in the sole judgment of the Landlord, shall be prejudicial to the safety, character, reputation and interests of the Building and its Tenants, provided that nothing herein contained shall be construed to prevent such access to persons with whom the Tenant normally deals in the ordinary course of business, unless such persons are engaged in illegal activities. Unless making repairs required to be made under the terms of the Lease to heating ventilation or air conditioning located thereon, neither Tenant nor any employees or invitees of the Tenant shall have access to or go upon the roof of the Building without the prior approval of the Landlord.

5. After regular business hours on weekdays, Saturdays, Sundays, and legal holidays, Tenant, its agents, servants, employees and invitees, shall abide by such security rules and regulations as Landlord may promulgate.
6. A dumpster shall be provided to the Building site by the Landlord for use by the Tenants with the cost to be borne by the Tenants on a pro rata share. Abnormal amounts of trash or garbage generated by either Tenant's initial movement into or occupancy of the Leased Premises, or the purchase of equipment or fixtures placed on the Leased Premises shall be removed by Tenant at its sole cost or expense and shall not be placed in the dumpster provided by Landlord.
7. Tenant shall not make or permit to be made any loud or offensive noises, keep any foul or noxious gas or substance or other disturbances of any kind in the Leased Premises or within the Building. Tenant shall be responsible for insuring that any office equipment and machinery is installed in such a manner as to absorb and prevent the transmission of vibration and noise beyond the confines of the Leased Premises so as not to disturb other tenants in the Building.
8. No additional lock or locks shall be placed by Tenant on any door in the Building, without the prior written consent of Landlord. One key set will be furnished Tenant by Landlord; any additional keys requested by Tenant shall be paid for by Tenant. At his expense, Tenant, its agents and employees, may have duplicate keys made and shall not change any locks. All keys shall be returned to Landlord at the termination of the tenancy. In the event of loss of any keys, at Tenant's

Schedule B - Page 2

- option, Tenant shall pay Landlord the cost of changing locks and replacing keys.
9. The Tenant shall not use any other method of permanent heating or air conditioning than that provided by the Landlord, without first obtaining the written consent of the Landlord.
 10. No animals or birds of any kind shall be kept in or permitted on or about the Leased Premises or any other part of the Building.
 11. No public cooking shall be done or permitted by any Tenant on the Leased Premises, nor shall the Leased Premises be used for washing clothes, lodging or for any improper, objectionable or immoral purposes.
 12. Tenant shall not be permitted to use or keep explosives, kerosene, cleaning fluid or any other illuminating, combustible or explosive material or substance of any kind in the Building or the Leased Premises.
 13. Tenant shall not be permitted to keep food upon the Leased Premises, except in proper containers, cabinets and refrigerators and in strict accordance with all applicable rules, regulations and ordinances of all local health and sanitation authorities.
 14. Tenant shall comply with all Tenant requirements issued and mandated by insurance companies insuring the Building.
 15. Landlord reserves the right to institute energy management procedures when applicable.
 16. No vending, video, amusement machine or machines of any other description shall be installed, maintained or operated upon the Leased Premises or the Building without the prior written consent of the Landlord.
 17. No Tenant shall lay linoleum, tile, carpet or other similar floor covering so that the same shall be affixed to the floor of the Leased Premises or the Building in any manner except as approved by Landlord which approval of Landlord shall not be unreasonably withheld. The expense of repairing any damage resulting from a violation of this Rule, or of removing any floor covering shall be borne and paid for by the Tenant who

Schedule B - Page 3

- violated or permitted the violation of this Rule, whether by its own actions or the actions of its contractors or employees.
18. Canvassing, soliciting and peddling in the Building are prohibited, and Tenant shall cooperate with Landlord to prevent these practices.
 19. There shall not be used in the Leased Premises or in the Building, either by Tenant or by others in the delivery or receipt of merchandise, any hand trucks except those equipped with rubber tires and side guards.
 20. Landlord shall have the right to prohibit any advertising by Tenant (including, but not limited to, advertising concerning liquidation, going out of business sales and the like) which in Landlord's opinion tends to impair the reputation of the Building or its desirability as a building for offices, and upon written notice from Landlord, Tenant shall refrain from or discontinue such advertising.
 21. Landlord hereby reserves to itself any and all rights not granted to Tenant hereunder, including, but not limited to, the following rights which are reserved to Landlord for its purposes in operating the Building:
 - (a) the exclusive right to the use of the name of the Building for all purposes, except that Tenant may use the name as its business address and for no other purpose;
 - (b) the right to change the name or address of the Building, without incurring any liability to Tenant for so doing;
 - (c) the right to install and maintain a sign or signs on the exterior of the Building or within the Building Area;
 - (d) the exclusive right to use or dispose of the use of the roof of the Building;
 - (e) to the extent that Landlord shall hereafter install directory signage for the Building, signage on such directory shall be uniformly and democratically provided to all tenants within the Building; and

- (f) the right to grant to anyone the right to conduct any particular legal business or undertaking in the Building which will not impair the reputation of the Building.
22. The Landlord reserves the right at any time to rescind any one or more of these Rules and Regulations, or to make such other and further reasonable Rules and Regulations as in the Landlord's judgment may, from time to time, be necessary for the safety, care and cleanliness of the Building, Building Area or any part thereof, and for the preservation of the Rules and Regulations set forth herein. All rules shall be enforced fairly and equally by Landlord.
23. Tenant will observe all parking policies of the Landlord including but not limited to:
- (a) parking automobiles in Tenant's designated areas and use of visitors parking as such only;
 - (b) scheduling deliveries of goods and materials at unobtrusive times and places to minimize overall traffic patterns in parking lots;
 - (c) not allowing parking for any extended time of trucks, vans and such vehicles not considered passenger vehicles; and
 - (d) maintain a conscientious, courteous parking etiquette.

Schedule "C"

DESCRIPTION OF EXPANSION SPACE

KEY PLAN

NTS - FIRST FLOOR

[FLOOR PLAN OMITTED]

Schedule "A"
Page 1 of 2

KEY PLAN

NTS - FIRST FLOOR

[FLOOR PLAN OMITTED]

Schedule "A"
Page 2 of 2

[FLOOR PLAN OMITTED]

FIRST AMENDMENT TO LEASE AGREEMENT

THIS FIRST AMENDMENT TO LEASE AGREEMENT ("First Amendment") is made this 9th day of December, 1998 by and between COPT BRANDON, LLC ("Landlord") and BALTIMORE GAS AND ELECTRIC COMPANY, ("Tenant")

WITNESSETH:

WHEREAS, by Lease Agreement dated April 27, 1993 (the "Original Lease") between Constellation Properties, Inc. (the "Original Landlord") and Tenant, the Original Landlord leased to Tenant and Tenant leased from Original Landlord that certain office space containing 7,470 rentable square feet (the "Leased Premises"), and located within the building owned by Original Landlord at 7609 Energy Parkway, Baltimore, Maryland 21226.

WHEREAS, effective September 28, 1998, the Original Landlord assigned all of its right, title and interest in the Original Lease to Landlord.

NOW, THEREFORE, in consideration of the sum of Five Dollars (\$5.00), paid by the Landlord and Tenant, each to the other, the mutual covenants and conditions herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby amend the Lease as follows:

1. Paragraph Numbered 2. - Term:

This Lease Extension shall be for a term ("Term") of 19 months commencing July 1, 1999 and extending through December 31, 2000.

2. Paragraph Numbered 3. - Renewal Terms:

Delete this paragraph in its entirety.

3. Paragraph Numbered 4. - Rent

As rent for the Premises during this extension Term, Tenant shall pay to Landlord an annual base rent (herein "Base Rent") set forth on the schedule below, in advance, in monthly installments on the first day of each calendar month during each respective Lease Year as set forth below, and without deduction, setoff or demand except as otherwise specifically set forth herein:

<TABLE>
<CAPTION>

Lease Year	Annual Base Rent	Monthly Installment of Annual Base Rent
-----	-----	-----
<S>	<C>	<C>
First Lease Year	\$49,302.00	\$4,108.50
Second Lease Year	\$51,274.08	\$4,272.84

4. Paragraph Numbered 28. - Notices

Delete "Attention: Claude S. Cohen, Supervisor, Real Estate Operations" and replace with "Director, Real Estate and Facilities Planning."

5. Except as herein modified or amended, the parties hereto do hereby ratify and confirm the Lease and all terms, covenants and conditions thereof which shall continue in full force and effect. To the extent of any inconsistency between the Lease and this First Amendment, the terms of this First Amendment shall prevail.

IN WITNESS WHEREOF, this First Amendment has been executed the day and year first above written.

WITNESS: COPT. BRANDON, LLC

/s/ Karen [ILLEGIBLE] By: /s/ Roger A. Waesche, Jr. (SEAL)
----- Roger A. Waesche, Jr.
Senior Vice President

ATTEST/WITNESS: BALTIMORE GAS AND ELECTRIC COMPANY

/s/ A. M. Thompson

By: /s/ Stephen C. Roth

(SEAL)

Stephen C. Roth
Director-Real Estate
and Planning

CORPORATE OFFICE PROPERTIES TRUST
SUBSIDIARIES OF REGISTRANT

Delaware

Corporate Office Properties, L.P.
Corporate Office Properties Holdings, Inc.
COPT Acquisitions, Inc.

Maryland

Airport Square II, LLC
Airport Square IV, LLC
Airport Square V, LLC
Airport Square X, LLC
Airport Square XI, LLC
Airport Square XIII, LLC
Airport Square XIV, LLC
Airport Square XIX, LLC
Airport Square XX, LLC
Browns Wharf, LLC
COPT Brandon, LLC
Corporate Gatespring, LLC
Corporate Gatespring II, LLC
Gateway 44, LLC
Lakeview at the Greens, LLC
NBP One, LLC
NBP 131-133-141, LLC
NBP 134, LLC
NBP 135, LLC
St. Barnabus, LLC
Tech Park I, LLC
Tech Park II, LLC
Tech Park IV, LLC
Three Centre Park, LLC
Tred Lightly, LLC
7200 Riverwood, LLC

New Jersey

South Brunswick Investors, L.P.

Pennsylvania

Blue Bell Investment Company, L.P.
Comcourt Investors, L.P.
6385 Flank Drive, L.P.

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-71807 and 333-60379) of our report dated February 24, 1999 appearing on page F-2 of Corporate Office Properties Trust's Annual Report on Form 10-K for the year ended December 31, 1998.

PricewaterhouseCoopers LLP
Washington, DC

March 29, 1999

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<FN>
<F1>REFLECTS NONRECURRING REFORMATION COST OF \$637 ASSOCIATED WITH THE REFORMATION OF THE COMPANY AS A MARYLAND TRUST.
</FN>

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