UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of report (Date of earliest event reported): **April 15, 2004**

CORPORATE OFFICE PROPERTIES TRUST

(Exact name of registrant as specified in its charter)

Maryland	**1-14023**	**23-2947217**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification Number)

8815 Centre Park Drive, Suite 400
Columbia, Maryland 21045
(Address of principal executive offices)

(410) 730-9092
(Registrant's telephone number, including area code)

Item 8.01 Other Events

10150 York Road Acquisition

On April 15, 2004, Corporate Office Properties Trust (the "Company"), through an affiliate of Corporate Office Properties, L.P. (the "Operating Partnership"), acquired a 178,764 square foot office building located in Hunt Valley, Maryland ("10150 York Road").

10150 York Road was acquired for a contract price of $16.5 million and an aggregate cost to the Company of $15.4 million, including transaction costs and credits from the seller for future capital expenditures. The Company paid for this acquisition by borrowing $14.8 million under the Company's revolving credit facility with a group of lenders headed by Wachovia Bank, National Association (the "Wachovia Revolving Credit Facility") and using cash reserves for the balance.

The following schedule sets forth certain information relating to 10150 York Road as of August 31, 2004. In this schedule and the schedules that follow, the term annualized rental revenue is used; annualized rental revenue is computed by multiplying by 12 the sum of monthly contractual base rents and estimated monthly expense reimbursements under active leases in the acquired properties as of August 31, 2004.

Property	Year Built	Rentable Square Feet	Occupancy (1)	Annualized Rental Revenue	Annualized Rental Revenue per Occupied Square Foot (2)	Major Tenants (10% or more of Rentable Square Feet)
10150 York Road	1985	178,764	77.4%	$ 2,407,603	$ 17.40	RewardsPlus of America (52%); All Risk, Ltd. (24%)

(1) This percentage is based on all leases in effect as of August 31, 2004.
(2) This represents the property's annualized rental revenue divided by its occupied square feet as of August 31, 2004.

The following schedule sets forth annual lease expirations for 10150 York Road as of August 31, 2004 assuming that none of the tenants exercise renewal options:

Year of Lease Expiration	Number of Leases Expiring	Square Footage of Leases Expiring	Percentage of Total Occupied Square Feet	Annualized Rental Revenue of Expiring Office Leases (in thousands)	Percentage of Annualized Rental Revenue Expiring	Annualized Rental Revenue of Expiring Leases Per Occupied Square Foot
2005	1	48,718	35.2%	$ 900	37.4%	$ 18.47
2006	1	3,153	2.3%	15	0.6%	4.57
2010	1	43,465	31.4%	772	32.1%	17.77
2011	1	43,038	31.1%	721	29.9%	16.75
Total/Average	4	138,374	100.0%	$ 2,408	100.0%	$ 17.40

Pinnacle Towers Acquisition

The Company is under contract to acquire two buildings totaling 440,102 square feet in McLean, Virginia ("Pinnacle Towers") and expects to complete the acquisition in

September 2004 for a contract price of $112.5 million and an aggregate cost of approximately $106.2 million, including estimated transaction costs, credits from the seller for future capital expenditures and a $1.5 million decreasing adjustment pertaining to the fair value of an assumed mortgage loan.

The Company expects to pay for the acquisition by assuming an existing mortgage loan with a fair value of approximately $62.9 million (and a face value of $64.4 million), borrowing $34.5 million under a new mortgage loan, issuing 352,000 preferred units in the Operating Partnership valued at $8.8 million and using cash reserves for the balance. The preferred units will be convertible into common units in the Operating Partnership, on a basis of 0.5 common units for each preferred unit, and the common units will be redeemable for common shares or cash in accordance with the Operating Partnership's partnership agreement. The preferred units will earn an annual cumulative preferred return of 7.5%, or $1.875 per unit, for the first 15 years following the closing date. The annual cumulative preferred return increases for each subsequent five-year period, subject to certain maximum limits, pursuant to the amendment to the partnership agreement that will be entered into to create the preferred units.

The following schedule sets forth certain information relating to Pinnacle Towers as of August 31, 2004:

Property	Year Built/ Renovated	Rentable Square Feet	Occupancy (1)	Total Annualized Rental Revenue	Total Annualized Rental Revenue per Occupied Square Foot (2)	Major Tenants (10% or more of Rentable Square Feet)
1751 Pinnacle Drive	1989/1995	258,465	95.0%	$ 6,940,654	$ 28.27	PricewaterhouseCoopers (38%); Hunton & Williams (22%); Octagon, Inc. (11%)
1753 Pinnacle Drive	1976/2005	181,637	83.3%	3,517,560	23.24	Wachovia Bank, National Association (83%)
Total/Average		440,102	90.2%	$ 10,458,214	$ 26.35	

(1) This percentage is based on all leases in effect as of August 31, 2004.
(2) This represents the property's total annualized rental revenue divided by that property's occupied square feet as of August 31, 2004.

The following schedule sets forth annual lease expirations for Pinnacle Towers as of August 31, 2004 assuming that none of the tenants exercise renewal options:

Year of Lease Expiration	Number of Leases Expiring	Square Footage of Leases Expiring	Percentage of Total Occupied Square Feet	Annualized Rental Revenue of Expiring Office Leases (in thousands)	Percentage of Annualized Rental Revenue Expiring	Annualized Rental Revenue of Expiring Leases Per Occupied Square Foot
2006	2	98,379	25.1%	$ 2,712	25.9%	$ 27.56
2007	1	2,500	0.6%	99	0.9%	39.65
2009	2	6,753	1.7%	201	1.9%	29.73
2010	4	55,947	14.3%	1,818	17.4%	32.49
2012	2	31,312	8.0%	919	8.8%	29.35
2014	1	22,452	5.7%	667	6.4%	29.73
2018	2	173,944	44.5%	4,042	38.7%	23.24
Other (1)	2	5,615	0.1%	—	0.0%	—
Total/Average	16	396,902	100.0%	$ 10,458	100.0%	$ 26.35

(1) Other consists of property management space.

14280 Park Meadow Drive

The Company is under contract to acquire an office building totaling 114,126 square feet in Chantilly, Virginia ("14280 Park Meadow Drive") for a contract price of $21.7 million and an estimated cost of $22.9 million, including a $1.2 million increasing adjustment pertaining to the fair value of a mortgage loan to be assumed.

The Company expects to complete this acquisition in September 2004 by assuming a mortgage loan with an estimated fair value of $11.1 million (and a face value of $9.9 million), using borrowings of approximately $10.3 million under the Wachovia Revolving Credit Facility and cash reserves for the balance.

The following schedule sets forth certain information relating to 14280 Park Meadow Drive as of August 31, 2004:

Property	Year Built/ Renovated	Rentable Square Feet	Occupancy (1)	Total Annualized Rental Revenue	Total Annualized Rental Revenue per Occupied Square Foot (2)	Major Tenants (10% or more of Rentable Square Feet)
14280 Park Meadow Drive	1999	114,126	100.0%	$ 2,798,655	$ 24.52	Edison Mission Energy (26%); Hamilton Resources (26%); Mantech Integrated Data (26%); (3) AAA Mid-Atlantic, Inc. (12%) (3)
Total/Average		114,126	100.0%	$ 2,798,655	$ 24.52	

(1) This percentage is based on all leases in effect as of August 31, 2004.
(2) This represents the property's total annualized rental revenue divided by that property's occupied square feet as of August 31, 2004.
(3) Mantech Integrated Data subleases the entire 13,348 square feet occupied by AAA Mid Atlantic, Inc. or an additional 12% of the property's square footage

The following schedule sets forth annual lease expirations for 14280 Park Meadow Dive as of August 31, 2004 assuming that none of the tenants exercise renewal options:

Year of Lease Expiration	Number of Leases Expiring	Square Footage of Leases Expiring	Percentage of Total Occupied Square Feet	Annualized Rental Revenue of Expiring Office Leases (in thousands)	Percentage of Annualized Rental Revenue Expiring	Annualized Rental Revenue of Expiring Leases Per Occupied Square Foot
2005	1	2,139	1.9 %	$ 60	2.1 %	$ 28.17
2008	1	9,149	8.0 %	254	9.1 %	27.76
2009	1	13,348	11.7 %	377	13.5 %	28.21
2010	2	59,958	52.5 %	1,458	52.1 %	24.32
2013	1	29,532	25.9 %	650	23.2 %	22.00
Total/Average	6	114,126	100.0 %	$ 2,799	100.0 %	$ 24.52

44420 Pecan Court

The Company is under contract to acquire a property totaling 25,200 square feet (“44420 Pecan Court”) located adjacent to properties that the Company acquired in the Wildewood and Exploration/Expedition Office Parks in St. Mary’s County, Maryland during the first and second quarters of 2004. The Company expects to complete the acquisition in October 2004 for a contract price of $1.8 million and an estimated cost of $1.9 million, including a $120,000 increasing adjustment related to the fair value of an assumed mortgage loan.

The Company expects to finance the acquisition by assuming a mortgage loan with an estimated fair value of $1.2 million (and a face value of $1.1 million) and borrowing under the Wachovia Revolving Credit Facility for the balance.

The following schedule sets forth certain information relating to 44420 Pecan Court as of August 31, 2004:

Property	Year Built/ Renovated	Rentable Square Feet	Occupancy (1)	Total Annualized Rental Revenue	Total Annualized Rental Revenue per Occupied Square Foot (2)	Major Tenants (10% or more of Rentable Square Feet)	Year of Lease Expiration
44420 Pecan Court	1989	25,200	100.0%	$ 143,951	$ 5.71	BAE Systems Applied Technologies (100%)	2005(3)
Total/Average		25,200	100.0%	$ 143,951	$ 5.71		

(1) This percentage is based on all leases in effect as of August 31, 2004.
(2) This represents the property’s total annualized rental revenue divided by that property’s occupied square feet as of August 31, 2004.
(3) The lease is month-to-month; the tenant may terminate with 30 days’ notice but in no event later than December 31, 2005.

Item 9.01. Financial Statements and Exhibits

(a) Financial Statements of Real Estate Operations Acquired

The financial statements of 10150 York Road are included herein. See pages F-16 through F-20.

(b) Financial Statements of Real Estate Operations Acquired

The financial statements of Pinnacle Towers are included herein. See pages F-21 through F-25.

(c) Pro Forma Financial Information

The pro forma condensed consolidated financial statements of the Company are included herein. See pages F-1 through F-15.

(d) Exhibits

Exhibit Number	Description
23.1	Consent of Independent Accountants (PricewaterhouseCoopers LLP).
23.2	Consent of Ernst & Young LLP.
99.1.1	Agreement of Sale, dated February 25, 2004, among Sterling Real Estate Venture I, LLC, Sterling York Manager, LLC and COPT Acquisitions, Inc.
99.1.2	Amendment to Agreement of Sale, dated March 30, 2004, among Sterling Real Estate Venture I, LLC, Sterling York Manager, LLC and COPT Acquisitions, Inc.
99.2	Contribution Agreement, dated August 26, 2004, among the Rubenstein Company, LP, Corporate Office Properties, LP and Corporate Office Properties Trust.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: September 22, 2004

CORPORATE OFFICE PROPERTIES TRUST

By:	/s/ Randall M. Griffin
Name:	Randall M. Griffin
Title:	President and Chief Operating Officer

By:	/s/ Roger A. Waesche, Jr.
Name:	Roger A. Waesche, Jr.
Title:	Executive Vice President and Chief Financial Officer

CORPORATE OFFICE PROPERTIES TRUST
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CORPORATE OFFICE PROPERTIES TRUST
PRO FORMA CONDENSED CONSOLIDATING FINANCIAL INFORMATION

Set forth below are the unaudited pro forma condensed consolidated balance sheet as of June 30, 2004 and the unaudited pro forma condensed consolidated statements of operations for the year ended December 31, 2003 and the six months ended June 30, 2004 of Corporate Office Properties Trust and its consolidated affiliates, including Corporate Office Properties, L.P. (the "Operating Partnership"). Corporate Office Properties Trust and its consolidated affiliates, including the Operating Partnership, are collectively referred to herein as the "Company."

The pro forma condensed consolidated financial information is presented as if the following transactions had been consummated on the earlier of the actual date of consummation or June 30, 2004 for balance sheet purposes and January 1, 2003 for purposes of the statements of operations:

2003 Transactions

The transactions set forth below are collectively referred to herein as the "2003 Transactions."

- The contribution on March 14, 2003 of an office building located in Fairfield, New Jersey ("695 Route 46") into a real estate joint venture in return for $19,960,000 in cash and a 20% ownership interest in the joint venture. The Company used $17,000,000 of the proceeds to pay down the Company's revolving credit facility with Bankers Trust Company (the "Bankers Trust Revolving Credit Facility").

- The issuance of 5,290,000 common shares of beneficial interest ("common shares") on May 27, 2003 for net proceeds of $79,355,000 (the "Common Share Issuance"), of which $63,904,000 was used to fund the acquisition of 13200 Woodland Park Drive discussed below and the balance used to pay down the Bankers Trust Revolving Credit Facility.

- The acquisition on June 2, 2003 of an office building in Herndon, Virginia ("13200 Woodland Park Drive") for $71,449,000 using $63,904,000 of the proceeds from the Common Share Issuance and $7,545,000 in cash escrowed from previous property sales.

- The repurchase of 1,016,662 Series C Preferred Units of the Operating Partnership (the "Series C Preferred Unit Repurchase") on June 16, 2003 for $36,068,000 using $40,000,000 in borrowings under a new mortgage loan. The Bankers Trust Revolving Credit Facility was also paid down by $3,411,000 using borrowings from this mortgage loan.

- The acquisition of five office buildings in Northern Virginia (the "Dulles Tech/Ridgeview Properties") for $75,572,000 on July 25, 2003 using $45,000,000 in borrowings under a new mortgage loan carrying an interest rate of LIBOR plus 200 basis points, $30,555,000 in borrowings under the Bankers Trust Revolving Credit Facility and cash reserves for the balance.

- The issuance of 2,200,000 Series G Preferred Shares of beneficial interest (the "Series G Preferred Share Issuance") on August 11, 2003 for net proceeds of $53,175,000, which was used to pay down the Bankers Trust Revolving Credit Facility.

- The acquisition of a joint venture partner's 20% interest in Gateway 67, LLC ("Gateway 67") for $857,000 on December 30, 2003 using borrowings under the Bankers Trust Revolving Credit Facility. Through this acquisition, the Company acquired two office buildings and an adjacent land parcel located in Columbia, Maryland and assumed an $8,353,000 mortgage loan. Prior to this acquisition, the Company accounted for its investment in the joint venture using the equity method of accounting. Upon completion of this acquisition, Gateway 67, LLC became a consolidated subsidiary of the Company.

- The acquisition of a joint venture partner's 90% interest in NBP 140, LLC ("NBP 140") for $5,351,000 on December 31, 2003 primarily using borrowings under the Bankers Trust Revolving Credit Facility. Through this acquisition, the Company acquired a newly-constructed office building located in Annapolis Junction, Maryland and assumed an $8,117,000 mortgage loan. Prior to this acquisition, the Company accounted for its investment in the joint venture using the equity method of accounting. Upon completion of this acquisition, this entity became a consolidated subsidiary of the Company. The building became operational on December 20, 2003.

2004 Transactions

The transactions set forth below are collectively referred to herein as the "2004 Transactions."

- The acquisition on March 5, 2004 of an office building in Gaithersburg, Maryland ("400 Professional Drive") for $23,196,000, plus $91,000 in deferred financing costs, by assuming a mortgage loan with a fair value of $17,494,000 (and a face value of $16,757,000), borrowing $5,000,000 under the Bankers Trust Revolving Credit Facility and using $793,000 in cash reserves, including $500,000 previously paid as a deposit in 2003.

- The acquisition of ten office buildings and two land parcels in St. Mary's County, Maryland (the "Wildewood Properties") for $66,319,000, plus $41,000 in deferred financing costs, financed by borrowing $54,000,000 under the Company's revolving credit facility with a group of lenders headed by Wachovia Bank, National Association (the "Wachovia Revolving Credit Facility"), assuming three mortgage loans with an aggregate fair value of $11,483,000 (and an aggregate face value of $10,473,000) and using $877,000 in cash reserves, including $500,000 previously paid as a deposit in 2004. We acquired the two land parcels and eight of the office buildings on March 24, 2004 and one of the office buildings on May 5, 2004; we expect to acquire the remaining building in October 2004 (Phase II).

- The acquisition on April 15, 2004 of an office building in Hunt Valley, Maryland ("10150 York Road") for $15,372,000 using $14,764,000 in borrowings under the Wachovia Revolving Credit Facility and $608,000 in cash reserves.

- The pending acquisition of two office buildings in McLean, Virginia ("Pinnacle Towers") for $106,247,000, plus $155,000 in deferred financing costs, by assuming a mortgage loan with a fair value of $62,886,000 (and a face value of $64,379,000), borrowing $34,500,000 under a new mortgage loan, issuing 352,000 preferred units in the Operating Partnership valued at $8,800,000 and using $216,000 in cash reserves. The Company expects to acquire these buildings in September 2004.

This pro forma condensed consolidated financial information should be read in conjunction with the historical financial statements and notes thereto relating to the following entities:

- Corporate Office Properties Trust and its consolidated subsidiaries, included in the Company's Annual Report on Form 10-K for the year ended December 31, 2003 and the Company's Quarterly Reports on Form 10-Q for the three month periods ended March 31 and June 30, 2004;
- 13200 Woodland Park Drive and the Dulles Tech/Ridgeview Properties, both of which are included in the Company's Current Report on Form 8-K filed August 4, 2003;
- 400 Professional Drive and the Wildewood Properties, both of which are included in the Company's Current Report on Form 8-K filed April 13, 2004; and
- 10150 York Road and Pinnacle Towers, both of which are included in this Current Report on Form 8-K.

In management's opinion, all adjustments necessary to reflect the effects of the 2003 Transactions and the 2004 Transactions have been made. This pro forma condensed consolidated financial information is unaudited and is not necessarily indicative of what the Company's actual financial position would have been at June 30, 2004 or what the results of operations would have been for the year ended December 31, 2003 or the six months ended June 30, 2004. The pro forma condensed consolidated financial information also does not purport to represent the future financial position and results of operations of the Company.

Corporate Office Properties Trust
Pro Forma Condensed Consolidated Balance Sheet
As of June 30, 2004
(Unaudited)
(Dollars in thousands)

	Historical Consolidated (A)	Wildewood Properties (Phase II) (B)	Pinnacle Towers (C)	Pro Forma Consolidated
Assets				
Net investments in real estate	$ 1,329,088	$ 6,114	$ 95,254	$ 1,430,456
Cash and cash equivalents	12,202	(57)	(216)	11,929
Other assets	149,399	(42)	11,148	160,505
Total assets	$ 1,490,689	$ 6,015	$ 106,186	$ 1,602,890
Liabilities and shareholders' equity				
Liabilities				
Mortgage loans payable	$ 820,344	$ 6,015	$ 97,386	$ 923,745
Other liabilities	78,687	—	—	78,687
Total liabilities	899,031	6,015	97,386	1,002,432
Minority interests	90,446	—	8,800	99,246
Shareholders' equity				
Preferred shares of beneficial interest	80	—	—	80
Common shares of beneficial interest	341	—	—	341
Additional paid-in capital	552,341	—	—	552,341
Other	(51,550)	—	—	(51,550)
Total shareholders' equity	501,212	—	—	501,212
Total liabilities and shareholders' equity	$ 1,490,689	$ 6,015	$ 106,186	$ 1,602,890

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

Corporate Office Properties Trust
Pro Forma Condensed Consolidated Statement of Operations
For the Year Ended December 31, 2003
(Unaudited)
(Amounts in thousands, except per share data)

	Historical Consolidated (A)	2003 Transactions (B)	400 Professional Drive (C)	Wildewood Properties (D)	10150 York Road (E)	Pinnacle Towers (F)	Other Pro Forma Adjustments	Pro Forma Consolidated
Revenues								
Rental revenue	$ 153,048	$ 7,233	$ 6,245	$ 7,210	$ 1,842	$ 7,263	$ —	$ 182,841
Tenant recoveries and other revenue	21,375	1,027	74	44	183	2,500	—	25,203
Service operations revenues	31,740	—	—	—	—	—	—	31,740
Total revenues	206,163	8,260	6,319	7,254	2,025	9,763	—	239,784
Expenses								
Property operating	51,699	2,924	969	1,430	830	4,458	—	62,310
Depreciation and other amortization	37,122	—	—	—	—	—	9,418 (G)	46,540
Service operations expenses	30,933	—	—	—	—	—	—	30,933
General and administrative	7,893	—	—	—	—	—	—	7,893
Total expenses	127,647	2,924	969	1,430	830	4,458	9,418	147,676
Operating income	78,516	5,336	5,350	5,824	1,195	5,305	(9,418)	92,108
Interest and amortization of deferred financing costs	(43,846)	—	—	—	—	—	(9,027)(H)	(52,873)
Gain on sales of real estate	472	—	—	—	—	—	—	472
Equity in (loss) income of unconsolidated real estate joint ventures	(98)	172	—	—	—	—	—	74
Income tax benefit	169	—	—	—	—	—	—	169
Income (loss) from continuing operations before minority interests	35,213	5,508	5,350	5,824	1,195	5,305	(18,445)	39,950
Minority interests								
Common units	(5,710)	—	—	—	—	—	(263)(I)	(5,973)
Preferred units	(1,049)	1,049	—	—	—	(660)	—	(660)
Income (loss) from continuing operations	28,454	6,557	5,350	5,824	1,195	4,645	(18,708)	33,317
Preferred share dividends	(12,003)	(2,677)	—	—	—	—	—	(14,680)
Net income (loss) from continuing operations available to common shareholders before nonrecurring charges attributable to the Series C Preferred Unit Repurchase	$ 16,451	$ 3,880	$ 5,350	$ 5,824	$ 1,195	$ 4,645	$ (18,708)	$ 18,637
Earnings per share: Basic	$ 0.62							$ 0.65 (B(ii))
Earnings per share: Diluted	$ 0.58							$ 0.61 (B(ii))
Weighted average number of shares:								
Basic	26,659						2,116 (J)	28,775
Diluted	29,261						2,116 (J)	31,377

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

Corporate Office Properties Trust
Pro Forma Condensed Consolidated Statement of Operations
For the Six Months Ended June 30, 2004
(Unaudited)
(Amounts in thousands, except per share data)

	Historical Consolidated (A)	400 Professional Drive (C)	Wildewood Properties (D)	10150 York Road (E)	Pinnacle Towers (F)	Other Pro Forma Adjustments	Pro Forma Consolidated
Revenues							
Rental revenue	$ 92,232	$ 547	$ 1,922	$ 547	$ 6,199	$ —	$ 101,447
Tenant recoveries and other revenue	10,631	13	10	56	320	—	11,030
Service operations revenue	14,217	—	—	—	—	—	14,217
Total revenues	117,080	560	1,932	603	6,519	—	126,694
Expenses							
Property operating	29,686	169	366	247	1,995	—	32,463
Depreciation and other amortization	26,243	—	—	—	—	2,414(G)	28,657
Service operations expenses	13,237	—	—	—	—	—	13,237
General and administrative	4,773	—	—	—	—	—	4,773
Total expenses	73,939	169	366	247	1,995	2,414	79,130
Operating income	43,141	391	1,566	356	4,524	(2,414)	47,564
Interest and amortization of deferred financing costs	(22,135)	—	—	—	—	(3,003)(H)	(25,138)
Gain on sales of real estate	(198)	—	—	—	—	—	(198)
Equity in (loss) income of unconsolidated real estate joint ventures	(88)	—	—	—	—	—	(88)
Income tax expense	(230)	—	—	—	—	—	(230)
Income (loss) from continuing operations before minority interests	20,490	391	1,566	356	4,524	(5,417)	21,910
Minority interests							
Common units	(2,646)	—	—	—	—	(250)(I)	(2,896)
Preferred units	—	—	—	—	(330)	—	(330)
Other partnership units	(8)	—	—	—	—	—	(8)
Income (loss) from continuing operations	17,836	391	1,566	356	4,194	(5,667)	18,676
Preferred share dividends	(8,891)	—	—	—	—	—	(8,891)
Net income (loss) from continuing operations available to common shareholders before nonrecurring charges attributable to the Series C Preferred Unit repurchase	$ 8,945	$ 391	$ 1,566	$ 356	$ 4,194	$ (5,667)	$ 9,785
Earnings per share: Basic	$ 0.29						$ 0.31
Earnings per share: Diluted	$ 0.27						$ 0.30
Weighted average number of shares:							
Basic	31,278						31,278
Diluted	33,239						33,239

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

CORPORATE OFFICE PROPERTIES TRUST
NOTES AND MANAGEMENT'S ASSUMPTIONS TO
PRO FORMA CONDENSED CONSOLIDATING
FINANCIAL INFORMATION
(Dollars in thousands, except share and per share amounts)

1. Basis of Presentation:

Corporate Office Properties Trust and subsidiaries (the "Company") is a fully-integrated and self-managed Maryland real estate investment trust. As of June 30, 2004, the Company's portfolio included 132 office properties, including two owned through joint ventures.

These pro forma condensed consolidated financial statements should be read in conjunction with the historical consolidated financial statements and notes thereto of the Company, 13200 Woodland Park Drive, the Dulles Tech/Ridgeview Properties, 400 Professional Drive, the Wildewood Properties, 10150 York Road and Pinnacle Towers. In management's opinion, all adjustments necessary to reflect the effects of the 2003 Transactions and the 2004 Transactions have been made. This pro forma condensed consolidated financial information is unaudited and is not necessarily indicative of what the Company's actual financial position would have been at June 30, 2004 or what the results of operations would have been for the year ended December 31, 2003 or the six months ended June 30, 2004, nor does it purport to represent the future financial position and results of operations of the Company.

The Company allocates the cost of property acquisitions to the components of those acquisitions based on their respective fair values. The Company's allocations of the acquisitions included in these consolidated financial statements, excluding deferred finance costs, are set forth below:

Acquisition	Land	Building and improvements	Deferred costs	Deferred revenue	Total
13200 Woodlands Park Drive	$ 10,427	$ 49,476	$ 11,546	$ —	$ 71,449
Dulles Tech/Ridgeview Properties	10,931	49,203	15,438	—	75,572
Gateway 67	4,251	8,501	127	—	12,879
NBP 140	3,407	9,241	1,627	—	14,275
400 Professional Drive	3,673	14,691	4,863	(31)	23,196
Wildewood Properties	13,151	48,261	4,958	(51)	66,319
10150 York Road	2,695	10,782	2,289	(394)	15,372
Pinnacle Towers	18,457	76,797	10,993	—	106,247

2. Adjustments to Pro Forma Condensed Consolidating Balance Sheet:

(A) Reflects the historical consolidated balance sheet of the Company as of June 30, 2004.

(B) Reflects the acquisition of the remaining Wildewood Property (Phase II) for $6,569, plus $3 in deferred financing costs, using $2,670 in borrowings under the Wachovia Revolving Credit Facility, an assumed mortgage loan with a fair market value of $3,345 and $557 in cash reserves, including $500 that was paid as a deposit in 2004.

(C) Reflects the acquisition of Pinnacle Towers for $106,247, plus $155 in deferred financing costs, using $34,500 in borrowings under a new mortgage loan, an assumed mortgage loan with a fair market value of $62,886, preferred units in the Operating Partnership issued with a value of $8,800, and $216 in cash reserves.

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

(A) Reflects the historical consolidated operations of the Company for the period presented.

(B) The pro forma adjustments associated with the 2003 Transactions are set forth in the table below. The acquisitions set forth below include (i) historical operations up to the date of acquisition by the Company, as reported in the historical financial statements for such acquisitions, (ii) amortization to rental revenue for the period presented of value associated with in-place operating leases to the extent that future cash flows under the contractual leases are above or below market at the time of the acquisitions and (iii) the effects on minority interests and preferred shares of the equity transactions.

	695 Route 46 (i)	Series C Preferred Unit Repurchase (ii)	13200 Woodland Park Drive (iii)	Series G Preferred Share Issuance (iv)	Dulles Tech/ Ridgeview Properties (v)	Gateway 67 (vi)	NBP 140 (vii)	Total
Revenues								
Rental revenue	$ (623)	$ —	$ 1,912	$ —	$ 5,426	$ 467	$ 51	$ 7,233
Tenant recoveries and other revenue	(86)	—	627	—	383	84	19	1,027
Total revenues	(709)	—	2,539	—	5,809	551	70	8,260
Expenses								
Property operating	(318)	—	1,086	—	1,918	238	—	2,924
Total expenses	(318)	—	1,086	—	1,918	238	—	2,924
Operating (loss) income	(391)	—	1,453	—	3,891	313	70	5,336
Equity in income/losses of unconsolidated entities	17	—	—	—	—	155	—	172
(Loss) income from continuing operations before minority interests	(374)	—	1,453	—	3,891	468	70	5,508
Minority interests	—	1,049	—	—	—	—	—	1,049
Net (loss) income from continuing operations	(374)	1,049	1,453	—	3,891	468	70	6,557
Preferred share dividends	—	—	—	(2,677)	—	—	—	(2,677)
Net (loss) income from continuing operations available to common shareholders before nonrecurring charge attributable to the Series C Preferred Unit repurchase	$ (374)	$ 1,049	$ 1,453	$ (2,677)	$ 3,891	$ 468	$ 70	$ 3,880

(i) Reflects the elimination of the historical operations of 695 Route 46 prior to its contribution into a real estate joint venture on March 14, 2003. Also reflects the Company's share of the joint venture's income prior to the contribution based on (1) the property's historical operations for the period presented, (2) the property's depreciation expense as derived from the joint venture's acquisition costs and (3) the interest expense of the joint venture as derived from the terms of the mortgage loan used to acquire the property from the Company.

(ii) Reflects the effects of the Series C Preferred Unit Repurchase for the period prior to the repurchase on June 16, 2003. Upon completion of the repurchase, the Company recognized a nonrecurring $11,224 reduction to net income available to common

shareholders associated with the excess of the repurchase price over the sum of the recorded book value of the units and the accrued and unpaid return to the unitholder at the time of the repurchase. This reduction to net income available to common shareholders, in turn, decreased the Company's earnings per share basic and earnings per share diluted. The pro forma condensed consolidated statements of operations, including the historical and pro forma earnings per share basic and earnings per share diluted, do not reflect the effect of this reduction to net income available to common shareholders because the reduction is nonrecurring.

(iii) 13200 Woodland Park Drive is a newly-constructed building. The building was 47.2% operational from December 2002 through May 2003 and 100% operational thereafter. The pro forma adjustments reflect the effects of the (1) historical operations of 13200 Woodland Park Drive for the portion of the building that was operational for the period prior to its acquisition and (2) amortization to rental revenue for the period prior to its acquisition of value associated with in-place operating leases to the extent that future cash flows under the contractual leases were above or below market at the time of the acquisitions.

(iv) Reflects dividends on the Series G Preferred Shares prior to their issuance on August 11, 2003. The shares have an aggregate liquidation preference of $55,000 and pay dividends at a yearly rate of 8% of such liquidation preference.

(v) Reflects the effects of the (1) historical operations of the Dulles Tech/Ridgeview Properties prior to their acquisition and (2) amortization to rental revenue for the period prior to the acquisition of value associated with in-place operating leases to the extent that future cash flows under the contractual leases were above or below market at the time of acquisition.

(vi) Reflects the effects of the (1) historical operations of Gateway 67 prior to the acquisition of the joint venture partner's interest and (2) reversal of the Company's share of the losses recorded under the equity method of accounting prior to the acquisition of the joint venture partner's interest.

(vii) NBP 140 is a newly constructed building that was placed into service in late December 2003. The pro forma adjustments reflect the effects of the historical operations of the building prior to the acquisition of the joint venture partner's interest. No income was recorded under the equity method of accounting prior to the acquisition of the joint venture partner's interest since all income was allocable to the joint venture partner under the terms of the joint venture's operating agreement.

(C) Reflects the effects of the (i) historical operations of 400 Professional Drive for the periods presented, (ii) increase in rental revenue of $155 for the twelve months ended December 31, 2003 and $27 for the period in 2004 prior to the acquisition to reflect pro forma straight-line rental revenue adjustments and (iii) decrease in rental revenue of $31 for the twelve months ended December 31, 2003 and $5 for the period in 2004 prior to the acquisition for the amortization of value associated with in-place operating leases to the extent that future cash flows under the contractual leases are above or below market at the time of the acquisition. The property's rental revenue for 2003 includes $3,119 in revenue from the early termination of a lease. Since it is not unusual for owners of real estate to earn such revenue, it is considered to be recurring in nature. The inclusion of this revenue significantly increased pro forma consolidated net income from continuing operations available to common shareholders and pro forma diluted earnings per common share.

(D) Reflects the effects of the (i) historical operations of the Wildewood Properties for the periods presented, (ii) increase in rental revenue of $23 for the twelve months ended December 31, 2003 and decrease of $62 for the period in 2004 prior to the acquisitions to reflect pro forma straight-line rental revenue adjustments and (iii) decrease in rental revenue of $72 for the twelve months ended December 31, 2003 and $30 for the period in 2004 prior to the acquisitions

for the amortization of value associated with in-place operating leases to the extent that future cash flows under the contractual leases are above or below market at the time of the acquisition.

(E) Reflects the effects of the (i) historical operations of 10150 York Road for the periods presented, (ii) increase in rental revenue of $52 for the twelve months ended December 31, 2003 and $15 for the period in 2004 prior to the acquisition to reflect pro forma straight-line rental revenue adjustments and (iii) decrease in rental revenue of $28 for the twelve months ended December 31, 2003 and $0 for the period in 2004 prior to the acquisition for the amortization of value associated with in-place operating leases to the extent that future cash flows under the contractual leases are above or below market at the time of the acquisition.

(F) Reflects the effects of the (i) historical operations of Pinnacle Towers for the periods presented (except for historical interest expense, which is reported in Section H

below), (ii) increase in rental revenue of $335 for the twelve months ended December 31, 2003 and decrease of $118 for the six months ended June 30, 2004 to reflect pro forma straight-line rental revenue adjustments, (iii) decrease in rental revenue of $97 for the twelve months ended December 31, 2003 and $26 for the six months ended June 30, 2004 for the amortization of value associated with in-place operating leases to the extent that future cash flows under the contractual leases are above or below market at the time of the acquisition and (iv) distributions on 352,000 preferred units issued at $25.00 per preferred unit and earning a return of 7.5% per annum.

(G) Pro forma depreciation expense adjustments are reflected on acquisitions based on (i) the portion of the acquisition costs attributable to the building depreciated over a useful life of 40 years and (ii) the value of tenant improvements associated with in-place operating leases depreciated over the remaining lives of the leases. Pro forma amortization expense adjustments are reflected on acquisitions based on (i) the value of leasing costs associated with the remaining term of in-place operating leases amortized over the remaining lives of the leases and (ii) the tenant value associated with acquiring a built-in revenue stream on leased buildings amortized over the estimated amount of time that the associated tenants are expected to remain in the buildings. Pro forma depreciation and amortization expense adjustments on dispositions are reflected based on historical amounts.

(a) Adjustment to depreciation and other amortization expense, net of related historical amounts, as a result of:	For the Year Ended December 31, 2003	For the Six Month Period Ended June 30, 2004
Depreciation Expense:		
695 Route 46	(178)	—
13200 Woodland Park Drive	408	—
Dulles Tech/Ridgeview Properties	1,108	—
Gateway 67	201	—
NBP 140	10	—
400 Professional Drive	839	140
Wildewood Properties	1,648	455
10150 York Road	486	113
Pinnacle Towers	2,929	1,223
Amortization of deferred lease costs related to:		
695 Route 46	(40)	—
13200 Woodland Park Drive	30	—
Dulles Tech/Ridgeview Properties	69	—
Gateway 67	—	—
NBP 140	—	—
400 Professional Drive	52	9
Wildewood Properties	123	30
10150 York Road	42	9
Pinnacle Towers	215	94
Amortization of tenant value related to:		
13200 Woodland Park Drive	156	—
Dulles Tech/Ridgeview Properties	395	—
Gateway 67	7	—
NBP 140	—	—
400 Professional Drive	104	17
Wildewood Properties	276	71
10150 York Road	62	15
Pinnacle Towers	476	238
	$ 9,418	$ 2,414

(H) Pro forma adjustments for additional interest expense resulting from property acquisitions and the Series C Preferred Unit Repurchase are set forth below. Pro forma adjustments are also set forth below for decreases in historical interest expense resulting from property dispositions and other transactions reported herein involving debt repayment. The pro forma adjustments below associated with the Bankers Trust Revolving Credit Facility (carrying

interest at a variable rate of LIBOR plus 175 basis points), the Wachovia Revolving Credit Facility (carrying interest at a variable rate of LIBOR plus 140 basis points) and other variable-rate loans were computed using the weighted average of the rates in effect for the applicable pro forma periods. Pro forma deferred financing cost amortization adjustments are reflected assuming such costs are amortized over the lives of the related loans.

Adjustment to interest expense, net of related historical amounts, as a result of:	For the Year Ended December 31, 2003	For the Six Month Period Ended June 30, 2004
Debt repaid in connection with the sale of 695 Route 46 consisting of $17,000 under the Bankers Trust Revolving Credit Facility	$ (106)	$ —
Debt repaid in connection with the Common Share Issuance consisting of $15,451 under the Bankers Trust Revolving Credit Facility	(193)	—
Borrowing in connection with the Series C Preferred Unit Repurchase consisting of a $40,000 mortgage loan bearing interest at a rate of LIBOR plus 185 basis points; $3,411 of the mortgage loan proceeds was also used to pay down the Bankers Trust Revolving Credit Facility	539	—
Borrowing in connection with the acquisition of the Dulles Tech/Ridgeview Properties consisting of $45,000 under a mortgage loan bearing interest at a rate of LIBOR plus 200 basis points and $30,555 in borrowings under the Bankers Trust Revolving Credit Facility	1,377	—
Debt repaid in connection with the Series G Preferred Share Issuance consisting of $53,175 under the Bankers Trust Revolving Credit Facility	(1,001)	—
Gateway 67 related interest pertaining to the following: (1) debt assumed in the amount of $8,353 bearing interest at a rate of LIBOR plus 185 basis points; and (2) $856 in borrowings under the Bankers Trust Revolving Credit Facility	253	—
NBP 140 related interest from December 20, 2003 to December 30, 2003 (the period that the building was operational prior to the acquisition) pertaining to the following: (1) debt assumed in the amount of $8,117 bearing interest at a rate of LIBOR plus 175 basis points; and (2) $5,344 in borrowings under the Bankers Trust Revolving Credit Facility	12	—
Borrowings in connection with the acquisition of 400 Professional Drive consisting of the following: (1) assumed mortgage loan with a fair value of $17,494 bearing interest at an imputed rate of 5.67%; and (2) $5,000 in borrowings under the Bankers Trust Revolving Credit Facility	1,150	198
Borrowings in connection with the acquisition of the Wildewood Properties consisting of the following: (1) $54,000 in borrowings under the Wachovia Revolving Credit Facility; and (2) assumed mortgage loans with an aggregate fair value of $11,483 bearing interest at imputed rates ranging from 4.71% to 5.10%.	1,979	513
Borrowings in connection with the acquisition of 10150 York Road consisting of $14,764 in borrowings under the Wachovia Revolving Credit Facility	393	108
Borrowings in connection with the acquisition of Pinnacle Towers consisting of the following: (1) $34,500 in borrowings under a mortgage loan bearing interest at a rate of LIBOR plus 135 basis points and (2) an assumed mortgage with a fair value of $62,886 bearing interest at an imputed rate of 5.55% (on which historical interest expense was $2,636 for the year ended December 31, 2003 and $1,516 for the six months ended June 30, 2004)	4,385	2,153
Amortization of deferred financing costs related to:		
Borrowing for Series C Preferred Unit Repurchase and $3,411 pay down of the Bankers Trust Revolving Credit Facility	168	—
Borrowing for 400 Professional Drive	10	2
Borrowings for Wildewood Properties	9	3
Borrowings for Pinnacle Towers	52	26
	$ 9,027	$ 3,003

The pro forma adjustments above reflect an aggregate increase to interest expense. The aggregate pro forma increase to interest expense would increase by an additional $170 for the year ended December 31, 2003 and $45 for the six months ended June 30, 2004 if interest rates on variable-rate debt were 1/8th of a percentage point higher.

The pro forma adjustments resulting from acquisition activity were computed primarily using the effects of initial debt incurred for such acquisitions; such adjustments do not reflect the effect of subsequent changes to the Company's debt, including activity to refinance initially incurred debt. If the pro forma adjustments reflected subsequent refinancings with debt

secured by the properties acquired above, the aggregate pro forma interest expense would increase by an additional $922 for the year ended December 31, 2003 and $0 for the six months ended June 30, 2004. In addition, if the pro forma adjustments reflected the effects of other changes to the Company's debt, the aggregate increase to interest expense could be higher.

(I) Adjustment for minority interests' share of pro forma adjustments made to the Operating Partnership.

(J) Adjustment for the additional common shares outstanding in connection with the Common Share Issuance.

Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying historical summary of revenue and certain expenses of 10150 York Road (the "Property") for the year ended December 31, 2003. This historical summary is the responsibility of the Property's management. Our responsibility is to express an opinion on this historical summary based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the historical summary is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the historical summary. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the historical summary. We believe that our audit provides a reasonable basis for our opinion.

The accompanying historical summary was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission (for inclusion on Form 8-K of Corporate Office Properties Trust) as described in Note 2, and is not intended to be a complete presentation of the Property's revenue and expenses.

In our opinion, the historical summary referred to above presents fairly, in all material respects, the revenue and certain expenses of the Property for the year ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

/s/ PricewaterhouseCoopers LLP
Baltimore, Maryland
August 3, 2004

10150 York Road
Historical Summary of Revenue and Certain Expenses
For the year ended December 31, 2003

Revenue		
Base rents	$	1,818,156
Tenant reimbursements		116,996
Other Income		66,059
Total revenue		2,001,211
Certain expenses		
Property operating expenses		
Property taxes and insurance		222,045
Utilities		285,082
Other operating expenses		173,138
Repairs and maintenance		150,080
Total certain expenses		830,345
Revenue in excess of certain expenses	$	1,170,866

10150 York Road
Historical Summary of Revenue and Certain Expenses
For the three months ended March 31, 2004 and 2003

	Unaudited March 31, 2004		Unaudited March 31, 2003	
Revenue				
Base rents	$	461,452	$	459,595
Tenant reimbursements		30,013		31,473
Other Income		17,740		15,692
		509,205		506,760
Certain expenses				
Property operating expenses				
Property taxes and insurance		55,511		56,979
Utilities		77,449		82,449
Other operating expenses		47,602		48,389
Repairs and maintenance		33,657		40,986
		214,219		228,803
Revenue in excess of certain expenses	$	294,986	$	277,957

10150 York Road
Notes to Historical Summaries
December 31, 2003

1. Business

The accompanying historical summary of revenue and certain expenses relates to the operations of 10150 York Road (the "Property"), consisting of the revenue and certain expenses of one office building totaling 178,764 rentable square feet located in Hunt Valley, Maryland.

2. Summary of Significant Accounting Policies

Basis of Presentation
The accompanying historical summary of revenue and certain expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission in contemplation of Corporate Office Properties Trust acquiring the Properties. The historical summary is not representative of the actual operations of the Property for the period presented nor indicative of future operations as certain expenses, primarily depreciation, amortization, and interest expense, which may not be comparable to the expenses expected to be incurred by Corporate Office Properties Trust in future operations of the Property, have been excluded.

Revenue and Expense Recognition
Revenue is recognized on a straight-line basis over the terms of the related lease. Tenant reimbursement revenue includes payments from tenants as reimbursement for property operating expenses as stipulated in the leases. Expenses are recognized in the period in which they are incurred.

Use of Estimates
The preparation of this historical summary in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates.

Major Tenants
During 2003, 95% of the Property's base rents were earned from one major tenant. Base rent earned from this tenant for the year ended December 31, 2003 was approximately $1,700,000.

3. Rentals

The Property has entered into non-cancelable tenant leases, with expiration dates ranging from 2006 to 2012. The leases provide that tenants will share in operating expenses and real estate taxes on a pro rata basis, as defined in the leases. Future minimum rentals as of December 31, 2003 to be received under these tenant leases are as follows:

2004	$	2,109,000
2005		2,488,000
2006		2,527,000
2007		2,633,000
2008		2,719,000
Thereafter		5,822,000
	$	18,298,000

4. Unaudited Historical Interim Information

The historical summary of revenue and certain expenses for the three months ended March 31, 2004 and 2003 is unaudited. As a result, the interim historical summary should be read in conjunction with the historical summary of revenue and certain expenses and the accompanying notes for the year ended December 31, 2003. The interim historical summary reflects all adjustments which management believes are necessary for the fair presentation of the historical summary of revenue and certain expenses for the interim period presented. These adjustments are of a normal recurring nature. The historical summary of revenue and certain expenses for such interim period is not necessarily indicative of the results for a full year.

Report of Independent Registered Public Accounting Firm

The Board of Directors
The Rubenstein Company, L.P.:

We have audited the accompanying statement of revenue and certain expenses of TRC Pinnacle Towers, L.L.C. for the year ended December 31, 2003. This financial statement is the responsibility of the management of The Rubenstein Company, L.P. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statement of revenue and certain expenses of TRC Pinnacle Towers, L.L.C. was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission, as described in Note 1 to the statement of revenue and certain expenses. The presentation is not intended to be a complete presentation of the revenue and expenses of TRC Pinnacle Towers, L.L.C.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenue and certain expenses of TRC Pinnacle Towers, L.L.C. for the year ended December 31, 2003, on the basis of accounting described in Note 1.

/s/ Ernst & Young LLP
Philadelphia, Pennsylvania
September 9, 2004

TRC Pinnacle Towers, L.L.C.
Statements of Revenue and Certain Expenses
(in thousands)

	For the Year Ended December 31, 2003	For the Six Months Ended June 30, 2004 (Unaudited)
Revenue:		
Rent	$ 7,025	$ 6,343
Tenant reimbursements	2,500	320
Total revenue	9,525	6,663
Certain Expenses:		
Operating costs	1,033	476
Repairs and maintenance	927	252
Real estate and other taxes	678	359
Utilities	903	493
Administrative costs	623	269
Management fees	294	146
Interest expense	2,636	1,516
Total certain expenses	7,094	3,511
Revenue in excess of certain expenses	$ 2,431	$ 3,152

The accompanying notes are an integral part of these financial statements.

TRC Pinnacle Towers, L.L.C.
Notes to Statements of Revenue and Certain Expenses
For the Year Ended December 31, 2003 and
for the Six Months Ended June 30, 2004 (Unaudited)
(in thousands)

(1) Basis of Presentation

The accompanying statements of revenue and certain expenses include the operations for the periods presented of two office buildings known as TRC Pinnacle Towers, L.L.C. located in McLean, VA (the “Properties”) owned and managed by The Rubenstein Company, L.P. and its affiliates (the “Company”).

The Company has entered into a definitive contribution agreement with Corporate Office Properties Trust (the “Purchaser”) to acquire fee title to the Properties for $112.5 million. The Company expects that the sale will occur in September 2004.

The accompanying statements of revenue and certain expenses have been prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission for the acquisition of real estate properties. The statements of revenue and certain expenses are not representative of the actual results of operations of the Properties for the periods presented due to the exclusion of revenue and certain expenses that may not be comparable to the proposed future operations of the Properties, including interest income, depreciation and amortization expense, professional fees, and certain interest expense related to debt not expected to be outstanding after the acquisition.

(2) Summary of Significant Accounting Policies

Revenue Recognition – Minimum rent is recognized on a straight-line basis over the term of the respective leases. Tenant reimbursements are recognized on the accrual basis based upon the estimated costs incurred and billable for the respective lease period.

Use of Estimates – The preparation of statements of revenue and certain expenses in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenue and certain expenses. Actual results could differ from such estimates.

Unaudited Interim Financial Information – The statement of revenue and certain expenses for the six-month period ended June 30, 2004 is unaudited. In the opinion of management, the statement reflects all adjustments necessary for a fair presentation of the results of the interim period. All such adjustments are of a normal recurring nature.

Cost Capitalization – Expenditures for ordinary maintenance and repairs are expensed as incurred. Renovations and improvements that improve and extend the useful life of the assets are capitalized.

(3) Operating Leases

The Properties are leased to various tenants under long-term leases that are accounted for as operating leases. The leases include provisions related to the reimbursement of certain common area maintenance, real estate taxes, utilities and insurance costs by the tenants. The leases generally contain renewal options at various intervals and at various rental rates. Three tenants represented approximately 72% and 64% of rent for the year ended December 31, 2003 and for the six month period ended June 30, 2004, respectively, including Wachovia Bank, NA at 19% and 34%, PricewaterhouseCoopers LLP at 30% and 17% and Hunton & Williams at 23% and 13%, respectively.

The following table presents the minimum rents from significant tenants for the periods ended December 31, 2003 and June 30, 2004:

	December 31, 2003	June 30, 2004
Wachovia Bank NA	$ 1,328	$ 2,140

PricewaterhouseCoopers LLP	$ 2,139	$ 1,091
Hunton & Williams	$ 1,647	$ 842

Minimum rents expected to be received from tenants under noncancelable operating leases in effect as of December 31, 2003, excluding amounts that would be due under renewal options or tenant reimbursements of operating expenses, are as follows:

2004	$ 8,747
2005	8,605
2006	8,360
2007	8,528
2008	8,592
Thereafter	75,993
Total	$ 118,825

(4) Indebtedness

In connection with the acquisition of the Properties, the Purchaser will assume the following existing mortgage note:

Lender	Principal at December 31, 2003	Principal at June 30, 2004	Maturity Date	Interest Rate
TIAA - CREF	$ 58,379	$ 64,535	9/13	5.20%

The debt matures in September 2013 with minimum annual principal payments as of December 31, 2003 due as follows:

Year Ending December 31	
2004	$ 840
2005	885
2006	932
2007	981
2008	1,034
Thereafter	53,707
	$ 58,379

(5) Management Fees and Other Related Party Transactions

The Company manages the Properties under a management agreement that is cancelable with 30 days notice. The Company charges a fee based on gross income, as defined, which generally is at a rate of 3% of cash receipts. The Company also charges for leasing commissions and other services provided for the Properties. Such leasing commissions and related amortization are excluded from the accompanying statements since they were capitalized during the periods presented.

Exhibit 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-85210 and No. 333-108785) and Form S-8 (No. 333-87384, No. 333-88711, No. 333-111736, No. 333-118096 and No. 333-118097) of Corporate Office Properties Trust of our report dated August 3, 2004, relating to the historical summaries of revenue and certain expenses of 10150 York Road, which appear in this Form 8-K.

/s/ PricewaterhouseCoopers LLP

Baltimore, MD
September 22, 2004

Exhibit 23.2

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements of Corporate Office Properties Trust on Form S-3 (File Nos. 333-108785 and 333-85210) and Form S-8 (File Nos. 333-87384, 333-88711, 333-111736, 333-118096, and 333-118097) of our report dated September 9, 2004 with respect to the statement of revenue and certain expenses of TRC Pinnacle Towers, L.L.C. for the year ended December 31, 2003 included in the Current Report on Form 8-K dated April 15, 2004 and filed with the Securities and Exchange Commission.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania
September 21, 2004

Exhibit 99.1.1

Date of Last Revision:
02/20/04

AGREEMENT OF SALE

by and between

STERLING REAL ESTATE VENTURE I, LLC and

STERLING YORK MANAGER, LLC

Seller

and

COPT ACQUISITIONS, INC.,

Buyer

AGREEMENT OF SALE

THIS AGREEMENT OF SALE ("*Agreement*") made this 25th day of February, 2004 (the "*Effective Date*") by and between STERLING REAL ESTATE VENTURE I, LLC ("SRVI"), a Delaware limited liability company, and STERLING YORK MANAGER, LLC ("SYM"), a Delaware limited liability company (collectively referred to herein as *"Seller"*), having an office at 1033 Skokie Blvd., Suite 600, Northbrook, Illinois 60062, and COPT ACQUISITIONS, INC. (*"Buyer"*), a Delaware corporation, having an office at 8815 Centre Park Drive, Suite 400, Columbia, Maryland 21045.

R E C I T A L S

A. STERLING YORK, LLC, a Delaware limited liability company (the "Company") owns certain real and personal property situate in Baltimore County, Maryland, constituting the Property (as hereinafter defined).

B. Buyer intends to acquire ownership of the Company and its property by means of a conveyance to Buyer of all of the member interests in the Company.

C. Seller owns, or will own by Closing, one hundred percent (100%) of the member interests in the Company (collectively, the "**Member Interests**").

D. Seller has agreed to such request, on the terms and conditions and as more particularly set forth herein below.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

W I T N E S S E T H

1. Sale and Purchase of Member Interests. Seller hereby agrees to sell and convey to Buyer, and Buyer hereby agrees to purchase from Seller, upon the terms and conditions hereinafter set forth, the Member Interests.

2. Property.

(a) Real Property. That certain lot or parcel of real property located in Hunt Valley, Maryland, and commonly known as 10150 York Road, Hunt Valley, Maryland, which is more particularly described on Exhibit "A" hereto, together with all rights and appurtenances pertaining to such land, including, without limitation, all of the Company's right, title and interest, if any, in and to (i) all minerals, oil, gas, and other hydrocarbon substances thereon, (ii) all adjacent strips, streets, roads, alleys and rights-of-way, public or private, open or proposed, (iii) all easements, privileges, and hereditaments, whether or not of record, and (iv) all access, air, water, riparian, development, density, utility, and solar rights (the "Land"), all other improvements and structures situate on the Land, including, without limitation that certain four-

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story office building containing approximately 180,000 net rentable square feet (the "Improvements" and together with the Land, the *"Premises"*);

(b) Personal Property. The fixtures, furnishings, equipment and other items of personal property owned by Seller and located on, and used in connection with the operation of, the Premises, including, without limitation the items listed on Exhibit "B" hereto (collectively, the *"Personal Property")*;

(c) Contract Rights. Any and all rights and obligations of Seller under the Existing Leases (as hereinafter defined) and the Existing Agreements (as hereinafter defined) (collectively, the *"Contract Rights")*;

(d) Condemnation and Hazard Proceeds. All condemnation or hazard insurance proceeds paid or payable in connection with any portion of the Land or Improvements due to a condemnation presently pending or subsequently occurring or any casualty to any portion of the Land or Improvements occurring after the date of this Agreement (except to the extent applied to repair or to restore portions of the Land or Improvements prior to Closing and subject to the provisions of Paragraph 17 hereof) (all of the foregoing being hereinafter collectively referred to as the "*Proceeds*", and together with the Premises and the Personal Property, the *"Property"*); and

(e) Related Materials. To the extent transferable and in the possession of Seller or Seller's property manager, trademarks, trade names, plans and specifications, construction warranties and guaranties, licenses, permits, guaranties, if any, and like personal property which directly relate to the Property.

3. Purchase Price. The purchase price to be paid by Buyer to Seller for the Premises and the Personal Property is the sum of SIXTEEN MILLION NINE HUNDRED FIFTY THOUSAND AND N0/100 DOLLARS ($16,950,000.00) (the *"Purchase Price"*), adjusted in accordance with Paragraph 7 hereof. The Purchase Price shall be paid as follows:

(a) Deposit. On the Effective Date of this Agreement, Buyer shall deposit the sum of Two Hundred Fifty Thousand and No/100 Dollars ($250,000.00) (the *"First Deposit"*) in immediately available funds, with Anchor Title Insurance Company (sometimes called the *"Escrowee"* or the *"Title Company"*). On

or before the expiration of the Inspection Period, unless Buyer terminates this Agreement as provided in Paragraph 19(c) below, Buyer shall deposit an additional non-refundable sum of Two Hundred Fifty Thousand and No/100 Dollars ($250,000.00) (the *"Second Deposit"*), in immediately available funds, with the Escrowee. The First Deposit and the Second Deposit, together with any interest accrued thereon, are hereinafter referred to as the *"Deposit"*. Notwithstanding anything contained herein to the contrary, upon payment of the Second Deposit, the Deposit and any interest accrued thereon shall be deemed non-refundable to Buyer in all events, except in the event of a Seller default as specifically provided herein.

(b) Closing Payment. At Closing, Buyer shall pay the balance of the Purchase Price (after crediting the amount of the Deposit against the Purchase Price) to Seller either directly or, if the Closing occurs in escrow with the Title Company, through the Title Company,

by wire transfer of immediate federal funds, to accounts specified in writing at least two (2) business days before Closing by Seller at a bank designated by Seller.

4. Escrow of Deposits.

(a) Escrowee acknowledges its receipt of the First Deposit, and Escrowee agrees to hold the same, together with such other sums constituting the Deposit if and when made, as escrowee, in strict compliance with the provisions of this Paragraph 4 and in a federally-insured money market or other interest-bearing account, certificate of deposit, or other instrument with or issued by a Maryland or federally chartered banking or savings institution. It is expressly acknowledged by Seller and Buyer that Escrowee shall be permitted and obligated to escrow the Deposit with a federally-insured institution as aforesaid, but each of Seller and Buyer recognizes and agrees that the limits of such insurance may be less than the total amount of the Deposit and that Escrowee shall not be required to spread the Deposit among different institutions in order to fall within the federal insurance coverage limitations.

(b) The parties and Escrowee agree that the Deposit so held by Escrowee, principal and interest, shall be applied as follows:

(i) If Closing is held, the Deposit so held shall be paid over to Seller and the principal amount so paid shall be credited to the Purchase Price.

(ii) If Closing is not held solely by reason of Buyer's default, the Deposit shall be paid over to Seller and shall be retained by Seller as provided for in Paragraph 15(a) below.

(iii) If Closing is otherwise not held for any reason other than a default of Buyer, the Deposit shall, at the option of Buyer, be paid over to Buyer for use and application by Buyer as permitted by Paragraph 15(b) below.

(c) If Buyer elects to terminate this Agreement prior to the expiration of the Inspection Period pursuant to Paragraph 19(c), Escrowee shall pay the entire Deposit, together with all interest accrued thereon, to Buyer within one (1) business day following receipt of the Termination Notice (as defined in Paragraph 19(c) of this Agreement) from Buyer. No notice to Escrowee from Seller shall be required for the release of the Deposit to Buyer by Escrowee if Buyer terminates this Agreement pursuant to Paragraph 19(c). In the event of a termination of this Agreement by either Seller or Buyer for any reason, excluding a termination pursuant to Paragraph 19(c), Escrowee is authorized to deliver the Deposit to the party hereto entitled to same pursuant to the terms hereof on or before the tenth (10th) business day following receipt by Escrowee and the non-terminating party of written notice of such termination from the terminating party, unless the other party hereto notifies Escrowee that it disputes the right of the other party to receive the Deposit. In such event, Escrowee may interplead the Deposit into a court of competent jurisdiction in the county in which the Deposit has been deposited. All reasonable attorneys' fees and costs and Escrowee's costs shall be assessed against the party that is not awarded the Deposit, or if the Deposit is distributed in part to both parties, then in the inverse proportion of such distribution.

(d) Escrowee and its officers, directors, partners and employees are acting as agents only, and will in no case be held liable either jointly or severally to either party for the performance of any term or covenant of this Agreement or for damages for the nonperformance hereof, except for the negligence or willful misconduct of Escrowee and its employees and agents, nor shall Escrowee be required or obligated to determine any questions of fact or law. Escrowee's only responsibility hereunder shall be for the safekeeping of the Deposit and the full and faithful performance by Escrowee of the duties imposed by this Paragraph 4.

5. Closing. The closing of the transfers contemplated hereby (the *"Closing"*) shall be held and completed on or before the date which is fifteen (15) days after the expiration of the Inspection Period (the *"Closing Date"*), through an escrow with the Title Company or in another mutually agreeable manner and location. Time shall be of the essence in respect of the Closing Date, except as provided in Paragraph 5(b)(1) below.

6. Condition of Title.

(a) Title to Premises. Fee simple title to the Premises shall be held by the Company at Closing, subject only to the Permitted Encumbrances (as hereinafter defined). Title to the Premises shall be such as will be insured by the Title Company without special premium pursuant to the standard stipulations and conditions of the most current standard ALTA form of Owner's Title Insurance Policy in use in the State of Maryland, free and clear of all liens and encumbrances, except for the Permitted Encumbrances. The term *"Permitted Encumbrances"* shall mean (i) the Existing Leases in effect as of the Closing Date, (ii) the additional matters affecting the Premises as set forth on Exhibit "C" attached hereto, and (iii) any matters deemed to be Permitted Encumbrances pursuant to Paragraph (b) of this Paragraph 6. Title to the Personal Property, if any, shall also be subject to the Permitted Encumbrances, to the extent applicable.

(b) Objections to Title. Seller has provided to Buyer copies of its existing title policy for the Premises (the "*Old Title Policy*") and the most recent ALTA survey in its possession (the "*Old Survey*"). Buyer may notify Seller in writing (the "*Title Notice*") on or before the expiration of the Inspection Period as described in Paragraph 19(c) hereof of its objection to any matters reflected by the Old Title Policy or Old Survey, or any matter reflected by any new or updated title commitment ("*New Title Commitment*") or any new or updated survey ("*New Survey*") that may be obtained by Buyer. If the Title Notice includes objections reflected by a New Title Commitment or New Survey, Buyer shall include a copy of the New Title Commitment and/or New Survey in the Title Notice. Unless objected to by Buyer pursuant to a Title Notice timely given to Seller, (i) any matters reflected by the Old Title Policy or Old Survey, and (ii) any matters reflected by any New Title Commitment or New Survey, and (iii) any matters which would have been reflected by a New Title Commitment or New Survey had they been obtained prior to the expiration of the Inspection period, shall all be deemed to be Permitted Encumbrances hereunder. Seller shall have no obligation to cure any alleged defect, objection or survey matter raised in the Title Notice, other than mortgage liens and judgments. Seller shall have the right, at its sole option, upon written notice to Buyer ("Seller's Cure Notice") within ten (10) days of Buyer's Title Notice, to (1) defer the Closing for a period not exceeding thirty (30) days after the Closing Date to give Seller an opportunity, at Seller's sole option, of removing any encumbrance or other title exception or matter which is not a Permitted

Encumbrance, in which event Seller shall be obligated to remove such encumbrance or title objection or (2) elect not to take such action as provided in subparagraph (1), in

which event Buyer shall have the election set forth in Paragraph (c) of this Paragraph 6. Failure by Seller to deliver Seller's Cure Notice shall be deemed an election under subparagraph (2) above.

(c) Failure of Title. If after the expiration of the Inspection Period and before the Closing Date, Buyer objects to any new matter of title to the Premises disclosed on any update to the New Title Commitment, provided the New Title Commitment was obtained by Buyer and a copy thereof was sent to Seller prior to the expiration of the Inspection Period, and, other than the objections that Seller is obligated to cure, Seller does not elect to cure same as provided in Paragraph (b)(1) above, Buyer may elect, as its sole right and remedy by reason thereof, within five (5) days of Seller's Cure Notice either (i) to continue with the transactions contemplated by this Agreement, with no abatement of the Purchase Price or (ii) upon written demand by Buyer to Seller and Escrowee, to terminate this Agreement and receive the return of the Deposit. Upon the return of the Deposit, this Agreement shall be and become null and void, neither party shall have any further rights or obligations hereunder (except for any obligations of either party which by their terms expressly survive the cancellation of this Agreement).

(d) Non-Imputation Affidavit. Upon request by Buyer, Seller shall execute an affidavit/indemnity in form approved by Seller and Seller's counsel in favor of the Title Company to obtain a "non-imputation endorsement" in Buyer's final policy of title insurance, all at Buyer's sole cost and expense.

7. Apportionments.

(a) (i)Generally. (1) Real estate taxes for the real estate tax year in which the Closing occurs and annual municipal or special district assessments (on the basis of the actual fiscal tax years for which such taxes are assessed), (2) lienable water and sewer rentals, (3) sums paid to or paid or payable by Seller under the Existing Agreements, (3) license, permit and inspection fees and rentals and (4) other sums paid to and received by Seller under the Existing Leases shall be apportioned as of the Closing Date between Buyer and Seller. For purposes of this Paragraph 7, "apportioned as of the Closing Date" shall mean as of midnight of the day preceding the Closing Date.

(ii) Rent. Rent, including, without limitation, fixed rent, prepaid rent, additional rent and percentage rent, if applicable, shall be apportioned as of the Closing Date in accordance with the provisions of this Paragraph 7. With respect to any rent arrearages arising under the Existing Leases for the period prior to the Closing Date, all rent collected by Buyer during the twelve (12) month period after Closing shall be applied first to the current month's rent, then to unpaid rent accruing on or after the Closing Date, and then to unpaid rent accruing prior to the Closing Date. During the twelve (12) month period following Closing, Buyer shall use good faith commercially reasonable efforts to recover any rent (or other tenant charge) arrearages in respect of the period prior to the Closing Date, provided that Buyer shall not be required to incur any material cost or commence any legal proceeding in connection therewith. Seller (upon notification to Buyer) shall be entitled to sue a tenant, before Closing, for any delinquent rent (or other tenant charges) due to Seller (and not previously paid to Seller) under

an Existing Lease. Seller agrees not to commence any actions against any tenants subsequent to Closing unless such tenants have vacated the Property.

(iii) Leasing Costs. Subject to Paragraph (d) of this Paragraph 7, Seller shall pay for or provide, at Seller's option, Buyer with a closing credit with respect to any unpaid portion of leasing commissions and tenant costs (including, without limitation, any tenant improvement costs, moving costs, design costs incurred by the tenant, lease buyout costs and similar tenant inducement costs required to be paid by Seller pursuant to an Existing Lease) in connection with Existing Leases (and renewals, extensions or expansions thereof) including, but not limited to, that certain Lease Agreement between Seller, as landlord, and All Risks, Ltd., as tenant, dated August , 2003, and modifications of Existing Leases entered into (or, in the case of renewals, extensions and expansions, exercised) prior to the Effective Date, and Seller shall indemnify, defend and hold Buyer harmless with respect thereto. All leasing commissions and tenant costs with respect to renewals, extensions or expansions entered into after the Effective Date of Existing Leases and modifications of Existing Leases entered into (or, in the case of renewals, extensions and expansions, exercised) on or after the Effective Date, in accordance with this Agreement shall be the responsibility of Buyer (or allocated between Seller and Buyer if for less than one year). All leasing commissions and tenant costs with respect to new leases entered into after the Effective Date in accordance with this Agreement shall be the responsibility of Buyer and Buyer shall indemnify, defend and hold Seller harmless with respect thereto.

(iv) Other Tenant Charges. Where the Existing Leases contain tenant obligations for taxes, common area expenses, operating expenses or additional charges of any other nature, and where Seller shall have collected any portion thereof in excess of amounts owed by tenants for such items with respect to the period prior to the Closing, then there shall be an adjustment and credit given to Buyer on the Closing Date for such excess amounts collected, if any. Buyer shall apply all such excess amounts to the charges owed by tenants for such items for the period after the Closing Date and, if required by the Existing Leases, shall rebate or credit the tenants with any remainder. As and when Buyer receives each such amount, Buyer shall pay to Seller an amount payable by tenants on account of taxes, common area expenses, operating expenses and additional charges of any kind with respect to periods prior to Closing to the extent such amounts have been incurred but have not yet been billed to tenants. In the event that any tenant shall, following Closing, seek to audit or to challenge Seller's calculation of rent or additional rent actually paid by such tenant during the period of Seller's ownership of the Property, to the extent such reimbursement is required under the lease, Seller shall reimburse such tenant to the extent of any over-payment of rent or additional rent actually received by Seller, together with any applicable interest or other costs set forth in such tenant's lease.

(v) Other Apportionments. Amounts payable under the Existing Agreements and other Premises income and operation and maintenance expenses and other recurring costs shall be apportioned as of the Closing Date.

(vi) Taxes and Assessments. At Closing real estate taxes for the current 2003/2004 tax period shall be apportioned pro rata on and as of the Closing Date based on the most recent tax bills. If, on the date of Closing, bills for the real estate taxes imposed upon the Premises for the real estate tax year in which Closing occurs have been issued but shall

not have been paid, such taxes shall be paid at the time of Closing, and Seller shall be responsible for all applicable late charges, if any.

(vii) Contract Arrearages. Any payments received by Buyer after the date of Closing under any of the Existing Agreements on account of payments which, when made, were identified as being applicable to periods prior to Closing shall be apportioned by Buyer upon receipt and the portion thereof attributable to periods prior to Closing shall immediately be paid by Buyer to Seller.

(viii) Accounting. From the Closing Date until the earlier to occur of (x) the expiration of twelve (12) months from the date of Closing or (y) such time as Seller shall have received in full all sums which are potentially payable to it on account of any of the Existing Leases or the Existing Agreements as provided in this Paragraph 7(a) and were provided to Buyer in writing at or prior to Closing, Buyer, upon Seller's request, shall provide to Seller a monthly accounting of all sums received and/or paid by Buyer under any of the Existing Leases or Existing Agreements. Thereafter, Buyer shall have no obligation to Seller to account for any such accounts or payments.

(ix) Preliminary Closing Adjustment. Seller and Buyer shall jointly prepare a preliminary closing statement (the "*Preliminary Closing Statement*") on the basis of the Existing Leases, Existing Agreements, real estate taxes and other sources of income and expenses, and shall deliver such Preliminary Closing Statement to the Title Company on or prior to the Closing Date. All apportionments and prorations provided for in this Paragraph 7 to be made as of the Closing Date shall be made, on a per diem basis, as of midnight of the day immediately preceding the Closing Date. The Preliminary Closing Statement and the apportionments and/or prorations

reflected therein shall be based upon actual figures to the extent available and shall be provided to the Buyer at least three (3) days prior to the Closing Date. If any of the apportionments and/or prorations cannot be calculated accurately based on actual figures on the Closing Date, then (other than with respect to determination of real estate taxes that shall be computed as set forth in Clause (vi) above) they shall be calculated based on Seller's and Buyer's good faith estimates thereof, subject to reconciliation as hereinafter provided.

(x) Post-Closing Reconciliation. If there is an error on the Preliminary Closing Statement or, if after the actual figures are available as to any items that were estimated on the Preliminary Closing Statement (including, without limitation, real estate taxes that were computed in accordance with Clause (vi) above), it is determined that any actual proration or apportionment varies from the amount thereof reflected on the Preliminary Closing Statement, the proration or apportionment shall be adjusted based on the actual figures as soon as feasible. Either party owing the other party a sum of money based on such subsequent proration(s) shall promptly pay said sum to the other party.

(b) Tenant Security Deposits. At Closing, Seller shall credit against the Purchase Price all cash security deposits, and accrued interest (but only to the extent interest was required to accrue on a security deposit under an Existing Lease) required to be held by or for Seller under the Existing Leases, or to the extent applicable, the amount then held by or for Seller under the Existing Leases due to a default by a tenant under its lease which resulted in the

application of all or a portion of such tenant's security deposit against such default and the security deposit was not replenished by such tenant to its full amount, and, without cost to Seller, assign and deliver or cause its property manager to deliver to Buyer all letters of credit, if any, for the benefit of Seller held by Seller from tenants of the Premises as security for such tenant's obligations under the Existing Leases. Buyer will cause the security deposits to be maintained after Closing in accordance with the requirements of applicable law and shall indemnify and defend Seller from all claims of tenants with respect to the security deposits, to the extent actually delivered to Buyer. Subsequent to the date hereof, Seller shall not apply any security deposits toward any delinquent rents or upon any other default unless the tenant has vacated the Property.

(c) Utility Readings. Seller shall use reasonable efforts to obtain readings of the water and electric meters on the Premises to a date no sooner than ten (10) days prior to the Closing Date. At or prior to Closing, Seller shall pay all charges based upon such meter readings. However, if after reasonable efforts Seller is unable to obtain readings of any meters prior to Closing, Closing shall be completed without such readings with a good faith estimate and upon obtaining readings thereof after Closing, Seller shall pay the charges incurred prior to Closing as reasonably determined by Seller and Buyer based upon such readings.

(d) Reimbursements. Subject to the provisions of Paragraph 7(a)(iii), at Closing, Buyer shall reimburse Seller for all leasing commissions and tenant costs actually paid by Seller pursuant to the terms of the applicable Existing Lease (i) for leases and modifications of leases executed after the Effective Date which are approved by Buyer, and (ii) as a result of any renewal, extension or expansion of Existing Leases exercised between the Effective Date and the Closing Date which are not otherwise reflected in Exhibit "E" as having been exercised. Seller shall provide Buyer with invoices and evidence of payment of such costs. Subject to the provisions of Paragraph 7(a)(iii), Buyer shall timely pay, after the Closing Date, and shall indemnify, defend and hold Seller harmless with respect to, all installments of leasing commissions and tenant costs which become due and payable after the Closing Date (x) for leases and modifications of leases executed after the Effective Date which are approved by Buyer, (y) as a result of any renewal, extension or expansion of Existing Leases exercised between the Effective Date and the Closing Date which are not otherwise reflected in Exhibit "E" as having been exercised. Tenant costs include, without limitation, tenant improvement costs and if the lease so provides moving costs, design costs incurred by the tenant, lease buyout costs and similar tenant inducement costs expressly provided for in the Existing Leases.

(e) Survival. The provisions of this Paragraph 7 shall survive Closing.

8. Closing Costs.

(a) Buyer's Costs. Buyer shall pay (i) all Title Company charges, and (ii) the cost of obtaining the New Title Commitment and Title Policy to be issued pursuant thereto and the New Survey (if any).

(b) Seller's Costs. Seller shall pay clearance of title objections for which Seller is obligated pursuant to Paragraph 5(a) above.

(c) Other Costs. Buyer and Seller each shall pay and be solely responsible for the costs of its respective counsel, architect, engineers and other professionals and consultants.

9. Municipal Improvements/Notices.

(a) Assessments. Buyer shall pay all unpaid installments becoming due on or after the Closing Date in respect of assessments against the Premises or any part thereof for improvements or other work (including any fines, interest or penalties thereon due to the non-payment of such payment which is due on or after the Closing Date), and shall indemnify, defend and save Seller harmless from any claims therefor or any liability, loss, cost or expenses arising therefrom. Seller shall pay on or before Closing all installments becoming due prior to the Closing Date in respect of assessments against the Premises or any part thereof for improvements or other work (including any fines, interest or penalties thereon due to the non-payment of such payment which is due prior to the Closing Date), and shall indemnify, defend and save Buyer harmless from any claims therefor or any liability, loss, cost or expenses arising therefrom.

(b) Survival. The provisions of this Paragraph 9 shall survive Closing.

10. Seller's Representations.

(a) Seller hereby represents to Buyer, as of the date hereof and as of Closing, as follows with respect to itself and the Member Interests:

(i) Organization. Each of the entities comprising Seller is a limited liability company duly organized and validly existing under the laws of the State of Delaware and has all requisite power and authority to carry on its business as now conducted.

(ii) Authorization. Seller is the owner of the Member Interests (or will be as of the date of Closing) and has the requisite power and authority to enter into and perform this Agreement and the transactions contemplated hereby, and Seller has duly authorized the execution of this Agreement. Neither the execution of this Agreement nor the consummation of the transactions contemplated hereby will constitute a breach or default under (A) any agreement by which Seller or the Member Interests are bound, (B) the respective organizational documents of Seller and the Company, or (C) any writ, injunction or decree issued against or imposed upon Seller, the Company or the Members Interests.

(iii) Foreign Person. Neither Seller nor Company is a "foreign person," "foreign trust" or "foreign corporation" within the meaning of the United States Foreign Investment in Real Property Tax Act of 1980 and the Internal Revenue Code of 1986, as subsequently amended.

(iv) Litigation. Except as disclosed on Exhibit "D" attached hereto, no action, suit or other proceeding (including, but not limited to any action or other proceeding under the United States Bankruptcy Code, 11 U.S.C. Section 101 et seq., or any other federal, state or local laws affecting the rights of debtors and/or creditors generally) is pending or to the best of Seller's knowledge, has been threatened in writing that concerns or involves Seller or the Member Interests that would adversely affect the transactions contemplated by this Agreement.

(v) Other Sales Agreements. Seller has not entered into any other contract, letter of intent or similar written agreement to sell the Member Interests or the Property or any part thereof which is currently in effect.

(vi) Bankruptcy. No bankruptcy, insolvency, reorganization or similar action or proceeding, whether voluntary or involuntary, is pending, or, to Seller's best knowledge, threatened, against Seller.

(vii) Members. Seller owns all right, title and interest and estate, legal, beneficial, equitable or otherwise, in, to, under and in respect of the Member Interests, and are free and clear of all encumbrances, security interests, has not been pledged as collateral for a loan.

(b) Seller hereby represents to Buyer, as of the date hereof and as of Closing, as follows with respect to the Company and the Property:

(i) Organization. Company is a limited liability company duly organized and validly existing under the laws of the State of Delaware and has all requisite power and authority to carry on its business as now conducted.

(ii) Authority/Consent. The Company is the owner of the fee simple interest in the Property and possesses all requisite power and authority, and has taken or will by Closing have taken all actions required by its organizational documents and applicable law, and has obtained all necessary consents to consummate the transactions contemplated by this Agreement.

(iii) Other Sales Agreements. The Company has not entered into any other contract, letter of intent or similar written agreement to sell the Property or any part thereof which is currently in effect. No person, firm, corporation or other entity, claiming by or through the Company, has any right, title, interest or estate, legal, beneficial or otherwise, in, to, or under or in respect of the all or any part of the Property.

(iv) Bankruptcy. No bankruptcy, insolvency, reorganization or similar action or proceeding, whether voluntary or involuntary, is pending, or, to Seller's knowledge, threatened, against Seller.

(v) No Condemnation. There are no existing or pending, or to Seller's knowledge threatened, condemnation proceedings or deeds in lieu of condemnation affecting the Premises.

(vi) Existing Leases. All leases relating to or affecting the Premises are set forth on Exhibit "E" hereto, (the *"Existing Leases"*). (1) The information set forth on Exhibit "E" is true, correct and complete in all material respects; (2) at the time of Closing, Seller shall have accepted no prepayment of rent under any of the Existing Leases (except (i) with respect to the All Risks, Ltd. lease where the July 2004 rental payment has already been paid, and which will be credited to Purchaser in accordance with Section 7(a)(ii) and (ii) for rental for the current month and payments that are required to be made in advance pursuant to the terms and provisions of the Existing Leases), (3) at the time of Closing, Seller shall not have terminated

any of the Existing Leases by agreement with the tenant (except by reason of a default by the tenant thereunder), and (4) Seller has delivered to Buyer true and complete copies of those Existing Leases entered into during the period of Seller's ownership of the Premises. Except as otherwise set forth in Exhibit "E", to Seller's knowledge, (i) each of the Existing Leases is in full force and effect on the terms set forth therein; (ii) no tenant has asserted in writing or, to Seller's knowledge, has any defense to, offsets or claims against rent payable by it or the performance of its other obligations under its Existing Lease; (iii) Seller has no outstanding obligation to provide any tenant with an allowance to construct or to construct at its own expense, any tenant improvements; (iv) all tenant finish and brokerage commissions due with respect to each of the Existing Leases has been paid; (v) except as set forth in the Existing Leases, no tenant is entitled to any rent concession; (vi) no rents have been prepaid for more than one month in advance; and (vii) Seller has delivered to Buyer true and complete copies of those Existing Leases not entered into during the period of Seller's ownership of the Premises.

(vii) Litigation. Except as set forth on Exhibit "F" hereto, no action, suit or other proceeding (including, but not limited to any action or other proceeding under the United States Bankruptcy Code, 11 U.S.C. Section 101 et seq., or any other federal, state or local laws affecting the rights of debtors and/or creditors generally) is pending or to Seller's knowledge, has been threatened in writing that concerns or involves the Company or the Property that would adversely affect the transactions contemplated by this Agreement.

(viii) Possession. Seller has not granted to any party any license, lease, or other right relating to the use or possession of the Premises or any part thereof, except tenants under the Existing Leases and except for any such rights granted pursuant to the Permitted Encumbrances.

(ix) Existing Agreements. To Seller's knowledge, except as set forth on Exhibit "G", there are no contracts of construction, employment, management, service, or supply, or any other contract not disclosed in this Agreement, in effect to which the Company is a party or by which it is bound which will affect the Property or operations of the Property or the Company after Closing. The copies of the Existing Agreements delivered to or made available to Buyer were true, correct and complete in all material respects.

(x) Taxes/Municipal Assessment/Notices. All real estate taxes due and payable with respect the Property, have been paid in full or will be paid in full at the Closing, except as provided for in Paragraph 7(a)(iv). To Seller's knowledge, (A) there are no outstanding unpaid municipal assessment notices against the Premises or notices for future municipal assessments which have not been provided to Buyer during the Inspection Period, (B) all municipal improvements that were completed between the date of Seller's acquisition of title to the Premises and the date hereof and with respect to which the Premises can be assessed have been paid in full, and (C) it has not received any written notice from any public authority concerning the existence of any presently uncorrected material violation of any ordinance, public regulation or statute of any municipal, state or federal government or agency with respect to the Premises.

(xi) Environmental Matters. Seller has not received, from any governmental authority or regulatory agency, any written notice alleging a violation (or has

knowledge of any such violation) of any law, rule, regulation or order relating to environmental conditions by reason of the presence of hazardous substances or materials (as such terms are presently used under applicable environmental laws, rules and regulations) at the Premises. Except with respect to that certain 500 gallon underground storage

tank containing diesel fuel for an on-site emergency generator which has been registered with the Maryland Department of the Environment Waste Management Administration (and for which Seller shall provide Buyer such registration materials) and for which Seller maintains an underground storage tank insurance policy or as otherwise disclosed to Buyer on Exhibit "H" , to Seller's knowledge, (A) none of Seller nor any tenant or other occupant or user of the Premises, or any portion thereof, has stored or disposed of (or engaged in the business of storing or disposing of) or has released or caused the release of any hazardous waste, contaminants, oil, radioactive or other material on the Premises, or any portion thereof, in violation of any applicable federal, state or local statutes, laws, ordinances, rules or regulations, and (B) to Seller's knowledge, except as disclosed to Buyer or as described in any environmental report delivered to Buyer, the Premises are free from any such hazardous waste, contaminants, oil, radioactive and other materials, except any such materials maintained in accordance with applicable law. Seller represents that to the best of Seller's knowledge it has no other environmental reports on the Premises other than as disclosed on Exhibit "H".

(xii) Insurance. Seller has received no written notice from any insurance carrier of defects or inadequacies in the Premises which, if uncorrected, would result in a termination of insurance coverage or an increase in the premiums charged therefor.

(xiii) Employees. Since its formation and through the Effective Date, the Company has no employment agreements or understandings (whether written or verbal) with any person, nor is the Company a party to any union contract or collective bargaining agreement.

(xiv) Organization Documents. If not delivered by Seller to Buyer prior to the execution of this Agreement, within two (2) days of the Effective Date, Seller will deliver to Buyer true, correct and complete copies of the Company's articles of organization and operating agreements, all as amended to date.

(xv) Single Purpose Entity. The Company is a single purpose entity with its sole business purpose being the ownership, operation and management of the Property.

(xvi) Liabilities. Except for liabilities incurred in the ordinary course of business which shall be satisfied on or before the Closing, the Company has no liabilities (current or contingent, asserted or unasserted) of any nature except for the liabilities expressly described in this Agreement under the Permitted Encumbrances and the Existing Agreements, including, without limitation, no contract liabilities, tort liabilities or tax liabilities.

(xvii) Financial Information. If not delivered by Seller to Buyer prior to the execution of this Agreement, within two (2) days of the Effective Date, Seller will deliver to Buyer, to the best of Seller's knowledge, (A) true, correct and complete state and federal tax returns of the Company for 2002(B) true and correct statements of profit and loss for the Company for calendar 2002 and 2003 and (C) the budget of the Company with respect to the

Property for calendar year 2002, 2003 and 2004 from the management, leasing, maintenance, repair and operation of such Property for such periods.

(c) All references in this Paragraph 10 or elsewhere in this Agreement and/or in any other document or instrument executed by Seller in connection with or pursuant to this Agreement, "to Seller's knowledge" or "to the knowledge of Seller" and words of similar import shall refer solely to facts within the actual knowledge of Brian Doyle (without independent investigation or inquiry) and shall not be construed to refer to the knowledge of any other employee, officer, director, member, manager, shareholder or agent of Seller or any affiliate of Seller, and shall in no event be deemed to include imputed or constructive knowledge. Seller hereby represents to Buyer that Brian Doyle is a member of Seller and the asset manager of the Premises and that he is a member of the Seller , and he is the person who would have knowledge over the matters stated herein.

(d) A disclosure by Seller under one representation or warranty, paragraph, schedule or exhibit shall be deemed a disclosure with respect to all other Seller representations and warranties, paragraphs, schedules and exhibits.

(e) All representations and warranties made in this Agreement by Seller shall survive the Closing for a period of nine (9) months.

11. Delivery of Premises Documents.

(a) Deliveries. Seller has furnished or made available to Buyer or will make available to Buyer, to the extent such documents are in Seller's possession and control, within three (3) business days after the Effective Date for inspection and copying (at Buyer's cost and expense) the following

(i) The current books and records (excluding, however, internal memoranda, appraisals and other documents and information covered by the attorney-client privilege) and other operating and maintenance documents and information customarily prepared by Seller, or by Seller's property managers at Seller's request, or customarily maintained by Seller or Seller's property managers with respect to the Premises, including, without limitation, to the extent so prepared, all ledgers, records of income, expense, capital expenditures, utility bills, the most recent rent roll and the most recent property tax bill.

(ii) Copies of all Existing Leases and Existing Agreements and any other occupancy agreements currently in force with respect to the Premises.

(iii) Copies of as-built plans and specifications, operating permits, environmental and engineering reports and certificates of occupancy issued with respect to the Premises.

(iv) The Old Title Policy and Old Survey.

(b) No Warranty With Respect to Outside Reports NOTWITHSTANDING THE PRIOR PROVISIONS OF THIS PARAGRAPH 11 TO THE CONTRARY, BUYER ACKNOWLEDGES AND UNDERSTANDS THAT SOME OF THE MATERIALS

DELIVERED BY SELLER HAVE BEEN PREPARED BY PARTIES OTHER THAN SELLER, COMPANY OR SELLER'S CURRENT PROPERTY MANAGER. EXCEPT AS EXPRESSLY SET FORTH IN PARAGRAPH 10(a) OR OTHERWISE IN THIS AGREEMENT, SELLER MAKES NO REPRESENTATION OR WARRANTY WHATSOEVER, EXPRESS OR IMPLIED, AS TO THE COMPLETENESS, CONTENT OR ACCURACY OF THE DELIVERED MATERIALS WHICH WERE NOT PREPARED BY SELLER, COMPANY OR SELLER'S CURRENT PROPERTY MANAGER.

12. Buyer Representations. Buyer hereby represents to Seller, as of the date hereof and as of the date of Closing, as follows:

(a) Organization. Buyer is a corporation duly organized and validly existing under the laws of the state of its formation, is duly qualified to do business in the State of Delaware, and has all requisite power and authority to carry on its business as now conducted.

(b) Authorization. Buyer has the requisite power and authority to enter into and perform this Agreement and the transactions contemplated hereby and Buyer has duly authorized the execution of this Agreement.

13. Conditions Precedent to Closing.

(a) Buyer's Conditions. Buyer shall not be obligated to close under this Agreement unless each of the following conditions shall be satisfied or waived by Buyer prior to the Closing Date:

(i) Tenant Estoppel Certificates. The Tenant Estoppel Certificates and subordination, nondisturbance and attornment agreements, if any, described in Paragraph 14(a)(xv) shall be delivered to Buyer in the form required thereunder;

(ii) Title. The Title Company shall be prepared subject only to payment of the applicable premium, to issue a Title Policy in accordance with Paragraph 6(c), insuring title to the Premises is vested in the Company, subject only to the Permitted Exceptions, or such other exceptions as may be approved by Buyer in accordance with Paragraph 6(b), and otherwise in form and substance consistent with the New Title Commitment and the provisions of this Agreement;

(iii) Accuracy of Representations. The representations and warranties made by Seller in this Agreement shall be true and correct in all material respects as of the Closing Date;

(iv) Certificate of Occupancy. No directive revoking the certificate of occupancy of the Premises is outstanding;

(v) No Default. Seller shall not be in default hereunder and shall have complied in all material respects with its obligations under this Agreement.

(b) Seller's Conditions. Seller shall not be obligated to close under this Agreement unless each of the following conditions shall be satisfied or waived by Seller prior to the Closing Date:

(i) Accuracy of Representations. The representations and warranties made by Buyer in this Agreement shall be true and correct in all material respects as of the Closing Date; and

(ii) No Default. Buyer shall not be in default hereunder and shall have complied in all material respects with its obligations under this Agreement.

(c) Failure of a Condition.

(i) Notice of Unsatisfied Condition. In the event that any condition precedent to Closing has not been satisfied on or before the Closing Date, then the party whose conditions to Closing have not been satisfied (the "*Unsatisfied Party*") shall give written notice to the other of the condition or conditions which the Unsatisfied Party asserts are not satisfied. In such written notice the Unsatisfied Party shall also elect either (i) to extend the Closing Date for a reasonable period of time (not to exceed twenty (20) days) to allow the other party to satisfy the condition, or (ii) to terminate this Agreement, whereupon neither party shall have any further rights or obligations hereunder (other than any obligations of either party that expressly survive termination), except if such failure of a condition is due to a default by one of the parties, in which event the non-defaulting party shall have those rights and remedies set forth in Paragraph 15.

(ii) Waiver of Unsatisfied Conditions. If the transaction contemplated by this Agreement closes, the parties shall be deemed to have waived any and all unmet or unsatisfied conditions, other than any unmet or unsatisfied conditions arising out of a breach by either party of any of its representations and warranties hereunder of which the other party has no knowledge as of Closing.

14. Deliveries at Closing.

(a) Seller's Deliveries. On the Closing Date, Seller shall deliver to Buyer or, at Buyer's direction, to the Title Company, the following:

(i) Four (4) Assignments of Member Interests in the form of Exhibit "K";

(ii) Any Affidavit/indemnity reasonably required by Title Company to enable it to provide to Buyer the non-imputation endorsement in accordance with Paragraph 6(d);

(iii) A certificate of good standing or qualification to do business in Maryland issued by the Maryland State Department of Assessments and Taxation for each of Seller and the Company;

(iv) A certificate confirming the provisions of Paragraph 10, subject to the limitations therein;

(v) Seller will deliver the Company originals within Seller's possession of (i) all items comprising the Property information referenced in Paragraph 11, if any, and (ii) all organizational documents referenced in Paragraph 10 (b)(xii);

(vi) For the Company, a document by which Seller (i) resigns as Manager of the Company, (ii) elects (as sole member) Buyer (or its designee) as the new Manager, and (iii) waives (to the extent necessary) any transfer conditions or restrictions of the Operating Agreement therefor;

(vii) Rent Roll. A Rent Roll with respect to the Premises in substantially the form of Exhibit "E" hereto containing in addition (x) status of rental payments, (y) rental concessions, if any, and (z) prepaid rents, if any, certified, to Seller's knowledge, as true and correct in all material respects.

(viii) Authority Documents. An authorizing resolution and an incumbency certificate, and such other documents as may be reasonably necessary to evidence the authority set forth in Paragraphs 10(a) and 10(b) above and an incumbency certificate to evidence the capacity of the signatory for Seller and Company.

(ix) FIRPTA Certification. An affidavit for both Seller and Company in the form attached hereto as Exhibit "L" with respect to compliance with the Foreign Investment in Real Property Tax Act (Internal Revenue Code Sec. 1445, as amended, and the regulations issued thereunder).

(x) Tenant Estoppel Certificates. Seller shall obtain, written statements from the two major tenants in occupancy of the Premises, copies of which shall be delivered to Buyer not later than three (3) days prior to the Closing Date, in substantially the form of, and as qualified by, the form of tenant estoppel certificate prepared by Buyer and approved by Seller as set forth on Exhibit "M" attached hereto and made a part hereof or otherwise in the form provided in such tenant's lease and

dated within thirty (30) days of the date of Closing (*"Tenant Estoppel Certificate"*); *provided, however,* in determining whether the foregoing requirement has been satisfied, Buyer may not object to (x) any non-material (as determined in Buyer's reasonable judgment) qualifications or modifications made by a tenant to the Tenant Estoppel Certificate, and (y) any modification to a Tenant Estoppel Certificate to conform it to the form of tenant estoppel the tenant is required to deliver under the lease in question. Tenant Estoppel Certificates which do not conform to the requirements set forth in this Paragraph (vii) or which contain material modifications or qualifications to the form of Exhibit "M", including the assertion of any monetary or other default under the lease, shall not satisfy the Seller's delivery requirement hereunder.

(xi) Tenant/Vendor Notices. Written notice from Seller to each tenant of the Premises under the Existing Leases in substantially the form attached hereto as Exhibit "N" and, to the extent requested by Buyer, written notice to vendors under Existing Agreements, in substantially the form of Exhibit "N", mutatis, mutandis.

(xii) Possession and Keys. Possession of the Premises free and clear of all parties in possession except tenants under the Existing Leases, and (to the extent in Seller's possession or the possession of Seller's property manager) all keys, codes and other security devices for each parcel of the Property.

(xiii) Books and Records. Copies (to the extent in Seller's possession or the possession of Seller's property manager) of all books and records reasonably required for the orderly transition of operation of the Premises.

(xiv) Original Documents. The originals (to the extent in Seller's possession or the possession of Seller's property manager) of all Existing Leases and Existing Agreements and (to the extent in Seller's possession or the possession of Seller's property manager) copies of as-built plans and specifications for the improvements at the Premises, permits, licenses, guaranties, warranties and other agreements and approvals relating to the maintenance and operation of the Property.

(xv) Closing Statement. A Preliminary Closing Statement, mutually acceptable to Buyer and Seller.

(xvi) Intentionally Omitted.

(xvii) Subordination, Nondisturbance and Attornment Agreements. Written agreements substantially in a form required under an Existing Lease or otherwise mutually agreed upon between Seller and Buyer, copies of which shall be delivered to Buyer not later than three (3) days prior to the Closing Date, from each tenant whose lease does not contain a provision providing in pertinent part that such lease is subordinate, without the need for any further action by tenant, to any and all mortgages thereafter created by the landlord with regard to the Premises.

(xviii) Other Documents. Any other documents which Seller is obligated to deliver to Buyer pursuant to this Agreement or such title affidavits or similar documents that may be reasonably requested by the Title Company in order to issue the Title Policy.

Location at the Premises on the date of Closing of any of the materials referred to in clauses (xii), (xiii) and (xiv) of this Paragraph (a) shall be deemed delivery to Buyer.

(b) Buyer's Deliveries. On the Closing Date, Buyer will deliver to Seller or, at Seller's direction, to the Title Company, the following:

(i) Four (4) Assignments of Member Interests in the form of Exhibit "K";

(ii) Authority Documents. An authorizing resolution and an incumbency certificate, and such other documents as may be reasonably necessary to evidence the authority and capacity of Buyer and the authority of the signatory for Buyer.

(iii) Purchase Price. The balance of the Purchase Price payable at Closing, after credit for the Deposit and as adjusted pursuant to the Preliminary Settlement Statement and other apportionments outlined in Paragraph 7 of this Agreement.

(iv) Closing Statement. A Preliminary Closing Statement, mutually acceptable to Buyer and Seller.

(v) Other Documents. Any other documents which Buyer is obligated to deliver to Seller pursuant to this Agreement or that may be requested by the Title Company in order to issue the Title Policy.

15. Default.

(a) Buyer Default. If Buyer defaults under this Agreement by failing to complete Closing in accordance with the material terms of this Agreement, then, upon written demand from Seller to Escrowee, the Deposit shall be paid to Seller by the Escrowee (and Buyer hereby irrevocably directs the Escrowee to make such payment in such circumstance) and the Deposit shall be retained by Seller as liquidated damages and not as a penalty. The retention of the Deposit shall be Seller's sole right and remedy in the event of Buyer's default in Closing, and Seller in such event hereby waives any right to recover the balance of the Purchase Price. Seller and Buyer agree that the actual damages to Seller in the event of such breach are impractical to ascertain as of the date of this Agreement and the amount of the Deposit is a reasonable estimate thereof. Upon payment of the Deposit to Seller as liquidated damages, this Agreement shall (except as herein otherwise expressly provided) be and become null and void and all copies will be surrendered to Seller. Nothing contained in this Paragraph 15(a) shall be deemed to limit Seller's rights against Buyer by reason of the indemnity obligations of Buyer to Seller set forth in Paragraph 19(a) of this Agreement which shall survive the termination of this Agreement.

(b) Seller Default. If the sale of the Premises is not consummated because of a default under this Agreement on the part of Seller, Buyer, as its sole and exclusive remedy, may either (i) terminate this Agreement in its entirety by delivery of notice of termination to Seller, whereupon Buyer's Deposit and, if any only if Seller's default was willful as determined by a final unappealable judicial order, Seller shall reimburse Purchase for Buyer's actual out-of-pocket costs and expenses incurred in the negotiation of this Agreement and the investigation of the property, up to an amount not to exceed Twenty-Five Thousand Dollars ($25,000) shall be immediately returned to Buyer or (ii) continue this Agreement pending Buyer's action for specific performance hereunder provided appropriate proceedings are promptly commenced by Buyer.

16. Notices; Computation of Periods.

(a) Notices. All notices given by either party to the other shall be in writing and shall be sent either (i) by United States Postal Service registered or certified mail, postage prepaid, return receipt requested, or (ii) by prepaid nationally recognized overnight courier service for next business day delivery, addressed to the other party at the following addresses listed below, or (iii) via telecopier or facsimile transmission to the facsimile numbers listed below; *provided, however*, that if such communication is given via telecopier or facsimile

transmission, an original counterpart of such communication shall concurrently be sent in the manner specified in subparagraph (ii) above. Addresses and facsimile numbers of the parties are as follows:

As to Seller:

Sterling York, LLC
1033 Skokie Blvd.
Suite 600
Northbrook, Illinois 60062
Attention: Daniel Zoller
Fax: (847) 480-0199

and

Sterling York, LLC
c/o Corridor RFS
2 Hopkins Plaza
Suite 2100
Baltimore, Maryland 21201
Attention: Brian Doyle
Fax: (410) 625-1500

with a copy at the same time to:

Ballard Spahr Andrews & Ingersoll
300 E. Lombard Street
Baltimore, Maryland 21202
Attention: Fran Glushakow-Smith, Esq.
Fax: (410) 528-5650

And

As to Buyer:

COPT Acquisitions, Inc.
8815 Centre Park Drive
Suite 400
Columbia, Maryland 21045
Attn: James K. Davis, Jr., Vice President
Fax: (410) 740-1174

with a copy at the same time to:

COPT Acquisitions, Inc.
8815 Centre Park Drive
Suite 400
Columbia, Maryland 21045
Attn: Ivy Wagner, Esq.
Fax: (410) 740-1174

As to Escrowee:

Anchor Insurance Company
10715 Charter Drive, Suite 100
Columbia, Maryland 21044
Attn: Ms. M. Charlotte Powel
Fax: (410) 730-7642

or to such other address as the respective parties may hereafter designate by notice in writing in the manner specified above. Any notice may be given on behalf of any party by its counsel. Notices given in the manner aforesaid shall be deemed sufficiently served or given for all purposes under this Agreement upon the earliest of (i) actual receipt (including receipt of a facsimile copy, but only if an original of such facsimile is properly sent by overnight courier as provided above) or refusal by the addressee, or (ii) three (3) days following the date such notices, demands or requests shall be deposited in any Post Office, or branch Post Office regularly maintained by the United States Government, or (iii) one (1) business day after delivered to the overnight courier service, as the case may be.

(b) Computation of Periods. If the final day of any period of time in any provision of this Agreement falls upon a Saturday, Sunday or a holiday observed by federally insured banks in the State of Illinois or the State of Maryland or by the United States Postal Service, then, the time of such period shall be extended to the next day which is not a Saturday, Sunday or holiday. Unless otherwise specified, in computing any period of time described in this Agreement, the day of the act or event after which the designated period of time begins to run is not to be included and the last day of the period is so computed is to be included, unless such last day is a Saturday, Sunday or holiday in which event the period shall run until the end of the next day which is neither a Saturday, Sunday or holiday.

17. Fire or Other Casualty.

(a) Casualty Insurance. Seller agrees to maintain in effect until the Closing Date the fire and extended coverage insurance policies now in effect on the Premises (or substitute policies in equal or greater amounts), but in no event less than the Purchase Price hereunder.

(b) Casualty Damage. If any portion of the Premises shall be damaged or destroyed by fire or other casualty between the date of this Agreement and the Closing Date,

Seller shall give written notice thereof to Buyer. Subject to Paragraph (c) below, the obligation of Buyer to complete Closing under this Agreement shall in no way be voided or impaired by reason thereof, and Buyer shall be required to accept the Premises and the Personal Property in their then damaged conditioned with abatement of the Purchase Price in the amount of the deductible. In such case, the proceeds of all fire and extended coverage insurance policies attributable to the Premises or the Personal Property received by Seller prior to the Closing Date and not used by Seller for the protection or emergency repairs to the Premises and the Personal Property (and Buyer hereby authorizes Seller to use the proceeds for such purposes subject to Buyer's approval not to be unreasonably withheld or delayed) shall be disbursed by Seller to Buyer at Closing, and all unpaid claims under such insurance policies attributable to the Premises and Personal Property shall be assigned by Seller to Buyer on the date of Closing and shall reduce the Purchase Price by the amount of any deductible or uninsured loss under such policy. There shall be no other reduction in the Purchase Price by reason of such unpaid claim.

(c) Right of Termination. Notwithstanding any of the preceding provisions of this Paragraph 17, if Substantial Damage shall occur to the buildings on the Premises by fire or other insured casualty prior to the Closing Date, Buyer shall have the right to terminate this Agreement by written notice to the Seller. If Buyer desires to terminate this Agreement pursuant to this Paragraph (c) Buyer must give a written notice of termination to Seller within five (5) business days after Seller's notice to Buyer of the occurrence of the casualty, in which case Escrowee shall return the Deposit to Buyer. Upon such termination of this Agreement, neither party shall have any further rights or obligations hereunder (except the indemnity obligations of Buyer to Seller set forth in this Agreement which shall survive the termination of this Agreement). "Substantial Damage" shall mean such damage that would cost, in the judgment of an independent third-party real estate professional retained by Seller, at least $850,000.00 to repair or such damage that is sufficient to any tenant to terminate its Existing Lease. If Buyer does not timely give notice of a termination, Buyer's obligations hereunder shall remain in effect notwithstanding such casualty and Buyer shall remain obligated to consummate the purchase subject to the provisions of Paragraph 17(b) above and otherwise in accordance with the terms of this Agreement.

18. Assignability.

(a) Assignments Prohibited. Except to Corporate Office Properties Trust ("*COPT*"), Corporate Office Properties, L.P. ("*COPLP*") or to any entity or affiliate in which either COPT or COPLP shall have at least a 10% direct equity ownership interest, Buyer may not assign or suffer an assignment of this Agreement and/or its rights under this Agreement, without the prior written consent of Seller, which consent Seller may deny in its sole and absolute discretion. Notwithstanding the foregoing, if Seller consents in writing to any such assignment (i) Buyer shall continue to remain fully liable for the performance of each and every obligation under this Agreement to be performed by Buyer; (ii) such assignee shall assume in writing all of Buyer's obligations under this Agreement; and (iii) Buyer shall have given Seller written notice of such assignment, which notice contains a copy of the documentation required to satisfy the above two (2) conditions.

(b) Successors and Assigns. Subject to the foregoing limitations, this Agreement shall extend to, and shall bind, the respective heirs, executors, personal representatives, successors and assigns of Seller and Buyer.

19. Inspections/Inspection Period.

(a) Right to Inspect. Buyer, and Buyer's agents and representatives, shall have the right, from time to time, prior to the Closing Date or earlier termination of this Agreement, during normal business hours, to enter upon the Premises for the purpose of conducting inspections of the Premises, testing of machinery and equipment, taking of measurements, making of surveys and generally for the reasonable ascertainment of matters relating to the Premises and otherwise determining whether to consummate the transactions contemplated this Agreement; *provided, however*, that Buyer shall (i) give Seller reasonable prior notice of the time and place of such entry, in order to permit a representative of Seller to accompany Buyer; (ii) use reasonable commercial efforts not to interfere with the operations of the Premises or any tenant thereof during business hours; (iii) restore any physical damage to the Premises or any adjacent property caused by such actions; (iv) indemnify, defend and save Seller and, as the case may be, its partners, trustees, members, managers, shareholders, directors, officers, employees and agents harmless of and from any and all claims for personal injury or property damage and/or liabilities which Seller and its partners, trustees, members, managers, shareholders, directors, officers, employees and agents may suffer or be subject by reason of or in any manner relating to any act or omission of Buyer and its representatives during such entry and such activities, including, without limitation, any claims by tenants of the Premises, other than any expense, loss or damage to the extent arising from any act or omission of Seller or its representatives relating to any such entry and inspection; (v) not intentionally or with reckless disregard enter into any tenant's leased premises or intentionally or with reckless disregard initiate any communication with any tenant with respect to its Existing Lease or its space in the Premises unless accompanied by Seller or Seller's agent in each instance; (vi) prior to entry onto the Premises, upon Seller's request furnish Seller with evidence of general liability and property damage insurance maintained by Buyer with single occurrence coverage of at least $2,000,000.00 (and aggregate coverage of $4,000,000.00) and naming Seller and its property manager as additional insureds; and (vii) not conduct any environmental investigations or testing other than a standard "Phase I" investigation, without prior execution of, and compliance with, an agreement relating to such access and investigation acceptable to Seller in its reasonable discretion. All inspection rights under this Paragraph (a) shall be subject to the rights of tenants under the Existing Leases. To facilitate Buyer's evaluation, Seller shall give Buyer, and its counsel, accountants, and representatives reasonable access to the books, records, documents and information (other than internal memoranda, appraisals and documents and/or information covered by the attorney-client privilege) in the possession of Seller or Seller's property manager with respect to ownership, construction and operation of the Premises.

(b) No Liens Permitted. Nothing contained in this Agreement shall be deemed or construed in any way as constituting the consent or request of Seller, express or implied by inference or otherwise, to any party for the performance of any labor or the furnishing of any materials to the Premises or any part thereof, nor as giving Buyer any right, power or authority to contract for or permit the rendering of any services or the furnishing of any materials that would give rise to the filing of any liens against the Premises or any part thereof. Buyer

agrees to promptly cause the removal of, and indemnify, defend and hold Seller harmless with respect to, any mechanic's or similar lien filed against the Premises or any part thereof by any party for performing any labor or services at the Premises or supplying any materials to the Premises at Buyer's request.

(c) Buyer's Right of Termination. If Buyer determines that it is not satisfied with the Premises and all matters relating thereto, Buyer shall have the right to terminate this Agreement, for any reason whatsoever, by giving Seller written notice (*"Termination Notice"*) at any time on or prior to 5:00 p.m. Eastern Standard Time on March 30, 2004. The period from the Effective Date to 5:00 p.m. Eastern Standard Time on March 30, 2004 is hereinafter referred to as the *"Inspection Period"*. Upon giving the Termination Notice, this Agreement shall immediately terminate (except for the indemnity obligations of Buyer and Seller under this Agreement which shall survive termination of this Agreement) and the Deposit shall be returned to Buyer, as Buyer's sole and exclusive remedy. Except as may otherwise be expressly provided in this Agreement, Buyer shall be deemed to have waived its right to object to every fact, item and condition relating to the Property if a Termination Notice is not delivered by Buyer on or prior to the expiration of the Inspection Period. Buyer's failure to deliver the Termination Notice prior to the expiration of the Inspection Period shall be deemed a waiver of Buyer's right to terminate this Agreement under this Paragraph (c).

(d) Survival. The provisions of this Paragraph 19 shall survive termination of this Agreement and/or the Closing.

20. Condemnation.

(a) Immaterial Taking. If any part of the Premises shall be taken by exercise of the power of eminent domain after the date of this Agreement that is not considered a Material Portion, this Agreement shall continue in full force and effect and there shall be no abatement of the Purchase Price. Seller shall be relieved, however, of its duty to convey title to the portion of the parcel so taken, but Seller shall, on the Closing Date, assign to Buyer all rights and claims to any awards arising therefrom as well as any money theretofore received by Seller on account thereof, net of any expenses actually incurred by Seller, including reasonable attorney's fees of collecting the same. Seller shall promptly furnish Buyer with a copy of the declaration of taking property after Seller's receipt thereof. For purposes of this Paragraph 20, a "Material Portion" shall mean a condemnation of any portion of (i) the Improvements which are vital to the use, occupancy or operation of the Premises; (ii) the parking lot which materially and adversely affects the number of parking spaces or ingress/egress from the parking lot; or (iii) the Premises which enables a tenant to terminate its lease.

(b) Material Taking. If there is a taking of a Material Portion of the Premises, Buyer may terminate this Agreement, by written notice to Seller within five (5) days of Seller's notice to Buyer of a taking, in which case Escrowee shall return the Deposit to Buyer. Upon the giving of such termination notice, this Agreement shall become null and void, except for the indemnity obligations of Buyer and Seller set forth in this Agreement which will survive termination of this Agreement. If Buyer does not timely give notice of termination, Buyer's obligations hereunder shall remain in effect notwithstanding such condemnation and Buyer shall

remain obligated to consummate the purchase in accordance with the provisions of Paragraph (a) above and otherwise in accordance with the terms of this Agreement.

21. Broker. Seller and Buyer each represents and warrants to the other that it has dealt with no broker or other intermediary in connection with this transaction other than Coldwell Banker Commercial NRT and Preston Partners (the *"Disclosed Brokers"*). If any broker or other intermediary other than the Disclosed Brokers claims to be entitled to a fee or commission by reason of having dealt with Seller or Buyer in connection with this transaction, or having introduced the Premises to Buyer for sale, or having been the inducing cause to the sale, the party with whom such broker claims to have dealt shall indemnify, defend and save harmless the other party of and from any claim for commission or compensation by such broker or other intermediary. Seller agrees to pay, pursuant to a separate agreement between Seller and Disclosed Brokers, any commission payable to Disclosed Brokers in connection herewith if, as and when the Closing occurs, and shall indemnify, defend and hold Buyer harmless with respect to any claims of the Disclosed Broker relating to the transaction contemplated by this Agreement. This Paragraph 21 shall survive the termination of this Agreement and/or the Closing.

22. Condition of Premises; Operation of Premises.

(a) No Warranties. THE ENTIRE AGREEMENT BETWEEN THE SELLER AND BUYER WITH RESPECT TO THE PREMISES AND THE PERSONAL PROPERTY AND THE SALE THEREOF IS EXPRESSLY SET FORTH IN THIS AGREEMENT. THE PARTIES ARE NOT BOUND BY ANY AGREEMENTS, UNDERSTANDINGS, PROVISIONS, CONDITIONS, REPRESENTATIONS OR WARRANTIES (WHETHER WRITTEN OR ORAL AND WHETHER MADE BY SELLER OR ANY AGENT, EMPLOYEE OR PRINCIPAL OF SELLER OR ANY OTHER PARTY) OTHER THAN AS ARE EXPRESSLY SET FORTH AND STIPULATED IN THIS AGREEMENT. WITHOUT IN ANY MANNER LIMITING THE GENERALITY OF THE FOREGOING, UPON EXPIRATION OF THE INSPECTION PERIOD BUYER ACKNOWLEDGES THAT IT AND ITS REPRESENTATIVES WILL HAVE INSPECTED AND INVESTIGATED THE PREMISES SUBJECT TO THE LIMITATIONS AS EXPRESSLY PROVIDED IN PARAGRAPH 19, THE PERSONAL PROPERTY, THE EXISTING LEASES AND EXISTING AGREEMENTS, OR WILL BE PROVIDED WITH AN ADEQUATE OPPORTUNITY TO DO SO, ARE OR WILL BE FULLY FAMILIAR WITH THE FINANCIAL AND PHYSICAL (INCLUDING, WITHOUT LIMITATION, ENVIRONMENTAL) CONDITION THEREOF, AND THAT THE PREMISES, THE PERSONAL PROPERTY, THE EXISTING LEASES AND EXISTING AGREEMENTS ARE BEING PURCHASED BY BUYER IN AN "AS IS" AND "WHERE IS" CONDITION AND WITH ALL EXISTING DEFECTS PURSUANT TO SUCH INSPECTIONS AND INVESTIGATIONS AND NOT IN RELIANCE ON ANY AGREEMENT, UNDERSTANDING, CONDITION, WARRANTY (INCLUDING, WITHOUT LIMITATION, WARRANTIES OF HABITABILITY, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE) OR REPRESENTATION MADE BY SELLER OR ANY AGENT, EMPLOYEE OR PRINCIPAL OF SELLER OR ANY OTHER PARTY (EXCEPT AS OTHERWISE EXPRESSLY ELSEWHERE PROVIDED IN THIS AGREEMENT OR IN ANY DOCUMENT TO BE DELIVERED BY SELLER AT CLOSING) AS TO THE FINANCIAL

OR PHYSICAL (INCLUDING, WITHOUT LIMITATION, ENVIRONMENTAL) CONDITION OF THE PREMISES OR THE PERSONAL PROPERTY OR THE AREAS SURROUNDING THE PREMISES, OR AS TO ANY OTHER MATTER WHATSOEVER, INCLUDING, WITHOUT LIMITATION, AS TO ANY PERMITTED USE THEREOF, THE ZONING CLASSIFICATION THEREOF OR COMPLIANCE THEREOF WITH FEDERAL, STATE OR LOCAL LAWS, AS TO THE INCOME OR EXPENSE IN CONNECTION THEREWITH, OR AS TO ANY OTHER MATTER IN CONNECTION THEREWITH. BUYER ACKNOWLEDGES THAT, EXCEPT AS OTHERWISE EXPRESSLY ELSEWHERE PROVIDED IN THIS AGREEMENT OR EXPRESSLY PROVIDED IN ANY DOCUMENT TO BE DELIVERED BY SELLER AT CLOSING, NEITHER SELLER, NOR ANY AGENT OR EMPLOYEE OF SELLER NOR ANY OTHER PARTY ACTING ON BEHALF OF SELLER HAS MADE OR SHALL BE DEEMED TO HAVE MADE ANY SUCH AGREEMENT, CONDITION, REPRESENTATION OR WARRANTY EITHER EXPRESSED OR IMPLIED. THIS PARAGRAPH SHALL SURVIVE CLOSING, AND SHALL BE DEEMED INCORPORATED BY REFERENCE AND MADE A PART OF ALL DOCUMENTS DELIVERED BY SELLER TO BUYER IN CONNECTION WITH THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT.

(b) Change of Conditions. SUBJECT TO SELLER'S OBLIGATIONS UNDER PARAGRAPH (d) BELOW, BUYER SHALL ACCEPT THE PREMISES AND THE PERSONAL PROPERTY AT THE TIME OF CLOSING IN THE SAME CONDITION AS THE SAME ARE AS OF THE DATE OF THIS AGREEMENT, AS SUCH CONDITION SHALL HAVE CHANGED BY REASON OF WEAR AND TEAR AND, SUBJECT TO PARAGRAPH 17 HEREOF, DAMAGE BY FIRE OR OTHER CASUALTY. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, BUYER SPECIFICALLY ACKNOWLEDGES THAT SUBJECT TO SELLER'S OBLIGATIONS AS PROVIDED IN PARAGRAPH 22(d) BELOW, THE FACT THAT ANY PORTION OF THE PREMISES OR THE PERSONAL PROPERTY OR ANY EQUIPMENT OR MACHINERY THEREIN OR ANY PART THEREOF MAY NOT BE IN WORKING ORDER OR CONDITION AT THE CLOSING DATE BY REASON OF WEAR AND TEAR OR DAMAGE BY FIRE OR OTHER CASUALTY, OR BY REASON OF ITS PRESENT CONDITION, SHALL NOT RELIEVE BUYER OF ITS OBLIGATION TO COMPLETE CLOSING UNDER THIS AGREEMENT AND PAY THE FULL PURCHASE PRICE. EXCEPT AS PROVIDED IN SUBPARAGRAPH (d) BELOW, SELLER HAS NO OBLIGATION TO MAKE ANY REPAIRS OR REPLACEMENTS REQUIRED BY REASON OF WEAR AND TEAR OR FIRE OR OTHER CASUALTY, BUT MAY, AT ITS OPTION AND ITS COST, MAKE ANY SUCH REPAIRS AND REPLACEMENTS PRIOR TO THE CLOSING DATE.

(c) Condition of Delivery.

(i) Seller has no obligation to deliver the Premises in a "broom clean" condition, and at Closing Seller may leave in the Premises all items of personal property and equipment, partitions and debris as are now presently therein, provided that at all times prior to the Closing Date, Seller continues, and hereby agrees, to operate the Premises in a manner consistent with past practices.

(ii) During the period after the Effective Date until the first to occur of (x) the Closing Date, (y) default by Buyer under this Agreement followed by Seller's valid notice under this Agreement constituting an effective election to terminate this Agreement, or (z) termination of this Agreement, except with respect to leases as provided in Paragraph 6(a) above, Seller shall not sell, further mortgage or otherwise further encumber the Property.

(d) Seller Repairs. Between the date of the execution of this Agreement and the Closing Date, Seller shall perform all customary ordinary repairs to the Premises and the Personal Property as Seller has customarily previously performed to maintain them in substantially the same condition as they are as of the date of this Agreement, as said condition shall be changed by wear and tear, damage by fire or other casualty, or vandalism. Notwithstanding the foregoing, Seller shall have no obligation to, and shall not without the prior written consent of Buyer, which consent shall not be unreasonably withheld or delayed, make any structural or extraordinary repairs or capital improvements between the date of this Agreement and Closing, except to the extent the need for such repairs was caused by any act or omission of Seller or its agents.

(e) Release and Indemnity. WITHOUT LIMITING THE PROVISIONS OF PARAGRAPH (a) ABOVE AND NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS AGREEMENT EXCEPT AS PROVIDED IN THIS PARAGRAPH (e) BUT SUBJECT TO THE PROVISIONS OF PARAGRAPH 24(C), BUYER HEREBY RELEASES SELLER AND (AS THE CASE MAY BE) SELLER'S OFFICERS, DIRECTORS, MEMBERS, SHAREHOLDERS, TRUSTEES, PARTNERS, EMPLOYEES, MANAGERS AND AGENTS FROM ANY AND ALL CLAIMS, DEMANDS, CAUSES OF ACTIONS, LOSSES, DAMAGES, LIABILITIES, COSTS AND EXPENSES (INCLUDING ATTORNEY'S FEES WHETHER THE SUIT IS INSTITUTED OR NOT) WHETHER KNOWN OR UNKNOWN, LIQUIDATED OR CONTINGENT (HEREINAFTER COLLECTIVELY CALLED THE *"CLAIMS"*) ARISING FROM OR RELATING TO (i) ANY DEFECTS, ERRORS OR OMISSIONS IN THE DESIGN OR CONSTRUCTION OF THE PREMISES WHETHER THE SAME ARE THE RESULT OF NEGLIGENCE OR OTHERWISE, OR (ii) ANY OTHER CONDITIONS, INCLUDING ENVIRONMENTAL AND OTHER PHYSICAL CONDITIONS, AFFECTING THE PREMISES WHETHER THE SAME ARE A RESULT OF NEGLIGENCE OR OTHERWISE. THE RELEASE SET FORTH IN THIS PARAGRAPH SPECIFICALLY INCLUDES, WITHOUT LIMITATION, ANY CLAIMS UNDER ANY ENVIRONMENTAL LAWS OF THE UNITED STATES, THE STATE IN WHICH THE PREMISES IS LOCATED OR ANY POLITICAL SUBDIVISION THEREOF OR UNDER THE AMERICANS WITH DISABILITIES ACT OF 1990, AS ANY OF THOSE LAWS MAY BE AMENDED FROM TIME TO TIME AND ANY REGULATIONS, ORDERS, RULES OF PROCEDURES OR GUIDELINES PROMULGATED IN CONNECTION WITH SUCH LAWS, REGARDLESS OF WHETHER THEY ARE IN EXISTENCE ON THE DATE OF THIS AGREEMENT. BUYER ACKNOWLEDGES THAT BUYER HAS BEEN REPRESENTED BY INDEPENDENT LEGAL COUNSEL OF BUYER'S SELECTION AND BUYER IS GRANTING THIS RELEASE OF ITS OWN VOLITION AND AFTER CONSULTATION WITH BUYER'S COUNSEL. THE RELEASE SET FORTH HEREIN DOES NOT APPLY TO THE REPRESENTATIONS OF SELLER EXPRESSLY SET FORTH IN THIS AGREEMENT OR ANY INDEMNITY OR WARRANTY MADE BY SELLER IN ANY DOCUMENT DELIVERED BY SELLER AT CLOSING; OR IN

CONNECTION WITH THIRD PARTY CLAIMS AGAINST BUYER WHICH ARISE AS A RESULT OF EVENTS OCCURRING PRIOR TO BUYER'S PERIOD OF OWNERSHIP OF THE PREMISES.

In addition to the release set forth above, Buyer agrees to indemnify, defend and hold Seller and Seller's officers, directors, members, agents and representatives and their respective successors and assigns (collectively, the "**Seller Indemnitees**") harmless, from and against any and all losses, damages, penalties, taxes, interest expenses (including, without limitation, reasonable attorneys' fees and expenses), claims, actions, suits and demands which may be brought, instituted or made against or incurred by any Seller Indemnitee arising out of, on account of, with respect to, or relating to any of the following: (i) Buyer's ownership of the Interests or operation of the Company, the Premises and Property following the Closing or (ii) any liabilities, contracts, commitments or other obligations of Seller which Buyer has assumed pursuant to this Agreement.

Seller agrees to indemnify, defend and hold Buyer and Buyer's officers, directors, members, agents and representatives and their respective successors and assigns (collectively, the "**Buyer Indemnitees**") harmless, from and against any and all losses, damages, penalties, taxes, interest expenses (including, without limitation, reasonable attorneys' fees and expenses), claims, actions, suits and demands which may be brought, instituted or made against or incurred by any Buyer Indemnitee arising out of, on account of, with respect to, or relating to Seller's ownership of the Interests prior to the Closing, including but not limited to goods and services procured prior to Closing and accounts payable outstanding prior to Closing but excluding any matters disclosed to Buyer prior to the Closing, including the Permitted Encumbrances.

Any indemnitee making a claim for indemnification hereunder shall notify the indemnitor of any claim or demand in respect of which the indemnitor may be liable hereunder. The failure of indemnitee to so notify the indemnitor shall not relieve the indemnitor from any liability for indemnification hereunder, except to the extent that the indemnitor has been materially prejudiced thereby. The indemnitor shall have the right to defend against any claim made against the indemnitee by a third party of the nature indemnified against hereunder provided (a) the indemnitor, within ten (10) days after receipt of the notice from the indemnitee, notifies the indemnitee that (i) the indemnitor disputes such claim, giving the reasons therefor, and (ii) the indemnitor will at its own cost and expense, defend the same, and (b) such defense is instituted and continuously maintained in good faith by the indemnitor. The indemnitee may, if it so elects, designate its own counsel to participate along with the counsel selected by the indemnitor in the conduct of such defense at its own expense. Notwithstanding the foregoing, if indemnitee's independent counsel reasonably determines that a conflict of interest exists which jeopardizes the ability of counsel selected by the indemnitor to represent indemnitee, the expense of indemnitee's counsel shall be paid by the indemnitor. In any event, the indemnitee shall be kept fully advised by the indemnitor as to the status of such defense. In the event the indemnitor shall be given notice of a claim as aforesaid and shall fail to notify the indemnitee of its election to defend such claim within the time and as prescribed herein, or after having so elected to defend such claim shall fail to institute and maintain such defense and perform its other obligations in accordance with the foregoing, then the indemnitee shall have the right, at the expense of the indemnitor, to negotiate, settle, or defend such claim on such terms as the indemnitee, in good faith, may determine appropriate and the indemnitor shall cooperate with the indemnitee with

respect thereto. Upon the disposition or resolution of any claim indemnified hereunder, the indemnitor shall promptly and fully satisfy and discharge such and reimburse the indemnitee for all Losses paid or incurred by the indemnitee with respect to such claim.

(f) Seller Reports. Buyer acknowledges that Seller makes no warranties or representations regarding the adequacy, accuracy or completeness of Seller's environmental and/or engineering reports or other third party materials relating to the Premises made available to Buyer (collectively, the *"Reports"*) or other documents relating to the Premises, and Buyer shall have no claim against Seller based upon the Reports or such other documents relating to the Premises or Seller's failure to deliver any documents relating to the Premises to Buyer, except as otherwise set forth in this Agreement. Buyer further acknowledges that Buyer has had full opportunity to perform such physical inspections, environmental and engineering investigations and appraisals as Buyer deems appropriate prior to Closing, and Buyer obtained or shall obtain its own physical inspections, environmental and engineering reports and appraisals of the Premises. Buyer agrees upon Seller's request to the extent the Closing does not occur hereunder, to promptly provide Seller (without any representation or warranty whatsoever and without any liability with respect to the content thereof) with copies of all third party environmental and engineering reports obtained by Buyer pursuant to Paragraph 19 hereof with respect to the Premises.

(g) Effect of Disclaimers. Buyer acknowledges and agrees that the Purchase Price has been negotiated to take into account that the Premises and Personal Property are being sold subject to the provisions of this Paragraph 22 and that Seller would have charged a higher purchase price if the provisions in this Paragraph 22 were not agreed upon by Buyer.

(h) Operation of the Premises. Between the Effective Date and the Closing Date, Seller shall operate and manage the Premises in a normal businesslike manner, and consistent with prior practices (including without limitation leasing in accordance with sub-paragraph (i) below, and making ordinary repairs and

performing maintenance), and as follows:

(i) Except with respect to the pending lease with T Mobile, which Buyer shall have the right to review prior to execution, during the period from the Effective Date through Closing (or earlier termination of this Agreement or default by Buyer hereunder), Seller shall not enter into new leases for portions of the Premises now vacant or for portions of the Premises which may become vacant, or enter into any amendments of any Existing Leases without first submitting a copy of such proposed lease or lease amendment to Buyer for Buyer's approval, which prior to the expiration of the Inspection Period may not be unreasonably withheld or delayed and subsequent to the expiration of the Inspection Period may be withheld in Buyer's sole discretion; provided, however, Seller may take such actions which in its sole discretion it deems necessary to enforce the Existing Leases pursuant to the terms thereof. If Buyer does not approve in writing such proposed lease or amendment within five (5) business days of Buyer's receipt of the proposed lease or amendment, Buyer shall be deemed to have rejected the proposed lease or amendment. The termination of any of the Existing Leases prior to Closing by reason of the expiration of its term or the default of the tenant thereunder shall not excuse Buyer from its obligation to complete Closing and to pay the full Purchase Price. Any approved leases or amendments shall be considered "Existing Leases" for purposes of this Agreement.

(ii) During the period from the Effective Date through Closing (or earlier termination of this Agreement or default by Buyer hereunder), Seller shall not have the right to enter into new service or maintenance agreements or modify any existing service or maintenance agreements in any material respect without Buyer's consent, which may not be unreasonably withheld or delayed and shall be deemed withheld if Buyer does not respond within five (5) business days of a request for consent; *provided, however*, that Buyer's consent shall not be required for any such new agreement that shall be terminable, without penalty or premium, prior to the Closing Date. The termination of any of the Existing Agreements prior to Closing by reason of the expiration of its term or by reason of a default thereunder shall not excuse Buyer from its obligation to complete Closing and to pay the full Purchase Price. Buyer shall notify Seller in writing prior to the expiration of the Inspection Period of any (or all) of the Existing Agreements that are to be terminated by Seller as of the Closing Date.

(i) Additional Liens or Encumbrances. From the Effective Date until Closing, and except as expressly provided for elsewhere in this Agreement, neither Seller nor the Company shall voluntarily create or suffer any additional liens or encumbrances with respect to the Property or the Member Interests whatsoever without Buyer's prior written consent.

(j) Survival. The provisions of this Paragraph 22 shall survive Closing.

23. Environmental Indemnity.

(a) Pre-Closing. Company agrees to indemnify, protect, defend, save and keep harmless, Buyer, and its officers, directors, trustees, members, managers, shareholders, partners, employees, agents, attorneys, experts and consultants (including any assignees) (*"Indemnitees"*) from and against any and all Claims (as hereinafter defined) that may be imposed on, incurred by or asserted against any or all of the Indemnitees before the Closing Date (whether or not Indemnitees or any of them shall also be indemnified as to any such Claim by any other person) except to the extent the Claims arise as a result of any actions taken by or on behalf of Buyer and Buyer's Indemnitees, arising out of, in any way relating to, or resulting from or in connection with, in each case, directly or indirectly, any of the following with respect to the Property first occurring prior to the Closing: a Release (as hereinafter defined), a violation or alleged violation of or noncompliance or alleged noncompliance with any Environmental Law (as hereinafter defined), the presence of any Contaminant (as hereinafter defined), any Environmental Claim (as hereinafter defined), or any other loss of or damage or injury to (or threatened loss of or damage or injury to) any property, Person (as hereinafter defined) or the environment (including, without limitation, air, water vapor, surface water, groundwater, drinking water, land including surface and subsurface, plant, aquatic and any animal life), and including, without limitation, all costs and expenses associated with remediation, response, removal, containment, restoration, corrective action, financial assurance, environmental liens, natural resource damages and the protection of wildlife, aquatic species, vegetation, flora and fauna, and any mitigative action required under any Environmental Law. Notwithstanding any other provision of this Paragraph 23, the indemnity provided for in this Paragraph (a) shall not be applicable to any Claims for which Buyer is required to indemnify Seller pursuant to Paragraph (b) below.

(b) Post-Closing. Buyer agrees to indemnify, protect, defend, save and keep harmless, Seller and its officers, directors, trustees, members, managers, shareholders, partners, employees, agents, attorneys, experts and consultants (*"Indemnitees"*) from and against any and all Claims (as hereinafter defined) that may be imposed on, incurred by or asserted against any or all of the Indemnitees on or after the Closing Date (whether or not Indemnitees or any of them shall also be indemnified as to any such Claim by any other person), arising out of, in any way relating to, or resulting from or in connection with, in each case, directly or indirectly, any of the following with respect to the Property first occurring after Closing: a Release (as hereinafter defined), a violation or alleged violation of or noncompliance or alleged noncompliance with any Environmental Law (as hereinafter defined), the presence of any Contaminant (as hereinafter defined), any Environmental Claim (as hereinafter defined), or any other loss of or damage or injury to (or threatened loss of or damage or injury to) any property, Person (as hereinafter defined) or the environment (including, without limitation, air, water vapor, surface water, groundwater, drinking water, land including surface and subsurface, plant, aquatic and any animal life), and including, without limitation, all costs and expenses associated with remediation, response, removal, containment, restoration, corrective action, financial assurance, environmental liens, natural resource damages and the protection of wildlife, aquatic species, vegetation, flora and fauna, and any mitigative action required under any Environmental Law. Notwithstanding any other provision of this Paragraph 23, the indemnity provided for in this Paragraph (b) shall not be applicable to any Claims for which Seller is required to indemnify Buyer pursuant to Paragraph (a) above. Nothing contained in this Paragraph (b) shall be deemed to limit the scope of the releases set forth in Paragraph 22 of this Agreement.

(c) Definitions.

(i) *"Claim"* means liabilities (including strict liabilities), obligations, damages (including punitive damages), losses, penalties, fines, claims (including any claims involving liability in tort, strict, absolute or otherwise), investigations, demands, demand letters, directives, actions, causes of action, suits, proceedings, judgments, decrees, administrative orders, judicial orders, notices of noncompliance or violation, settlements, utility charges, interest, fees, encumbrances, liens, costs, expenses and disbursements (including, without limitation, reasonable legal and expert fees and expenses and costs of investigation or proceedings) of any kind or nature whatsoever.

(ii) *"Contaminant"* means any pollutant, hazardous substance, radioactive substance, toxic substance, hazardous waste, contaminant, medical waste, radioactive waste, special waste, petroleum or petroleum-derived substance or waste, mold, asbestos, asbestos-containing material, PCBs or any hazardous or toxic constituent thereof and includes, but is not limited to, any substance defined in or regulated under Environmental Law.

(iii) *"Environmental Claim"* means any Claim relating in any way to or arising from any Environmental Law, including, without limitation, the presence, storage, emission, discharge or Release or threatened Release (or alleged presence, storage, emission, discharge or Release or threatened Release) into the environment of any Contaminant, including, without limitation, and regardless of the merit of such Claim, any and all Claims by any governmental or regulatory authority or by any third party for enforcement, cleanup, removal, containment, restoration,

corrective action, cleanup, removal, containment, restoration, corrective action, response, remedial or other actions or damages, contribution, indemnification, cost recovery, compensation or injunctive relief pursuant to any Environmental Law or any alleged injury or threat of injury to human health, safety, the environment or natural resources.

(iv) *"Environmental Law"* means all federal, state, and local statutes, codes, ordinances, rules, regulations, directives, binding policies, permits, or orders relating to or addressing the environment, health or safety, including, but not limited to, any law, statute, code, ordinance, rule, regulation, directive, binding policy, permit or order relating to the use, handling, or disposal of any Contaminant or workplace or worker safety and health.

(v) *"Person"* shall mean any individual, general partnership, limited partnership, corporation, limited liability company, joint venture, trust, business trust, cooperative or association and the heirs, executors, administrators, successors and assigns thereof, where the context so admits.

(vi) *"Release"* means the release, threatened release, spill, emission, leaking, pumping, injection, deposit, disposal, discharge, dispersal, leaching or migrating into the indoor or outdoor environment of any Contaminant.

24. Survival of Provisions.

(a) Acknowledgment of Full Performance. Closing of the transactions contemplated hereby shall constitute an acknowledgment by Buyer of full performance by Seller of all of Seller's obligations under this Agreement, except for the obligations of Seller which are expressly provided in this Agreement to survive Closing.

(b) Buyer's Obligations. Any of Buyer's obligations under this Agreement that are expressly provided in this Agreement to survive Closing or that require performance after the Closing Date shall survive Closing, notwithstanding any presumption to the contrary.

(c) Seller's Representations.

(i) Notwithstanding any provision to the contrary set forth in this Agreement, the representations of Seller expressly set forth in Paragraph 10 of this Agreement shall survive Closing under this Agreement for a period of nine (9) months (the *"Survival Period"*); *provided, however*, that the representations of Seller set forth in this Agreement with respect to Existing Leases for which a Tenant Estoppel Certificate is delivered shall not survive Closing, except as to any representation that is not confirmed or is contradicted by the Tenant Estoppel Certificate in question.

(ii) After the Closing Date, Seller shall have no liability to Buyer by reason of an unintentional breach or default of any of Seller's representations. Seller shall only have liability to Buyer by reason of an intentional breach or default of any of Seller's representations if Buyer shall give to Seller written notice (*"Warranty Notice"*) of an intentional breach or default within the Survival Period, and shall give to Seller an opportunity to cure any such breach or default within a reasonable period of time after Buyer's Warranty Notice. If Seller fails to cure such intentional breach or default, Buyer shall have available to it such remedies as provided at law; *provided, however,* in no event shall the liability of Seller to Buyer

by reason of an intentional breach or default of any of Seller's representations exceed $500,000.00. Seller's liability shall be limited to actual damages and shall not include consequential damages. Any litigation with respect to any representation must be commenced within ninety (90) days from the date of the Warranty Notice, and if not commenced within such time period, Buyer shall be deemed to have waived its claims for such breach or default.

(d) Survival. The provisions of this Paragraph 24 shall survive Closing.

25. Miscellaneous.

(a) Captions or Headings; Interpretation. The captions or headings of the Paragraphs of this Agreement are for convenience only, and shall not control or affect the meaning or construction of any of the terms or provisions of this Agreement. Wherever in this Agreement the singular number is used, the same shall include the plural and vice versa and the masculine gender shall include the feminine gender and vice versa as the context shall require.

(b) Amendments and Waivers. No change, alteration, amendment, modification or waiver of any of the terms or provisions of this Agreement shall be valid, unless the same shall be in writing and signed by Buyer and Seller.

(c) Counterparts; Expiration of Offer. This Agreement may be executed in multiple counterparts each of which shall be deemed an original but together shall constitute one agreement. However, this Agreement shall not be effective unless and until all counterpart signatures have been obtained. An unsigned draft of this Agreement shall not be considered an offer by either party and a draft of this Agreement that is signed by one party shall become null and void if not accepted by the other party.

(d) Applicable Law. This Agreement shall be governed and construed according to the constitutional, procedural and substantive laws of the State of Maryland, without regard to principles of conflict of laws.

(e) Right to Waive Conditions or Contingency. Either party may waive any of the terms and conditions of this Agreement made for its benefit provided such waiver is in writing and signed by the party waiving such term or condition.

(f) Partial Invalidity. If any term, covenant, condition or provision of this Agreement or the application thereof to any person or circumstance shall be invalid or unenforceable, at any time or to any extent, the remainder of this Agreement, or the application 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, unless such invalidity or unenforceability materially frustrates the intent of the parties as set forth herein. Each term, covenant, condition and provision of this Agreement shall be valid and enforced to the fullest extent permitted by law.

(g) Confidentiality. Prior to Closing Buyer agrees to use reasonable efforts to treat all proprietary and non-public information received with respect to the Property, whether such information is obtained from the Company, Seller or from Buyer's own due diligence investigations, in a confidential manner. Prior to Closing Buyer shall use reasonable efforts to not disclose any such information to any third parties, other than such disclosure to Buyer's counsel, consultants, accountants and advisers and prospective mortgage lenders and co-investors as may be required in connection with the transactions contemplated hereby (such disclosure to be made expressly subject to this confidentiality requirement). Company, Seller and Buyer agree to keep this Agreement confidential and not make any public announcements or disclosures with respect to the subject matter of this Agreement prior to Closing without the

written consent of the other party, unless required to do so by law or by court order. Without limiting the generality of the foregoing, Company, Seller and Buyer each will use reasonable efforts to prevent its agents, affiliates and representatives from making any disclosures in violation of this Paragraph (g). Seller agrees to not trade, and agrees to use reasonable efforts to prevent its agents, affiliates and representatives who are aware of this pending transaction with Buyer from trading, in any public securities of Buyer during such time this transaction is pending and prior to any public announcement with respect to the subject matter of this Agreement. Buyer shall indemnify and hold the Company and Seller harmless, and the Company and Seller shall indemnify and hold Buyer and the affiliates of Buyer harmless, from and against any and all actual direct claims, demands, causes of action, losses, damages, liabilities, costs and expenses (including, without limitation, attorneys' fees and disbursements) suffered or incurred by the other party and proximately caused by a breach by Buyer or Company or Seller, as the case may be, of the provisions of this Paragraph 25(g); but this Paragraph 25(g) will not entitle either Company, Buyer, Seller, Buyer's affiliates or Seller's affiliates, or any other person or entity, to recover consequential damages. The provisions of this Paragraph 25(g) shall survive Closing.

(h) Agreement Not To Be Recorded. This Agreement shall not be filed of record by or on behalf of Buyer in any office or place of public record. If Buyer fails to comply with the terms hereof by recording or attempting to record this Agreement or a notice thereof, such act shall not operate to bind or cloud the title to the Premises. Seller shall, nevertheless, have the right forthwith to institute appropriate legal proceedings to have the same removed from record. If Buyer or any agent, broker or counsel acting for Buyer shall cause or permit this Agreement or a copy thereof to be filed in an office or place of public record in violation of this Agreement, Seller, at its option, and in addition to Seller's other rights and remedies, may treat such act as a material default of this Agreement on the part of Buyer. However, the filing of this Agreement in any lawsuit or other proceedings in which such document is relevant or material shall not be deemed to be a violation of this Paragraph.

(i) Waiver of Jury Trial. Seller and Buyer waive trial by jury in any action, proceeding or counterclaim brought by either of them against the other on all matters arising out of this Agreement or the transaction contemplated herein.

(j) Gender and Number. Words of any gender used in this Agreement will be construed to include any other gender and words in the singular number will be construed to include the plural, and vice versa, unless the context requires otherwise.

(k) Exhibits. All exhibits, schedules, attachments, annexed instruments and addenda referred to herein will be considered a part hereof for all purposes with the same force and effect as if copied verbatim herein.

(l) Time of Essence. Time is important to both Seller and Buyer in the performance of this Agreement, and both parties have agreed that TIME IS OF THE ESSENCE with respect to any date set out in this Agreement.

(m) Press Releases. Prior to Closing, any release to the public of information with respect to the matters set forth in this Agreement will be made only in the form approved by Buyer and Seller and their respective counsel.

(n) Attorneys' Fees and Costs. In the event either party is required to resort to litigation to enforce its rights under this Agreement, the prevailing party in such litigation will be entitled to collect from the other party all costs, expenses and attorneys' fees incurred in connection with such action.

26. Sophistication of the Parties. Each party hereto hereby acknowledges and agrees that it has consulted legal counsel in connection with the negotiation of this Agreement and that it has bargaining power equal to that of the other parties hereto in connection with the negotiation and execution of this Agreement. Accordingly, the parties hereto agree the rule of contract construction to the effect that an agreement shall be construed against the draftsman shall have no application in the construction or interpretation of this Agreement.

27. Limited Liability. Prior to the Closing Date, the obligations of Seller under this Agreement or directly or indirectly arising out of this Agreement shall be limited solely to Seller's interest in the Premises and Personal Property and the proceeds thereof, and neither Buyer nor any one else claiming by or through Buyer shall have any claim against any other asset of Seller or any partner of Seller.

28. Enforcement. If either party hereto fails to perform any of its obligations under this Agreement or if a dispute arises between the parties hereto concerning the meaning or interpretation of any provision of this Agreement, then the defaulting party or the party not prevailing in such dispute shall pay any and all reasonable costs and expenses incurred by the other party on account of such default and/or in enforcing or establishing its rights hereunder, including, without limitation, court costs and reasonable attorneys' fees and disbursements. Any such attorneys' fees and other expenses incurred by either party in enforcing a judgment in its favor under this Agreement shall be recoverable separately from and in addition to any other amount included in such judgment, and such reasonable attorneys' fees obligation is intended to be severable from the other provisions of this Agreement and to survive and not be merged into any such judgment.

29. No Press Notices. Except as provided otherwise in Paragraph 25(o) and this Paragraph 29, prior to the Closing Date, Buyer and Seller, for the benefit of each other, hereby agree that neither of them will release or cause or permit to be released to the public any press notices, publicity (oral or written) or advertising promotion relating to, or otherwise publicly announce or disclose or cause or permit to be publicly announced or disclosed, in any manner whatsoever, the terms, conditions or substance of this Agreement or the transactions contemplated herein, without first obtaining the consent of the other party hereto, which consent may be withheld at the sole and absolute discretion of such other party.

30. SEC Reporting Requirements. For the period commencing on the date hereof and continuing through the first anniversary of the Closing Date, and without limitation of other document production otherwise required of Seller hereunder, Seller shall, from time to time, upon reasonable advance written notice from Buyer at Buyer's sole cost and expense, make good

faith efforts to try and provide Buyer and its representatives, with (i) all financial, leasing and other information pertaining to the period of Seller's ownership and operation of the Premises, which information is relevant and reasonably necessary, in the opinion of Buyer's outside, third party accountants (the "Accountants"), to enable Buyer and its Accountants to prepare financial statements and to conduct audits of such financial statements in accordance with generally accepted auditing standards, such that Buyer shall be in compliance with any or all of (a) Rule 3-05 or 3-14 of Regulation S-X of the Securities and Exchange Commission (the "Commission"), as applicable; (b) any other rule issued by the Commission and applicable to Buyer; and (c) any registration statement, report or disclosure statement filed with the Commission by, or on behalf of Buyer; and (ii) a representation letter, signed by the individual(s) responsible for Seller's financial reporting, as prescribed by generally accepted auditing standards promulgated by the Auditing Standards Division of the American Institute of Certified Public Accountants, which representation letter may be required by the Accountants to render an opinion concerning Seller's financial statements.

31. Tax Deferred Exchange. Seller, at the request of Buyer, agrees to cooperate with Buyer so that Buyer may acquire the Property in a tax-deferred exchange pursuant to Section 1031 of the Internal Revenue Code (the "*Exchange Transaction*"). To implement such Exchange Transaction, Buyer may, upon written notice to Seller, assign its rights, but not its obligations, under this Agreement to a third party designated by Buyer to act as a qualified intermediary (as such phrase is defined in applicable Internal Revenue Service regulations), and Seller agrees to perform its obligations under this Agreement as to any such qualified intermediary. Notwithstanding the

foregoing, Seller shall not be required, solely for the purpose of Seller's cooperation related to Buyer's Exchange Transaction, to incur any other cost, expense, obligation or liability whatsoever. Buyer shall in all events be responsible for all incremental costs and expenses related to the Exchange Transaction, and shall fully indemnify, defend and hold Seller harmless from and against any and all liability, claims, damages, expenses (including reasonable attorneys' fees), proceedings and causes of actions of any kind or nature whatsoever actually incurred by Seller and solely attributable to such Exchange Transaction. The provisions of the immediately preceding sentence shall survive Closing. In no event whatsoever shall the Closing be delayed because of any delay relating to the Exchange Transaction.

Remainder of page intentionally left blank

IN WITNESS WHEREOF, the parties hereto, intending legally to be bound hereby, have executed this Agreement as of the date first above written.

SELLER:

STERLING REAL ESTATE VENTURE I, LLC

By: Sterling SRVI, LLC,
Its managing member

By: /s/ Jeffrey Perelman (SEAL)
Name: Jeffrey Perelman
Title: Vice President

STERLING YORK MANAGER, LLC

By: Sterling SRVI, LLC,
Its managing member

By: /s/ Jeffrey Perelman (SEAL)
Name: Jeffrey Perelman
Title: Vice President

BUYER:

COPT ACQUISITION, INC.

By: /s/ Roger A. Waesche, Jr. (SEAL)
Name: Roger A. Waesche, Jr.
Title: Executive Vice President

JOINDER BY ESCROWEE

Anchor Insurance Company, the Escrowee named and identified as such in the foregoing Agreement, intending to be legally bound hereby, has joined in the execution thereof solely for the purposes of (1) acknowledging receipt of the $250,000 Initial Deposit referred to therein; and (2) agreeing to perform its obligations as Escrowee as provided for in Paragraph 3 thereof.

Anchor Insurance Company

By: /s/ M. Charlotte Powel
Name: M. Charlotte Powel
Title: President , 2004

JOINDER BY COMPANY

The undersigned, **STERLING YORK, LLC,** a Delaware limited liability company, hereby joins this Agreement for purposes of evidencing its agreement to the transactions contemplated in the Agreement and to its duties and obligations as otherwise set forth in the Agreement, effective from and after the Closing Date (as defined herein), and agrees that this Joinder shall survive Closing, and shall be binding upon the undersigned after Closing, notwithstanding its execution and delivery prior to Closing.

STERLING YORK, LLC

By: Sterling York Manager, LLC
Its managing member

By: Sterling SRVI, LLC,
Its managing member

By: /s/ Jeffrey Perelman (SEAL)
Name: Jeffrey Perelman
Title: Vice President

Exhibit 99.1.2

AMENDMENT TO AGREEMENT OF SALE

THIS AMENDMENT TO AGREEMENT OF SALE ("*Agreement*") made as of March 30, 2004 (the "*Effective Date*") by and between STERLING REAL ESTATE VENTURE I, LLC ("SRVI"), a Delaware limited liability company, and STERLING YORK MANAGER, LLC ("SYM"), a Delaware limited liability company (collectively referred to herein as *"Seller"*), having an office at 1033 Skokie Blvd., Suite 600, Northbrook, Illinois 60062, and COPT ACQUISITIONS, INC. (*"Buyer"*), a Delaware corporation, having an office at 8815 Centre Park Drive, Suite 400, Columbia, Maryland 21045.

R E C I T A L S

A. Seller and Buyer entered into that certain Agreement of Sale dated February 25, 2004 (the "Agreement") for the purchase and sale of the Member Interests (as defined therein) of the Company.

B. Pursuant to Section 19 of the Agreement Buyer had a right to due diligence relating to the Company and the property owned by the Company and a corresponding right to terminate the Agreement.

C. Based on the results of Buyer's due diligence, Seller and Buyer have agreed to reduce the Purchase Price, waive certain contingencies and otherwise amend the Agreement as more particularly set forth below.

NOW, THEREFORE, in consideration of the reduction in the Purchase Price, the waiver of the inspection contingency and the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

W I T N E S S E T H

1. Purchase Price. The Purchase Price is hereby reduced to SIXTEEN MILLION FOUR HUNDRED FIFTY THOUSAND DOLLARS ($16,450,000), adjusted as set forth in the Agreement and payable as set forth in Section 3(a) of the Agreement.

2. Inspection Period. Buyer hereby waives all inspection and termination rights set forth in Section 19.

3. Deposit. Within one (1) day of the execution of this Amendment, Buyer will deposit the Second Deposit (as defined in Section 3(a) of the Agreement), which together with the First Deposit will become immediately non-refundable, except in the event Seller is unable to provide the AAI Amendment as defined in Section 4 below.

4. AAI Amendment. The following is added as sub-section (vi) to Section 13(a):

"Seller shall provide Buyer with a fully executed (in recordable form) amendment, reasonably acceptable to Buyer, to that certain Agreement of Easements and Covenants and Termination of Deed of Declaration dated April 1, 1998 and recorded at Book 12768 Page 008 in the Land Records of Baltimore County, Maryland (the "Easement Agreement"), which amendment shall: confirm the continuance of AAI Corporation's obligations relating to that certain Overhead Walkway (as defined in the Easement Agreement) as set forth in the Easement Agreement and confirming AAI Corporation's obligation to maintain the walkway to standards, acceptable to Buyer."

5. Full Force and Effect. Except as amended hereby, the Agreement shall remain in full force and effect.

6. Counterparts; Facsimile. This Agreement may be executed by both parties in counterparts each of which shall be deemed an original but all of which taken together shall be deemed one instrument. Facsimile signatures shall constitute original signatures.

[SIGNATURES FOLLOW ON NEXT PAGE]

IN WITNESS WHEREOF, the parties hereto, intending legally to be bound hereby, have executed this Agreement as of the date first above written.

SELLER:

STERLING REAL ESTATE VENTURE I, LLC

By: Sterling SRVI, LLC,
Its managing member

By: /s/ Jeffrey Perelman (SEAL)
Name: Jeffrey Perelman
Title: Member, VP

STERLING YORK MANAGER, LLC

By: Sterling SRVI, LLC,
Its managing member

By: /s/ Jeffrey Perelman (SEAL)
Name: Jeffrey Perelman
Title: Member, VP

BUYER:

COPT ACQUISITION, INC.

By: /s/ Roger A. Waesche, Jr. (SEAL)
Name: Roger A. Waesche, Jr.
Title: Executive Vice President

Exhibit 99.2

EXECUTION COPY

CONTRIBUTION AGREEMENT

By and Among

THE RUBENSTEIN COMPANY, L.P.
(a Delaware limited partnership)
(the "Contributor")

CORPORATE OFFICE PROPERTIES, L.P.
(a Delaware limited partnership)
(the "Operating Partnership")

- and -

CORPORATE OFFICE PROPERTIES TRUST
(a Maryland real estate investment trust)
(the "REIT")

August 26, 2004

Property owned by TRC Pinnacle Towers, L.L.C.,
a Virginia limited liability company ("Owner"), located at:

1751 Pinnacle Drive
an approximately 265,965 square foot office building

- and -

1753 Pinnacle Drive
an approximately 181,637 square feet office building

together located on approximately 6.6831 acres of land
Fairfax County, McLean, Virginia

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CONTRIBUTION AGREEMENT

THIS CONTRIBUTION AGREEMENT (the "Agreement") is made as of the 26th day of August, 2004, by and among **THE RUBENSTEIN COMPANY, L.P.,** a Delaware limited partnership having offices at 4100 One Commerce Square, 2005 Market Street, Philadelphia, Pennsylvania 19103-7041 (the "Contributor"); **CORPORATE OFFICE PROPERTIES, L.P.**, a Delaware limited partnership having offices at 8815 Centre Park Drive, Suite 400, Columbia, Maryland 21045-2272 (the "Operating Partnership"); and **CORPORATE OFFICE PROPERTIES TRUST**, a Maryland real estate investment trust having offices at 8815 Centre Park Drive, Suite 400, Columbia, Maryland 21045-2272 (the "REIT").

BACKGROUND

A. Contributor is the record and beneficial owner of all of the issued and outstanding membership interests (the "LLC Interests") in TRC Pinnacle Towers, L.L.C., a Virginia limited liability company (the "Owner").

B. Owner is the owner of certain land, together with certain buildings, improvements and other real, personal and mixed property (collectively, the "Property"), all consisting of the following:

(1) All that certain tract, lot or parcel of ground, together with all easements, rights and privileges appurtenant thereto, located in McLean, Fairfax County, Virginia, being more particularly described on Exhibit A hereto, and containing in area approximately 6.6831 acres of land (the "Land").

(2) All buildings, structures and other improvements situated on the Land (collectively, the "Improvements") consisting primarily of: (a) a building containing approximately 265,965 rentable square feet of space, (b) a building containing approximately 181,637 rentable square feet of space ((a) and (b) shall hereafter together be referred to as the "Building" or the "Buildings"), (c) the North Tower and South Tower parking garages containing, in the aggregate, approximately 1,418 parking spaces, and (d) visitor parking adjacent to the Buildings, together with appurtenant amenities and other structures and improvements (the Land and the Improvements are referred to herein together as the "Real Estate").

(3) All machinery, fixtures, systems (including any energy management, life safety and supporting software and related equipment), equipment and other personal property owned by Owner and attached or pertaining to, or otherwise located in or on or used in connection with, any part or all of the Real Estate, including, as of the Closing Date, all supplies, brochures, tenant lists, artwork (excluding any framed photographs of any of Owner's or Contributor's affiliates' properties), planters, landscape materials, correspondence and files, vendor and supplier lists, marketing and advertising information, inventories, spare parts, common area furniture, any management office furniture and other materials and property in the possession of and owned by Owner, including leases for space within the Improvements as of Closing, together with all Security Deposits made thereunder with all interest accrued or required to be accrued thereon and required to be paid to the Tenants thereunder (but excluding, except for Security Deposits made under the Leases, all cash and accounts receivable of Owner and all equipment, furniture, furnishings and other property owned

by the property manager or leasing agent for the Property or by any present or prior Tenant at the Property or by any other person or persons other than Owner), all as more specifically described on Exhibit B hereto (the "Personalty").

(4) All intangible property used in connection with any of the foregoing, including, without limitation, (a) all trademarks, logos, trade names and telephone numbers; (b) to the extent

assignable and transferable, all contract rights, licenses and permits; (c) the nonexclusive right to use the name of (and logo for) "Pinnacle Tower(s)" (which right is, however, exclusive as between Contributor and the Operating Partnership); and (d) all goodwill associated therewith (the "Intangible Property"); but specifically excluding any rights or intangible property associated with The Rubenstein Company, L.P. or The Rubenstein Brokerage Group, Inc., or any logos therefor.

C. Contributor desires and intends to transfer, assign and contribute to the capital of the Operating Partnership all of the LLC Interests, and the Operating Partnership desires and intends to accept the LLC Interests in exchange for the consideration described herein, all of the foregoing on and subject to the terms and conditions hereinafter set forth.

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

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

AGREEMENTS

In consideration of the foregoing and of the covenants and conditions hereinafter set forth, and intending to be legally bound hereby, the parties hereto agree:

ARTICLE I
DEFINITIONS

1.1. **Defined Terms.** The following terms when used in this Agreement will have the respective meanings set forth below. Certain other terms when used in this Agreement will have the meanings set forth in the context hereof.

"Accountants" shall have the meaning set forth in Section 16.10.

"Accredited Investor" shall have the meaning set forth in Section 5.15(2).

"Accredited Investor Questionnaire" shall mean the Accredited Investor Questionnaire substantially in the form of Exhibit J hereto.

"Adverse Lender Condition" shall have the meaning set forth in Section 3.3(3).

"Affiliate" shall mean, with respect to any specified Person, any other Person that (1) directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with the specified Person, or (2) is a partner of a partnership or joint venture which owns, or is a beneficiary or trustee of a trust which owns, or other owner of any membership interests, stock or other evidences of beneficial ownership in, the specified Person or any other Person who directly or indirectly through one or more intermediaries controls or is controlled by the specified Person. For purposes of this definition, the term "control" means the possession, directly or indirectly, of the power to direct or to cause the direction of the management and policies of a Person, whether through the ownership of voting stock, beneficial interests or partnership or membership interests, by contract or otherwise.

"Agreed Value" shall have the meaning set forth in Section 3.1.

"Agreement" shall mean this Contribution Agreement and all amendments and supplements hereto, together with the Exhibits attached hereto, as the same may be amended, restated, supplemented or otherwise modified.

"Approved Bank" shall mean a financial institution which has (1) (a) a minimum net worth of $500,000,000 and/or (b) total assets of at least $10,000,000,000, and (2) a minimum long-term debt rating of A+ by S&P or A1 by Moody's. Wachovia Bank, National Association, is understood to be an "Approved Bank" within the foregoing definition.

"Assignment" shall have the meaning set forth in Section 10.2(1).

"Business Day" shall mean any day other than a Saturday, Sunday, federal holiday or other day on which national banks operating in McLean, Virginia, Philadelphia, Pennsylvania or Columbia, Maryland are authorized or required to be closed for the conduct of regular banking business.

"Calculation Price" shall mean an amount equal to the arithmetic average of the daily closing price per Common Share of the REIT, as reported on the Exchange for the twenty (20) trading days ending on and including the fifth Business Day prior to the Closing Date. Notwithstanding the foregoing, the Calculation Price shall be limited to a range having the following parameters: (1) a minimum Calculation Price of $23.80 per Common Unit and (2) a maximum Calculation Price of $26.25 per Common Unit.

"Cash Consideration" shall have the meaning set forth in Section 2.2(1).

"Claim" shall mean any claim, liability, proof of claim, demand, complaint, summons, legal, equitable or administrative action, suit, proceeding, chose in action, damage, judgment, penalty or fine.

"Closing" shall mean the execution and delivery of the Closing Documents, the contribution of the LLC Interests, the payment of the Cash Consideration, the issuance of the Preferred Units or the Common Units, as applicable, and the consummation of the transactions contemplated by this Agreement.

"Closing Date" shall mean the date on which Closing actually occurs.

"Closing Documents" shall mean all documents and instruments identified in Article X hereof and all other documents and instruments which, under the terms of this Agreement, are to be executed and delivered by Contributor, the Operating Partnership, the REIT, the Owner or any of them at Closing.

"Closing Statement" shall have the meaning set forth in Section 10.5.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, and any successor statutory provisions, and the rule and regulations promulgated by the Internal Revenue Service thereunder.

"Commission" shall mean the Securities and Exchange Commission.

"Common Shares" shall mean common shares, par value $0.01 per share, representing beneficial interests in the REIT.

"Common Units" shall mean Common Units of limited partnership interest of the Operating Partnership, as described in the Partnership Agreement, that are issued pursuant to this Agreement and that have the following terms and other characteristics: (1) an issuance value per unit computed and calculated as a function of the Calculation Price; (2) exchangeable at any time and from time to time into Common Shares on a one-for-one basis; and (3) entitled to receive distributions equivalent to the dividends declared and paid on Common Shares.

"Condition of the Property" shall have the meaning set forth in Article XV.

"Confidential Information" shall have the meaning set forth in Section 20.10.

"Confidentiality Agreement" shall mean that certain Confidentiality Agreement dated as of June 1, 2004, by and between Contributor and COPT Acquisitions.

"Construction Contracts" shall mean the Construction Contracts identified in Part III of Exhibit D hereto.

"Contract" shall mean (1) any agreement of sale, option agreement, right of first offer, right of last offer or right of first refusal; (2) any development, construction or improvement agreement, any utility allocation agreement, any use covenant or any restrictive or other covenant, or any other restriction, covenant or agreement; (3) any purchase, management, real estate, leasing or rental commission, service, maintenance, employment or other contract or agreement; or (4) any other contract, agreement, covenant, arrangement or understanding. The definition of "Contract" as aforesaid is intended to exclude the Loan Documents and the Leases.

"Contract Termination Notice" shall have the meaning set forth in Section 16.9.

"Contractor Notice" shall have the meaning set forth in Section 10.2(8).

"Contribution Consideration" shall equal the Equity Value. The Contribution Consideration is comprised of (1) the Cash Consideration and (2) the OP Unit Consideration, and shall be paid as set forth in Section 2.2.

"Contributor" shall have the meaning set forth in the Preamble.

"Contributor Certificate" shall have the meaning set forth in Section 8.5(2).

"Contributor Indemnified Parties" shall have the meaning set forth in Section 19.3(1).

"COPT Acquisitions" shall mean COPT Acquisitions, Inc., a Delaware corporation and a Subsidiary of the REIT.

"Current Rent Roll" shall have the meaning set forth in Section 5.6(1).

"Deductible" shall have the meaning set forth in Section 19.2(2).

"Demanding Party" shall have the meaning set forth in Section 4.5.

"Deposit" shall have the meaning set forth in Section 3.2.

"Deposit Demand" shall have the meaning set forth in Section 4.5.

"Designees" shall have the meaning set forth in Section 2.2(4).

"Environmental Law" means any Law affecting the Property and pertaining to health or the environment including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act of 1982 and the Resource Conservation and Recovery Act of 1986.

"Environmental Reports" shall have the meaning set forth in Section 5.19.

"Equity Value" shall mean (1) the Agreed Value *reduced by* (2) the sum of (a) the principal balance of the Loan as of the Closing Date and (b) the amount of the Post-Closing Tenant Costs, *and increased by* (3) the sum of (a) the amount of the Escrow Reserve as of the Closing Date and (b) the amount of the Reimbursement Payment.

"Escrow Agent" shall mean Anchor Title Company, having offices at 10715 Charter Drive, Suite 100, Columbia, Maryland 21044.

"Escrow Funds" shall have the meaning set forth in Section 4.2.

"Escrow Reserve" shall mean, together, the PWC Escrow Reserve and the Tax and Insurance Escrow Reserve.

"Estoppel Certificates" shall have the meaning set forth in Section 8.5.

"Exchange" shall mean the New York Stock Exchange.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time, and any successor statutory provisions, and the rule and regulations

promulgated by the Commission thereunder.

"Governmental Authority" shall mean any and all applicable courts, boards, agencies, commissions, offices or authorities of any nature whatsoever for any governmental or quasi-governmental unit (federal, state, county, township, district, municipal, city, departmental or otherwise) whether now or hereafter in existence.

"Guarantor" shall have the meaning set forth in Exhibit F.

"Improvements" shall have the meaning set forth in Background Section B.

"Incurred Indebtedness" shall have the meaning set forth in the Tax Protection Agreement.

"Indemnified Party" shall have the meaning set forth in Section 19.5(1).

"Indemnifying Party" shall have the meaning set forth in Section 19.5(1).

"Insured Claims" shall have the meaning set forth in Section 5.9.

"Intangible Property" shall have the meaning set forth in Background Section B.

"Investor Materials" shall have the meaning set forth in Section 16.7(2).

"Land" shall have the meaning set forth in Background Section B.

"Landlord Claims" shall have the meaning set forth in Section 5.9.

"Laws" shall mean all laws, statutes, ordinances, codes, rules, decrees and regulations of the United States of America or any state, commonwealth, city, county, township, municipality or department or agency thereof, or of any other Governmental Authority.

"Leases" shall have the meaning set forth in Section 5.6(1).

"Leasing Commissions" shall mean any out-of-pocket fees, commissions or other compensation required to be paid by the Owner as landlord to or for the benefit of a third-party broker, agent or other Person (including any Affiliate) for or with respect to, or otherwise in connection with, the securing of a Tenant for space in the Real Estate and the execution and delivery of a Lease with respect thereto.

"Lehman" shall have the meaning set forth in Section 17.1.

"Lender" shall have the meaning set forth in Section 3.3(1) and Exhibit F.

"Lender Approval" shall have the meaning set forth in Section 7.4.

"Liability Cap" shall have the meaning set forth in Section 19.2(2).

"Lien" shall mean any mortgage, pledge, security deed, deed to secure debt, deed of trust, past-due taxes or past-due assessments, restriction, security interest, judgment, lease, lien, adverse Claim, levy, charge or other encumbrance of any kind, or any conditional sale contract, title retention contract or other contract to give or to refrain from giving any of the foregoing, all other than Permitted Exceptions.

"Liquidation Date" shall mean the fifteenth (15th) anniversary of the Closing Date.

"LLC Interests" shall have the meaning set forth in Background Section A.

"Loan" shall have the meaning set forth in Section 3.3(1) and Exhibit F.

"Loan Assumption" shall have the meaning set forth in Section 3.3(2).

"Loan Documents" shall have the meaning set forth in Section 3.3(1) and Exhibit F.

"Loan Fee" shall have the meaning set forth in Section 9.1(4).

"Losses" shall have the meaning set forth in Section 19.2(1).

"Mandatory Cure Items" shall have the meaning set forth in Section 13.4(1).

"Material Adverse Effect" shall mean, with respect to any Person, a material adverse effect on the assets, business, operations or condition of such Person.

"Material Lease" shall mean the respective Lease with each of the following Tenants: (1) Wachovia Bank, National Association; (2) Hunton & Williams; (3) Miles & Stockbridge, P.C.; (4) PricewaterhouseCoopers LLP; and (5) Octagon, Inc.

"Material Taking" shall mean any taking or condemnation (or notice thereof) for any public or quasi-public purpose or use by any competent authority in appropriate proceedings or any exercise of a right of eminent domain of (1) five percent (5%) or more of the aggregate area of the Real Estate or (2) any portion of a Building.

"Monetary Lien" shall mean any Lien of a monetary nature encumbering or otherwise affecting all or any portion of the Property, other than the Loan or the Loan Documents.

"New Leases" shall mean (1) the prospective leases, if any, identified on Exhibit K hereto, which are hereby approved by the Operating Partnership *provided that* each such New Lease shall contain respective business terms at least as favorable to the Operating Partnership as, or otherwise substantially similar to, those set forth on Exhibit K, and (2) any other new leases that may hereafter be approved by both the Operating Partnership and the Contributor prior to Closing. In all cases, a New Lease that

otherwise conforms to the foregoing is a Lease that is fully executed on or prior to the Closing Date.

"Non-Demanding Party" shall have the meaning set forth in Section 4.5.

"Notice of Title Objections" shall have the meaning set forth in Section 13.3.

"Objection Notice" shall have the meaning set forth in Section 4.5.

"Objection Period" shall have the meaning set forth in Section 4.5.

"OP Property Materials" shall mean all surveys, environmental reports, geotechnical studies, engineering and other plans, engineering reports, traffic studies, fiscal impact studies, zoning and land use studies, wetlands reports, and sewer and soil studies, and all other plans, studies, reports, appraisals, test results, analyses, examinations, surveys, agreements, covenants, and other materials related to the Property, all as in the possession or control of the Operating Partnership or as prepared or commissioned by, for or at the direction of Operating Partnership.

"OP Unitholders" shall mean the owners and holders, from time to time, of Preferred Units or Common Units, as applicable, issued pursuant to this Agreement.

"OP Unit Consideration" shall have the meaning set forth in Section 2.2(2).

"OP Units" shall mean the Preferred Units and the Common Units.

"Operating Partnership" shall have the meaning set forth in the Preamble.

"Outside Date" shall mean November 1, 2004.

"Owner" shall have the meaning set forth in Background Section A.

"Owner Property Materials" shall mean all surveys, environmental reports, geotechnical studies, engineering and other plans, engineering reports, traffic studies, fiscal impact studies, zoning and land use studies, wetlands reports, and sewer and soil studies, and all other plans, studies, reports, test results, analyses, examinations, surveys, agreements, covenants, certificates of occupancy, warranties, permits

and licenses, inventories of personal property, delinquency and default reports regarding the Leases, accounting and tax records, and other materials related to the Property, all as in the possession or control of Owner or as prepared or commissioned by, for or at the direction of Owner; *provided, nevertheless,* that excluded from Owner Property Materials are any and all materials not directly related to the leasing, current maintenance and/or current management of the Property such as, without limitation, Owner's or Contributor's internal memoranda, financial projections, appraisals, computer hardware, software and data, and other or similar proprietary, elective or confidential information.

"Partnership Agreement" shall mean the Second Amended and Restated Agreement of Limited Partnership of Corporate Office Properties, L.P. dated as of December 7, 1999, as amended and supplemented to the date hereof and as the same may be further amended or supplemented in accordance with its terms.

"Partnership Agreement Amendment" shall mean the Seventeenth Amendment to the Partnership Agreement, to be substantially in the form of Exhibit I hereto.

"Person" shall mean any natural person, corporation, general partnership, limited partnership, limited liability company, joint stock company, joint venture, proprietorship, trust, association, or other entity, enterprise, authority or business organization.

"Permitted Exceptions" shall mean the following title exceptions: (1) the lien of all *ad valorem* real estate taxes, lienable utility services and assessments not yet due and payable as of the Closing Date; (2) federal, state, and local zoning and building laws, ordinances and regulations; (3) the matters shown on Exhibit E to this Agreement; (4) the Leases; (5) any further or additional items appearing on Schedule B of the Operating Partnership's title commitment for the Property which constitute Permitted Exceptions pursuant to Section 13.5; (6) matters shown or disclosed on the Survey; and (7) Liens securing the Loan.

"Personalty" shall have the meaning set forth in Background Section B.

"Post-Closing Tenant Costs" shall mean any and all unexpended payment obligations, as of the Closing Date, for or on account of Tenant Inducement Costs and Leasing Commissions under or with respect to the current term and current leased premises under the Leases for Wachovia Bank, National Association, Miles and Stockbridge, P.C. and Octagon, Inc. which have not been paid by Owner or Contributor on or prior to the Closing Date. The current and anticipated amounts of the Post-Closing Tenant Costs on the date hereof and on the Closing Date are as set forth on Exhibit L.

"Preferred Units" shall mean the Series I Preferred Units of limited partnership interests of the Operating Partnership, as more fully described in the Partnership Agreement and the Partnership Agreement Amendment, that are issued pursuant to this Agreement and that have the following terms and other characteristics: (1) an issuance value of $25.00 per unit; (2) a liquidation preference of $25.00 per unit plus all accrued and unpaid distributions thereon (the "Liquidation Preference") (in determining the Liquidation Preference, unpaid distributions shall accrue and be compounded on a quarterly basis); and (3) an annual cumulative preferred return thereon as described in the Partnership Agreement Amendment. Each Preferred Unit is convertible at any time and from time to time into Common Units on the basis of 0.50 Common Units for each Preferred Unit so presented for conversion. The Preferred Units are redeemable by the Operating Partnership, in whole but not in part, at par (*i.e*., in an amount equal to their Liquidation Preference) on the Liquidation Date or at any time thereafter.

"Property" shall have the meaning set forth in Background Section B.

"Property Contracts" shall mean the Property Contracts identified in Part II of Exhibit D hereto.

"Pro Ration Date" shall mean the day immediately preceding the Closing Date.

"PWC Escrow Reserve" shall mean certain sums that have been and hereafter shall be deposited with the Lender under the Loan Documents relating to the Lease with PricewaterhouseCoopers LLP. The current amount of the PWC Escrow Reserve on the date hereof is as set forth on Exhibit L.

"Real Estate" shall have the meaning set forth in Background Section B.

"Regulatory Violation Notice" shall have the meaning set forth in Section 16.7(2).

"Reimbursement Payment" shall mean all sums paid by Contributor prior to Closing on account of Tenant Inducement Costs or Leasing Commissions for or related to any New Leases.

"REIT" shall have the meaning set forth in the Preamble.

"REIT Indemnified Parties" shall have the meaning set forth in Section 19.2(1).

"Rejected Contracts" shall have the meaning set forth in Section 16.9(2).

"Retained Contracts" shall have the meaning set forth in Section 16.9(2).

"Scheduled Closing Date" shall have the meaning set forth in Section 10.1.

"Securities Act" shall mean the Securities Act of 1933, as amended from time to time, and any successor statutory provisions, and the rule and regulations promulgated by the Commission thereunder.

"Security Deposit" shall mean all security deposits or other deposits in the nature of security made by a Tenant under a Lease.

"Service Contracts" shall mean the Service Contracts identified in Part I of Exhibit D hereto.

"Subsidiary" shall mean a partnership, corporation, limited liability company, trust or other entity of which, on or after the Closing Date hereunder, the Operating Partnership is the beneficial owner, directly or indirectly, of at least fifty one percent (51.0%) of the ownership interests thereof.

"Surviving Loan Obligations" shall have the meaning set forth in Section 7.4.

"Survey" shall mean that certain survey of the Real Estate entitled "ALTA/ACSM Land Title Survey of Lot 1 Leasco Office Park Section 1", Dranesville District, Fairfax County, Virginia, prepared by Dewberry & Davis LLC (certified by Robert S. Schwenger, Commonwealth of Virginia Land Surveyor No. 985), dated April 1997, last revised August 16, 2004.

"Tax and Insurance Escrow Reserve" shall mean certain sums that have been and hereafter shall be deposited with the Lender under the Loan Documents for and with respect to the escrowing of funds anticipated to be due for real estate taxes and insurance premiums at or related to the Property. The current amount of the Tax and Insurance Escrow Reserve on the date hereof is as set forth on Exhibit L.

"Tax Protection Agreement" shall mean that certain Tax Protection Agreement to be entered into at Closing by and among Contributor, the Designees, the Operating Partnership and the REIT, which Agreement shall be in the form of Exhibit H hereto.

"Tenant" shall have the meaning set forth in Section 5.6(1).

"Tenant Inducement Costs" shall mean any out-of-pocket payments required under a Lease to be paid by the landlord thereunder to or for the benefit of the Tenant thereunder which is in the nature of a tenant inducement, including specifically, but without limitation, tenant improvement costs, improvement costs for improvements to the Property generally, lease buyout costs, free rent and moving, design, refurbishment and other allowances.

"Tenant Notice" shall have the meaning set forth in Section 10.2(7).

"Third Party Claim" shall have the meaning set forth in Section 19.5(1).

"Title Insurer" shall mean Anchor Title Company, which is the title insurance company selected by the Operating Partnership for the purpose of insuring the Owner's title to the Property at Closing.

"Title Objection Date" shall have the meaning set forth in Section 13.3.

"Transaction" shall have the meaning set forth in the Tax Protection Agreement.

"TRCALP" shall mean TRC Associates Limited Partnership, a Delaware limited partnership, which on the date hereof is a limited partner of the Contributor.

"TRCALP Assumption" shall have the meaning set forth in Section 20.7(2).

"Unit Election Notice" shall have the meaning set forth in Section 2.2(2).

"Updated Rent Roll" shall have the meaning set forth in Section 5.6.

1.2. **General Definitional Provisions.** Unless the context of this Agreement otherwise requires: (1) words of any gender are deemed to include each other gender; (2) words using the singular or plural number also include the plural or singular number, respectively; (3) the terms "hereof", "herein", "hereby", "hereto", and derivative or similar words, refer to this entire Agreement; (4) the terms "Section" or "subsection" refer to the specified Section or subsection of this Agreement; (5) the term "party" means, on the one hand, Contributor and, on the other hand, the Operating Partnership, and each of their respective successors and permitted assigns; (6) as used herein, the "execution date" of this Agreement or "date" of this Agreement will in each case mean and be deemed to be the date set forth in the Preamble; (7) all references to "dollars" or "$" refer to currency of the United States of America; (8) accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles; and (9) the terms "include" or "including" will mean without limitation by reason of enumeration.

ARTICLE II
CONTRIBUTION OF THE LLC INTERESTS;
PAYMENT OF THE CONTRIBUTION CONSIDERATION;
ISSUANCE OF UNITS IN THE OPERATING PARTNERSHIP

Contributor and the Operating Partnership agree to enter into and consummate the following transactions at Closing, on and subject to the other terms and conditions set forth herein:

2.1. **Contribution of the LLC Interests.** Contributor shall assign, transfer and contribute the LLC Interests to the Operating Partnership at Closing, as a

contribution to the capital of the Operating Partnership.

2.2. **Payment of the Contribution Consideration**; Issuance of Units in the Operating Partnership. The Contribution Consideration, adjusted as set forth in Section 2.3 below, shall be paid and distributed to the Contributor at Closing in accordance with the following:

(1) The portion of the Contribution Consideration payable and distributable in cash at Closing is referred to herein as the "Cash Consideration". The Cash Consideration shall equal (a) the Equity Value *less* (b) the value of the OP Unit Consideration. The Cash Consideration shall be paid and distributed at Closing in cash by wire transfer of immediately available federal funds to the account of Contributor or such other Person or Persons as Contributor may designate in writing. As more completely set forth hereinafter and in the Tax Protection Agreement: (x) up to approximately $34,750,000 of the Cash Consideration shall, at the election of the Contributor, be funded from and out of the proceeds of the Incurred Indebtedness, and (y) the balance of the Cash Consideration shall be treated by the parties as a reimbursement of preformation expenses within the meaning of Treasury Regulation §1.707-4(d). Contributor shall have the right to approve any indebtedness which is intended to be treated as Incurred Indebtedness and the proceeds of which shall be used to fund the Cash Consideration. Without limiting the Operating Partnership's alternatives, possible indebtedness which may constitute Incurred Indebtedness may be derived from a borrowing by the Operating Partnership from its line of credit lender, *provided that* such borrowing otherwise meets the requirements for Incurred Indebtedness as provided for in Section 3.2 of the Tax Protection Agreement.

(2) The portion of the Contribution Consideration payable in Preferred Units or Common Units at Closing is referred to herein as the "OP Unit Consideration". Contributor shall elect, by giving written notice (the "Unit Election Notice") to the Operating Partnership at least five (5) Business Days prior to the Closing Date, whether and in what amount to take and accept the OP Unit Consideration in the form of Preferred Units or Common Units, which in either case shall be issued by the Operating Partnership to the Contributor and/or one or more Designees at Closing.

(3) The aggregate value of the OP Unit Consideration shall equal up to Eight Million Eight Hundred Thousand Dollars ($8,800,000), which (at the election of the Contributor in accordance with its Unit Election Notice) shall be comprised of one of the following: (a) up to $8,800,000 in Preferred Units (which shall be valued at $25.00 for each Preferred Unit issued pursuant to this Agreement), or (b) up to $8,800,000 in Common Units (which shall be valued as a function of the Calculation Price). The number of Preferred Units, calculated as aforesaid, shall equal 352,000 Preferred Units. The Number of Common Units, calculated as aforesaid, shall be rounded to the next lowest whole number. No fractional Common Units shall be issued to the Contributor, and any such amount of the OP Unit Consideration represented by fractional units shall instead be added to the Cash Consideration.

(4) Contributor shall have the right, in its Unit Election Notice, (a) to specify what portion and how much of the Contribution Consideration shall be payable in Preferred Units or Common Units as aforesaid (to a maximum OP Unit Consideration of $8,800,000), and (b) to designate one or more of Contributor and/or Contributor's direct or indirect partners, members or principals to whom such Preferred Units or Common Units are to be issued ("Designees"); *provided*, that in no event shall there be more than ten (10) partners, members or principals to whom such Preferred Units or Common Units are to be issued by the Operating Partnership, and the Operating Partnership shall not be obligated to issue Preferred Units or Common Units to any such Designee who does not, prior to such issuance, (a) complete to the satisfaction of the Operating Partnership the Accredited Investor Questionnaire and (b) provide to the Operating Partnership representations and warranties substantially identical to those given by Contributor as set forth in Section 5.15(2) and (3) below.

(5) The Contributor and/or the Designees, as limited partners in the Operating Partnership, will execute and deliver at Closing counterparts of the Partnership Agreement Amendment.

(6) A portion of the Cash Consideration payable and distributable to the Contributor at Closing shall, at the election of the Contributor, be comprised of, treated as and funded from the proceeds of Incurred Indebtedness pursuant to, and as more completely set forth in, the Tax Protection Agreement.

2.3. **Payment of Expenses; Apportionments and Adjustments.** In addition to the contributions and payments described in the foregoing Sections 2.1 and 2.2: (1) the Contributor shall pay all expenses required to be borne by the Contributor pursuant to Section 11.6 below; (2) the Operating Partnership shall pay all expenses required to be borne by the Operating Partnership pursuant to Section 11.6 below; and (3) all apportionments and adjustments set forth in Article XI hereof and elsewhere in this Agreement shall be accounted for separately at Closing and shall be reflected on the Closing Statement, and the net amount thereof shall be paid, as applicable, (a) by Contributor to the Operating Partnership (if the net credit of all such apportionments and adjustments results in a credit to the Operating Partnership) or (b) by the Operating Partnership to Contributor (if the net credit of all such apportionments and adjustments results in a credit to the Contributor).

2.4. **Tax Protection Agreement.** Contributor and the Operating Partnership have acknowledged and agreed to certain structuring issues and treatments of distributions and certain other tax-related treatments and undertakings, all as more completely set forth and reflected in the Tax Protection Agreement and in this Section. In addition, Contributor shall have the right, in its Unit Election Notice, to specify: (1) what portion and how much of the Contribution Consideration it desires to be payable as the OP Units Consideration, (2) what portion of the Cash Consideration (and liabilities of the Owner) it desires to be accounted for by the parties hereto as a reimbursement of "preformation expenses" within the meaning of Treasury Regulation §1.707-4(d), and (3) what portion of the Cash Consideration it desires to be accounted for by the parties hereto as a "debt-financed distribution" (within the meaning of Treasury Regulation §1.707-5(b)).

ARTICLE III
AGREED VALUE; DEPOSIT; LOAN COMPONENT

3.1. **Agreed Value of the Property.** The value of the Property (the "Agreed Value"), as mutually agreed upon by the parties hereto for the purposes of determining the Equity Value and the Contribution Consideration, is One Hundred Twelve Million Five Hundred Thousand Dollars ($112,500,000), which includes the outstanding principal amount of the Loan on the Closing Date. The Agreed Value is allocated between the two principal components of the Property as follows:

North Tower of the Property:	$	61,273,897
South Tower of the Property:	$	51,226,103
Total Agreed Value:	**$**	**112,500,000**

3.2. **Deposit.** As a good faith deposit to the Operating Partnership's obligations hereunder, within two (2) Business Days following full execution of this Agreement, the Operating Partnership shall make a deposit and down payment (the "Deposit") in the amount of Five Million Six Hundred Twenty-Five Thousand Dollars ($5,625,000), the disposition of which shall be governed by Section 4 below. The Deposit shall be made by wire transfer of immediately available federal funds to the escrow account of Escrow Agent, wiring instructions for which having been separately given by Escrow Agent to the Operating Partnership. By its joinder herein, Escrow Agent hereby acknowledges its receipt of the Deposit.

3.3. **Loan Component.**

(1) As used herein the term "Loan" shall mean the mortgage loan affecting and encumbering the Property, all as more completely described on Exhibit F hereto. The Loan has been advanced and is presently held by the lender (the "Lender") identified on Exhibit F hereto; and the Loan is evidenced and/or secured by the "Loan Documents" (also as described and defined on Exhibit F hereto).

(2) Title to the Property at Closing shall remain under and subject to, and encumbered by, the terms, conditions, Lien, encumbrances and other provisions of the Loan Documents (the "Loan Assumption"), including, without limitation, that title to the Property is encumbered by and is subject to a mortgage Lien securing the Loan. The aggregate principal balance of the Loan was approximately $64,457,018.27 as of August 1, 2004, and is anticipated to be approximately $64,379,030.44 as of September 1, 2004.

(3) Notwithstanding anything in this Agreement to the contrary, the Operating Partnership shall not be obligated to accept the Loan Assumption and conclude Closing hereunder if, in connection with its grant of Lender Approval, the Lender shall have required as a condition thereto a modification or other amendment in or to the interest rate, amortization schedule or other economic terms of the Loan which is adverse to the Owner (an "Adverse Lender Condition"). If the Lender shall so require an Adverse Lender Condition, then the Operating Partnership may terminate this Agreement by written notice to Contributor given within five (5) Business Days following the date on which the Operating Partnership shall have received notice of the Adverse Lender Condition, in which event the Escrow Funds posted by the Operating Partnership shall be returned to it in full, and this Agreement shall terminate and no longer shall be of any force or effect, and no party shall have any further liability or obligation hereunder to any other, except under such provisions which shall expressly survive a termination of this Agreement. If the Operating Partnership shall not so timely notify Contributor of its intention so to terminate, this Agreement shall continue in full force and effect and the Operating Partnership shall be obligated to accept the Loan Assumption at Closing with the Adverse Lender Condition being a part thereof.

ARTICLE IV
ESCROW OF DEPOSIT

4.1. **Escrow Agent.** The Deposit shall be deposited with, and shall be held in escrow by, the Escrow Agent in accordance with the terms and provisions of this Article IV.

4.2. **Application of Escrow Funds.** The parties and Escrow Agent agree that the Deposit, together with all interest earned thereon (the Deposit, together with all interest earned thereon, are referred to herein together as the "Escrow Funds"), shall be applied as follows:

(1) If Closing is held, the Escrow Funds shall be paid over to the Contributor at Closing (by wire transfer of immediately available federal funds to the account of Contributor or such other person or persons as Contributor may designate in writing), all of which shall be credited against the Cash Consideration due at Closing.

(2) If Closing is not held by reason of a default by the Operating Partnership or the REIT, the Escrow Funds shall be paid over to Contributor for use and application by Contributor as provided for in Section 18.2 below.

(3) If Closing is not held by reason of a default by the Contributor, the Escrow Funds shall be paid over to the Operating Partnership for use and application by the Operating Partnership as provided for in Section 18.1 below.

(4) If Closing is not held by reason of a failure of condition and not by reason of a default by Contributor or the Operating Partnership or the REIT hereunder, the Escrow Funds shall be paid over to the Operating Partnership, this Agreement shall terminate and no longer shall be of any force or effect, and no party shall have any further liability or obligation hereunder to any other, except under such provisions which shall expressly survive a termination of this Agreement.

4.3. **Manner of Holding.** The Escrow Funds shall be held in an interest bearing money-market account with a federally insured national or state-chartered bank, savings bank, or savings and loan association acceptable to and first approved by Contributor and the Operating Partnership, and interest thereon shall accrue for the benefit of the Operating Partnership. The Operating Partnership shall provide a completed and executed W-9 form to Escrow Agent.

4.4. **Limitation of Liability.** Escrow Agent and its officers and employees are acting as agents only, and will in no case be held liable either jointly or severally to any party for the performance of any term or covenant of this Agreement or for damages for the nonperformance hereof, nor shall Escrow Agent be required or obligated to determine any questions of fact or law. Escrow Agent's only responsibility hereunder shall be for the safekeeping of the Escrow Funds and the full and faithful performance by Escrow Agent of the duties imposed by this Article IV.

4.5. **Conflicting Demands.** Upon receipt of a written demand for the Escrow Funds (a "Deposit Demand") by Contributor or the Operating Partnership (the "Demanding Party"), Escrow Agent shall promptly send a copy of such Deposit Demand to the other party (the "Non-Demanding Party"). Escrow Agent shall hold the Escrow Funds for three (3) Business Days from the date of delivery by Escrow Agent of the Deposit Demand to the Non-Demanding Party (the "Objection Period") or until Escrow Agent receives a confirming instruction from the Non-Demanding Party. In the event the Non-Demanding Party delivers to Escrow Agent written objection to the release of the Escrow Funds to the Demanding Party (an "Objection Notice") within the Objection Period (which Objection Notice shall set forth the basis under this Agreement for objecting to the release of the Escrow Funds), Escrow Agent shall promptly send a copy of the Objection Notice to the Demanding Party. In the event that no Objection Notice is received by Escrow Agent within the Objection Period, Escrow Agent shall promptly release the Escrow Funds to the Demanding Party in accordance with the Deposit Demand. In the event an Objection Notice is received by Escrow Agent within the Objection Period, Escrow Agent, in its good faith business judgment, may disregard all inconsistent instructions received from either party and may either (1) hold the Escrow Funds until the dispute is mutually resolved and Escrow Agent is advised of such mutual resolution in writing by both Contributor and the Operating Partnership, or Escrow Agent is otherwise instructed by a final, non-appealable judgment of a court of competent jurisdiction, or (2) deposit the Escrow Funds with a court of competent jurisdiction by an action of interpleader (whereupon Escrow Agent shall be released and relieved of any further liability or obligations hereunder from and after the date of such deposit). In the event Escrow Agent shall in good faith be uncertain as to its duties or obligations hereunder or shall receive conflicting instructions, claims or demands from the parties hereto, Escrow Agent shall promptly notify both parties in writing and thereafter Escrow Agent shall be entitled (but not obligated) to refrain from taking any action other than (a) to perform its duties under Sections 4.2 and 4.3 above, and (b) to keep safely the Escrow Funds until Escrow Agent shall receive a joint instruction form both parties clarifying Escrow Agent's uncertainty or resolving such conflicting instructions, claims or demands, or until a final non-appealable judgment of a court of competent jurisdiction instructs Escrow Agent to act.

4.6. **Substitution of Letter of Credit**. In lieu of depositing the Escrow Funds with the Escrow Agent, the Operating Partnership shall have the option of providing directly to the Contributor, not later than two (2) Business Days following full execution of this Agreement, a letter of credit in an amount of Five Million Six Hundred Twenty-Five Thousand Dollars ($5,625,000) (and otherwise in form and substance reasonably satisfactory to the Contributor) from an Approved Bank, the terms of which will permit the Contributor to unconditionally draw upon such letter of credit (1) under those circumstances in which Contributor would be entitled to the Escrow Funds pursuant to this Article IV, or (2) in the event that the letter of credit has not been replaced with a substitute letter of credit (in form and substance reasonably satisfactory to

the Contributor) at least ten (10) Business Days prior to the expiration of the then-existing letter of credit (and, in the event of any draw pursuant to this clause (2), the proceeds shall constitute the Escrow Funds, shall be paid over to Escrow Agent, and thereafter shall be held and disbursed by Escrow Agent in accordance with the provisions of this Article IV).

ARTICLE V
REPRESENTATIONS AND WARRANTIES OF THE CONTRIBUTOR

Contributor represents and warrants to the Operating Partnership as follows:

5.1. **Organization, Power and Authority.** Contributor is a limited partnership duly organized, validly existing and in good standing under the laws of Delaware, and Owner is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Virginia. Contributor has all necessary power and authority to contribute the LLC Interests to the Operating Partnership and perform all of its other obligations, all as contemplated hereunder. The Persons executing this Agreement on behalf of Contributor have all necessary power and authority to execute and deliver this Agreement on behalf of Contributor, and to bind Contributor to the provisions hereof.

5.2. **No Breach.** Subject to securing the Lender Approval to the transactions contemplated by this Agreement, the execution and delivery of this Agreement, the consummation of the transactions provided for herein and the fulfillment of the terms hereof will not result in a breach of any of the terms or provisions of, or constitute a default under, any agreement of Contributor or Owner or any instrument to which Contributor or Owner is a party or by which Contributor, Owner or the Property is bound, or any judgment, decree or order of any Governmental Authority, or any applicable Laws.

5.3. **Title to the LLC Interests.** Contributor is the legal and beneficial owner of the LLC Interests, and at Closing title to the LLC Interests shall be assigned, transferred and contributed to the Operating Partnership free and clear of all Liens, security interests or other encumbrances, other than Permitted Exceptions.

5.4. **No Condemnation.** Neither Owner nor Contributor has received any written notice of, nor does Owner or Contributor have knowledge of, any pending, threatened or contemplated action by any Governmental Authority having the power of eminent domain which might result in the Property or any portion thereof being taken by condemnation or conveyance in lieu thereof.

5.5. **No Assessments**. To Contributor’s knowledge, no assessments have been made against any portion of the Property which are unpaid (except for (1) ad valorem real estate taxes and utility bills not yet due and payable and (2) the anticipated levy of a “Special Tax” by the Board of Supervisors of Fairfax County, Virginia, relating to the Dulles Rail Transportation Improvement District), whether or not they are of public record and whether or not they are payable in installments or have become Liens. Contributor shall notify the Operating Partnership upon learning of any such assessments (and

Contributor shall certify to the Operating Partnership as of the Closing Date with respect to the status of assessments known to Contributor as of such date).

5.6. **Leases.**

(1) Attached hereto as Exhibit C-1 and Exhibit C-2 is a list, which is true, correct and complete in all material respects (together, the “Current Rent Roll”), of all leases, licenses, tenancies, and other rights of occupancy for space within and which are a part of the Real Estate, all as amended, renewed and extended in writing to the date set forth thereon (collectively, the “Leases”). The Current Rent Roll specifies the following as to each Lease: (a) the name of the tenant under the Lease (the “Tenant”), (b) the date of each agreement forming a part of each Lease, (c) the rentable square footage of the leased premises, (d) the commencement date of the Lease, (e) the expiry date of the existing Lease term, (f) the current annual base rent, and (g) the amount of the required Security Deposit (including any letters of credit).

(2) An updated Rent Roll (an “Updated Rent Roll”) reflecting, as of the Closing Date, written modifications, supplements and other changes in the status of Leases, including terminations of existing Leases and execution of New Leases, shall be prepared and certified by Contributor, and such shall be delivered to the Operating Partnership at Closing. For purposes of the Updated Rent Roll, the term “Lease” or “Leases” as used herein shall mean (a) all Leases identified on a Current Rent Roll which remain subsisting as of the Closing Date, and (b) all New Leases executed subsequent to the date hereof and prior to Closing which themselves are subsisting as of the Closing Date. The Updated Rent Roll shall include, if fully executed on or before the Closing Date, any New Leases. It is expressly acknowledged and understood that Contributor has not represented or warranted and does not and will not represent or warrant that the status of Leases as of the Closing Date will be the same as existing on the date hereof.

(3) (a) Except with respect to the existing Loan, the rents and other sums due or to become due under each Lease have not been assigned, encumbered or subjected to any lien; (b) except for the right of the Tenants in possession under the Leases and permitted and disclosed subleases and other Permitted Exceptions, there are, to Contributor’s knowledge, no parties in possession of, or claiming any possession to any portion of the Property as lessees, tenants at sufferance, trespassers or otherwise; and (c) neither Owner nor Contributor has received any written notice alleging that Owner is in default of its Lease obligations, and, to Contributor’s knowledge, nothing has occurred which, with the giving of notice or passage of time or both, might result in Owner being in default of its Lease obligations. Notwithstanding anything contained in this Section 5.6 to the contrary, the statements contained in this Section 5.6 are qualified by any matters disclosed in the Estoppel Certificates. In the event that any of the information contained in the Estoppel Certificates is inconsistent with any of the statements made in this Section 5.6, Contributor and the Operating Partnership shall use commercially reasonable efforts to determine the reason for the inconsistency. Notwithstanding the foregoing, the Operating Partnership expressly understands and acknowledges that Hunton & Williams may vacate its existing space in the Real Estate on or about December 31, 2005.

5.7. **Title to the Property.** Owner is the legal, record and beneficial owner of the Property in fee, and at Closing title to the Property shall be held by Owner subject only to Permitted Exceptions.

5.8. **Contracts.** There are no Contracts of any kind or description in existence relating to the Property which are not terminable on not more than thirty (30) days’ notice, except as set forth on Exhibit D. Owner has provided the Operating Partnership with true, correct and complete copies of all the Contracts. Each of the Property Contracts identified in Part II of Exhibit D will be terminated by the Owner at Closing and the Owner will have no further or continuing liability or obligation under either thereof.

5.9. **Litigation and Other Proceedings.** There are no judgments unsatisfied against Owner or the Property or consent decrees or injunctions to which Owner or the Property are subject, and there is no litigation, claim or proceeding pending or to Contributor’s knowledge threatened against Owner or the Property except (1) such as are insured and being defended by Owner’s insurance carriers (collectively, “Insured Claims”), and (2) ordinary landlord/tenant dispossess actions with respect to the payment of rent or other default under Leases (“Landlord Claims”). A true, correct and complete list of all Insured Claims and all Landlord Claims is set forth on Exhibit M hereto.

5.10. **No Notice.** None of Richard Gallo, David B. Rubenstein or Mark Pasierb has received any written notice nor does Contributor have knowledge that (a) the Property is in violation of any applicable environmental, use or zoning Law or any applicable building code or (b) that Owner or Contributor is in default under the Loan.

5.11. **No Bankruptcy.** Neither Contributor nor Owner is in the hands of a receiver; neither Contributor nor Owner has filed a petition for relief, or been the subject of the filing of a petition for relief, under the United States Bankruptcy Code or state insolvency law; and no order for creditors' relief has been entered with respect to Contributor or Owner.

5.12. **Liabilities.** Except as created or disclosed by this Agreement, including by any Exhibit attached hereto, or disclosed in the Owner Property Materials or in the documents referenced herein or therein, to Contributor's knowledge, neither Contributor nor Owner has any contractual obligations or any other liabilities of any type which, with the giving of notice, passage of time or both, might have a Material Adverse Effect on the Property.

5.13. **Loan Documents.** The Loan Documents described on Exhibit F constitute all of the Loan Documents relating in any manner to the Loan. To Contributor's knowledge, the Loan Documents correctly and accurately state the terms and conditions of the Loan. The outstanding principal balance of the Loan is accurately reflected in Section 3.3(2) as of the date indicated therein. Owner is not, and to Contributor's knowledge, no Guarantor or Lender is, in default in the performance of or under any of the Loan Documents (a) with respect to the making of any payments or deposits thereunder or with respect to the delivery of any financial or other reports required thereby or (b) otherwise in any material respect. Lender is not entitled to any payments, offsets or remuneration of any kind except as set forth in the Loan Documents. As of the date hereof, Owner has complied in all material respects with all requirements of the Loan Documents. In addition, neither Owner nor Contributor has received any written notice alleging that Owner or Guarantor is in default of any of its obligations under the Loan Documents, and, to Contributor's knowledge, nothing has occurred which, with the giving of notice or passage of time or both, might result in Owner or Guarantor being in default of any of its obligations under the Loan Documents.

5.14. **Good Faith Efforts.** Contributor shall use good faith efforts to consummate the Closing and fulfill each of the conditions thereto. Without limiting the generality of the foregoing, Contributor shall employ commercially reasonable efforts to obtain the Tenant Estoppel Certificates required pursuant to Section 8.6 below and to secure the consent of Lender to the Loan Assumption and the Lender Approval.

5.15. **OP Units Generally.**

(1) The Preferred Units shall be convertible into Common Units and the Common Units shall be redeemable for Common Shares or cash (or a combination thereof) in accordance with the procedures described in the Partnership Agreement. Contributor acknowledges that the OP Units are not certificated and that, therefore, the issuance of the OP Units shall be evidenced by the execution and

delivery of an amendment to the Partnership Agreement, which amendment shall be executed and delivered by the REIT at the Closing.

(2) Contributor acknowledges that any OP Units offered hereby are being offered without registration under the Securities Act, and the securities laws of certain states. The OP Units are being offered in reliance on an exemption from registration under Regulation D under the Securities Act and similar state law exemptions. Contributor hereby warrants and represents to the Operating Partnership that it (a) is acquiring the OP Units being acquired by Contributor hereunder for investment for its own account or for accounts over which it exercises investment control, and not with view to, or for offer or sale in connection with, any distribution thereof that would be in violation of the Securities Act or any applicable state securities law, without prejudice, however, to such Person's right at all times to sell or otherwise dispose of all or any part of such OP Units pursuant to an effective registration statement under the Securities Act and registration or qualification under any applicable state securities laws, or under an exemption from such registration available under the Securities Act and from such registration or qualification available under any applicable state securities laws, and (b) is knowledgeable, understands the limitations on transfer described in the Partnership Agreement and is an "accredited investor" as such term is defined in Rule 501(a) of Regulation D under the Securities Act (an "Accredited Investor").

(3) Contributor acknowledges that the ownership of OP Units by it and its rights and obligations as a limited partner of the Operating Partnership (including its right to transfer, encumber, pledge and exchange OP Units) shall be subject to all of the express limitations, terms, provisions and restrictions set forth in this Agreement and in the Partnership Agreement. Contributor acknowledges that it has received and reviewed, prior to the date of this Agreement, (a) the Partnership Agreement, (b) the charter documents and bylaws of the REIT, (c) the REIT's Annual Report on Form 10-K for the year ended December 31, 2003, (d) all Quarterly Reports on Form 10-Q and Current Reports on Form 8-K that have been filed or furnished by the REIT with or to the Commission since December 31, 2003, and (e) copies of all material press releases, proxy statements and reports to shareholders issued since December 31, 2003, and has otherwise had an opportunity to conduct a due diligence review of the affairs of the REIT and the Operating Partnership and has been afforded the opportunity to ask questions of, and receive additional information from, the REIT regarding the business, operations, conditions (financial or otherwise) and the current prospects of the REIT and the Operating Partnership – as all of the foregoing have been publicly filed as of the date hereof with the Commission or otherwise have been published and are available for inspection as of the date hereof on the REIT's website.

5.16. **FIRPTA Matters.** Neither the Contributor nor any of the Designees is a "foreign person" within the meaning of Sections 1445(f) and 7701(b) of the Code.

5.17. **Lease Commissions.** Except as set forth in Exhibit L, as of the date hereof (1) there do not exist any unpaid Leasing Commissions due or that will come due hereafter (including after the Closing Date) with respect to the current terms of (and current leased premises under) any of the Leases shown on the Current Rent Rolls, and (2) there are no agreements (a) providing for the payment from and after Closing of Leasing Commissions for procuring Tenants for the current term of (and current leased premises under) any of the Leases with respect to the Property, or (b) providing for the payment of any Leasing Commissions upon the future exercise by any Tenant under any existing Lease of renewal, extension or expansion rights set forth in its Lease. Contributor shall deliver to the Operating Partnership an updated Exhibit L as of the Closing Date, reflecting the current status of Leasing Commissions as of the Closing Date.

5.18. **Tax Filings.** Owner is not delinquent in its obligations to file federal, state and local income tax returns, and/or limited liability company annual or other filings in Virginia, required to be

filed by it, nor to pay federal, state and local income taxes and/or limited liability company annual or other filing fees in Virginia required to be paid by it.Contributor represents that Owner has been treated as a "disregarded entity" within the meaning of Treasury Regulation Section 301.7701-3(b)(1) throughout the entire term of its existence. Contributor will cause final income tax returns for Owner to be filed for the partial tax year ending on the Closing Date prior to delinquency, will pay all taxes due from it in connection or as shown on such filings prior to delinquency, and will provide a copy thereof to the Operating Partnership promptly after filing. In addition, Contributor will, prior to Closing, cause Owner to file all applicable business tax returns, personal property tax returns and/or limited liability company filings in Virginia that are then required to be filed (*e.g.,* for all tax reporting periods that are "closed" as of the Closing Date) even if the date of delinquency for such tax filings would not occur until after the Closing Date, and will pay all taxes and/or fees due in connection with or as shown on such filings. To Contributor's knowledge, Exhibit N contains true, correct and complete state and federal tax returns of Owner for calendar years 2002 and 2003.

5.19. **Hazardous Substances.** Except as disclosed in any of the environmental reports (collectively, the "Environmental Reports") comprising a part of the Owner Property Materials, or as otherwise disclosed by Contributor to the Operating Partnership in writing, to the knowledge of Contributor (which is based solely on the Environmental Reports and with no knowledge to the contrary, (1) neither the Property nor any of Owner's operation and management thereof is in violation of any Environmental Law or is subject to any pending or threatened litigation or inquiry by any Authority or to any remedial action or obligations under any Environmental Law; (2) the Property is not now and never has been used for industrial purposes or for the storage, treatment or disposal of hazardous waste, hazardous material, chemical waste, or

other toxic substance, and (3) no hazardous substances or toxic wastes have been disposed of or are now located upon the Property in violation of any applicable Environmental Law (including, without limitation, asbestos and PCBs). Prior to Closing, Contributor agrees to promptly notify the Operating Partnership of any fact of which Contributor or Owner acquires knowledge that would cause this representation to become false and of any written notice that Contributor or Owner receives regarding the matters set forth in this Section 5.19. The foregoing is qualified by any hazardous waste, hazardous material, chemical waste or other toxic substance now or formerly on or about the Property used or present in connection with the ordinary development, operation and/or maintenance of the Property in accordance with Environmental Laws. As used herein the term Environmental Reports specifically includes that certain report entitled "Phase I Environmental Site Assessment Report, Pinnacle Drive Towers, 1751 and 1753 Pinnacle Drive, McLean, Virginia 22102", TIAA Application Number AAA-2997, dated August 11, 2003, prepared by The Shaw Group, Inc.

5.20. **Tenant Inducement Costs.** Except as set forth in Exhibit L, as of the date hereof there do not exist any unpaid Tenant Inducement Costs due or that will come due hereafter (including after the Closing Date) with respect to the current terms of (and current leased premises under) any of the Leases shown on the Current Rent Rolls. Contributor shall deliver to the Operating Partnership an updated Exhibit L as of the Closing Date, reflecting the current status of Tenant Inducement Costs as of the Closing Date.

5.21. **No Other Agreements**. Other than this Agreement and the Permitted Exceptions, the Property is not subject to any outstanding agreement(s) of sale, or options, rights of first refusal or other rights to purchase.

5.22. **Owner's Documents**. Contributor has furnished or will furnish to the Operating Partnership a true and complete copy of Owner's operating agreement and all amendments, modifications and supplements thereto, as well as all articles of organization and any amendments thereto. To Contributor's knowledge, such copies: (1) are exact copies of the originals of such documents, as executed and delivered by all of the parties thereto; (2) constitute, in each case, the entire agreement

between the parties thereto with respect to the subject matter thereof, and the original instruments in the form delivered to the Operating Partnership are now in full force and effect, and valid and enforceable in accordance with their respective terms, and no party thereto is in default, and no claim of default by any party has been made or is now pending and there does not now exist any default which, after either the giving of notice or the passing of time, or both, will or may constitute a default, or would excuse performance by any party thereto; and (3) have not been changed or amended except for amendments, if any, specifically referred to therein.

5.23. **Limitations Regarding Representations and Warranties.** The representations and warranties of Contributor herein are qualified in their entirety by any matters disclosed by the Owner Property Materials delivered or otherwise made available to the Operating Partnership. Contributor shall be obligated, liable or responsible to the Operating Partnership for a breach or violation of any representation or warranty contained herein only if and to the extent the Operating Partnership incurs any actual loss or damage as a result of such breach or violation. Without limiting the foregoing:

(1) In the event the Operating Partnership alleges any breach or violation of any representation or warranty contained herein with respect to any of the Leases or the physical condition of the Property (or any part thereof), Contributor shall be permitted to attempt to mitigate the loss to the Operating Partnership as a result of such breach or violation and the Operating Partnership shall reasonably cooperate with Contributor and Owner (with the Contributor bearing the cost of any reasonable out-of-pocket, third-party cost or expense to the Owner or Operating Partnership in respect thereof) and shall provide Contributor with reasonable access to the Property in connection with such mitigation.

(2) Contributor shall not be obligated, liable or responsible to the Operating Partnership for any inaccuracy of any representation or warranty made by Contributor to the Operating Partnership in this Agreement (a) if such inaccuracy is or becomes known to the Operating Partnership on or prior to the date hereof, or (b) if such inaccuracy becomes known to the Operating Partnership between the date hereof and the Closing Date and the Operating Partnership elects to proceed with the Closing (except that the foregoing exculpation from liability in clauses (a) and (b) shall not extend to any inaccuracy of any representation or warranty made by Contributor to the Operating Partnership in this Agreement which is made knowingly by Contributor with an intent to deceive). Nothing in this Section shall limit the Operating Partnership's ability not to proceed to and conclude Closing hereunder pursuant to and in accordance with Section 8.

ARTICLE VI
REPRESENTATIONS AND WARRANTIES OF
THE OPERATING PARTNERSHIP AND THE REIT

The Operating Partnership and the REIT jointly and severally represent and warrant to Contributor as follows:

6.1. **Organization, Power and Authority**. The Operating Partnership is a limited partnership duly organized, validly existing and in good standing under the laws of the State of Delaware. The Operating Partnership has all necessary power and authority to issue the Preferred Units and the Common Units and to perform all of its other obligations, all as contemplated hereunder. The person executing this Agreement on behalf of the Operating Partnership has all necessary power and authority to execute and deliver this Agreement on behalf of the Operating Partnership and to bind the Operating Partnership to the provisions hereof. The Operating Partnership is duly qualified, licensed or admitted to do business and is in good standing in those jurisdictions in which the ownership, use, or leasing of its assets and properties, or the conduct or nature of its business makes such qualification, licensing or

admission necessary, except for failure to be so qualified, licensed or admitted and in good standing that individually or in the aggregate would not reasonably be expected to have a Material Adverse Effect on the Operating Partnership.

6.2. **No Breach**. The execution and delivery of this Agreement, the consummation of the transactions provided for herein and the fulfillment of the terms hereof will not result in a breach of any of the terms or provisions of, or constitute a default under, any agreement of the Operating Partnership or any instrument to which the Operating Partnership is a party or by which the Operating Partnership is bound, or any judgment, decree or order of any court or governmental body, or any applicable law, rule or regulation.

6.3. **No Bankruptcy**. Neither the Operating Partnership nor the REIT is in the hands of a receiver; neither the Operating Partnership nor the REIT has filed petition for relief, or been the subject of the filing of a petition for relief, under the United States Bankruptcy Code or state insolvency law; and no order for creditors' relief has been entered with respect to the Operating Partnership or the REIT.

6.4. **No Inducement**. In entering into this Agreement, neither the Operating Partnership nor the REIT has been induced by and has not relied upon any written or oral representations, warranties or statements, whether express or implied, made by Contributor, any Affiliate of Contributor, or any agent, employee, or other representative of any of the foregoing or by any broker or any other person representing or purporting to represent Contributor, with respect to the Property, the Condition of the Property or any other matter affecting or relating to the transactions contemplated hereby, other than those expressly set forth in this Agreement.

6.5. **Good Faith Efforts**. Each of the Operating Partnership and the REIT shall use good faith efforts to consummate the Closing and fulfill each of the conditions thereto. Without limiting the generality of the foregoing, each of the Operating Partnership and the REIT shall employ commercially reasonable efforts to secure the consent of Lender to the Loan Assumption and the Lender Approval, which shall include agreeing to any reasonable modifications requested by Lender of any term of the

Loan; *provided, however*, neither the Operating Partnership nor the REIT shall have any obligation to agree to any modification of any term of the Loan which would result in a negative impact on the economics of the Operating Partnership's acquisition of the LLC Interests.

6.6. **Partnership Agreement.** The Operating Partnership has furnished to Contributor a true and complete copy of the Partnership Agreement and all amendments, modifications and supplements thereto. The Partnership Agreement is in full force and effect.

6.7. **No Proceedings.** There is no existing, or to the knowledge of the Operating Partnership, threatened, legal action or governmental proceedings of any kind involving the Operating Partnership, or its assets or its Subsidiaries or its Subsidiaries' assets or the operation of any of the foregoing, which, if determined adversely to the Operating Partnership, its Subsidiaries or their respective assets, would have a Partnership Material Adverse Effect.

6.8. **Preferred Units; Common Units; Common Shares.** The Preferred Units and Common Units to be issued to the Contributor and/or the Designees have been duly authorized by all necessary partnership and other action and, when issued by the Operating Partnership, will be duly authorized, validly issued, fully paid and non assessable, free and clear of any mortgage, pledge, Lien, encumbrance, security interest, claim or rights of interest of any third party of any nature whatsoever, and will not be subject to preemptive or other similar rights arising by operation of law, under the organizational documents of the Operating Partnership or under any agreement to which the Operating Partnership is a party or otherwise. The Common Shares which may be issued upon conversion or exchange of the

Common Units have been duly authorized and reserved for issuance, and, when issued by the REIT, will be validly issued, fully paid and non assessable, free and clear of any mortgage, pledge, Lien, encumbrance, security interest, claim or rights of interest of any third party of any nature whatsoever, and will not be subject to preemptive or other similar rights arising by operation of law, under the Charter and Bylaws of the REIT or under any agreement to which the REIT is a party or otherwise. At or prior to Closing, the REIT shall have given such consents and taken such actions as necessary to vest the Contributor and/or each Designee which receives Common Units with the conversion rights set forth in the Partnership Agreement.

6.9. **The REIT.** With respect to the REIT:

(1) The REIT is a real estate investment trust duly organized, validly existing and in good standing under the laws of the State of Maryland has all requisite power and authority to own, lease and operate its properties and assets as they are now owned, leased and operated and to carry on its business as now conducted and presently proposed to be conducted. The REIT is duly qualified, licensed or admitted to do business and is in good standing in those jurisdictions in which the ownership, use, or leasing of its assets and properties, or the conduct or nature of its business makes such qualification, licensing or admission necessary, except for failures to be so qualified, licensed or admitted and in good standing that individually or in the aggregate would not reasonably be expected to have a Material Adverse Effect on the REIT. The REIT is the sole general partner of the Operating Partnership.

(2) The REIT has all requisite power and authority to enter into, execute and deliver this Agreement on its own behalf and in its capacity as general partner of the Operating Partnership and to perform fully its obligations hereunder on its own behalf and in its capacity as general partner of the Operating Partnership. The execution, delivery and performance by the REIT of this Agreement and the other documents to be delivered by the REIT at Closing on its own behalf and in its capacity as general partner of the Operating Partnership, and the consummation by the REIT of the transactions contemplated hereby and thereby at Closing will have been duly and validly authorized by all necessary action on the part of the REIT. The REIT has obtained (or will, by Closing, have obtained) all consents necessary (whether from a governmental authority or other third party) for it to consummate the transactions contemplated hereby, other than such consents, the failure of which to obtain could, in the aggregate, reasonably be expected to have a Material Adverse Effect on the REIT.

(3) The REIT has furnished to Contributor a true and complete copy of its Charter and Bylaws and all amendments, modifications and supplements thereto. The REIT is not (a) in violation of its Charter or Bylaws, (b) in default, and no event has occurred which, with notice or lapse of time or both, would constitute such a default, in the due performance or observance of any obligation, agreement, covenant or condition contained in any material indenture, mortgage, deed of trust, loan or credit agreement, lease, contract or other material agreement or instrument to which is a party or by which it is bound or to which any of its properties or assets is subject or by which it, or any of them, may be materially affected, or (c) in violation or in conflict with any provision of any legal requirements applicable to the REIT or its assets, except in the case of clauses (b) and (c) for such defaults, violations or conflicts that individually or in the aggregate would not reasonably be expected to have a Material Adverse Effect on the REIT.

(4) There is no existing, or, to the knowledge of the REIT, threatened legal action or governmental proceedings of any kind involving the REIT, any of its assets or its Subsidiaries or its Subsidiaries' assets or the operation of any of the foregoing, which, if determined adversely to the REIT, its Subsidiaries or their respective assets would reasonably be expected to have a Material Adverse Effect on the REIT.

(5) The REIT qualifies as a real estate investment trust under the Code, and the REIT is organized and operates in a manner that will enable it to continue to qualify as a real estate investment trust under the Code.

(6) The execution and delivery of this Agreement, the consummation of the transactions provided for herein and the fulfillment of the terms hereof will not result in a breach of any of the terms or provisions of, or constitute a default under, any agreement of the REIT or any instrument to which the REIT is a party or by which the REIT is bound, or any judgment, decree or order of any court or governmental body, or any applicable law, rule or regulation.

ARTICLE VII
CONDITIONS PRECEDENT TO THE CONTRIBUTOR'S OBLIGATIONS

Contributor's obligations to proceed to and conclude Closing hereunder are conditioned on the satisfaction, at or before the time of Closing hereunder, of each of the following conditions (any one or more of which may be waived in whole or in part by Contributor, at Contributor's option):

7.1. **Accuracy of Representations**. All of the representations and warranties of the Operating Partnership and the REIT contained in this Agreement shall have been true and correct when made. In addition, all of the representations and warranties of the Operating Partnership and the REIT contained in this Agreement shall be true and correct on the Closing Date with the same effect as if made on and as of such date. The representations and warranties of the Operating Partnership and the REIT shall also be subject to such changes as may have occurred between the date hereof and the Closing Date, *provided that* none of such changes shall be reasonably expected to have a Material Adverse Effect (1) on the Preferred Units, the Common Units or the Common Shares, (2) on the Operating Partnership or the REIT, or (3) on the ability of the Operating Partnership or the REIT to perform their obligations under this Agreement. To evidence the foregoing, there shall be delivered to Contributor at Closing a certificate to that effect, dated the Closing Date, which certificate shall have the effect of a representation and warranty of the Operating Partnership and the REIT made on and as of the Closing Date.

7.2. **Performance**. The Operating Partnership and the REIT each shall have performed, observed and complied with all covenants, agreements and conditions required by this Agreement to be performed, observed and complied with on its part prior to or as of Closing hereunder.

7.3. **Documents and Deliveries**. All instruments and documents required on the part of the Operating Partnership or on the part of the REIT to effect this Agreement and the transactions contemplated hereby, all as set forth herein generally and particularly in Section 10.3 hereof, shall be delivered to Contributor and shall be in form and substance consistent with the requirements herein.

7.4. **Lender Approval**. As and to the extent required by the Loan Documents, Lender shall have approved in writing the Loan Assumption and the assignment, transfer and contribution of the LLC Interests to the Operating Partnership, in form and substance reasonably acceptable to Contributor, the Operating Partnership and the Lender, and shall have fully released and discharged Contributor from all liabilities and obligations under or with respect to the Loan, including fully releasing and discharging Guarantor from all liabilities and obligations under the Loan Documents ("Lender Approval"), except only such liabilities and obligations which, by the terms of the Loan Documents, expressly survive assignment, assumption, transfer or repayment of the Loan (*e.g.,* environmental indemnities to the extent of matters occurring prior to the Closing Date) ("Surviving Loan Obligations").

ARTICLE VIII
CONDITIONS PRECEDENT TO
THE OPERATING PARTNERSHIP'S OBLIGATIONS

The Operating Partnership's obligations to proceed to and conclude Closing hereunder are conditioned on the satisfaction, at or before the time of Closing hereunder, or at or before such earlier time as may be expressly stated below, of each of the following conditions (any one or more of which may be waived in whole or in part by the Operating Partnership, at the Operating Partnership's option):

8.1. **Accuracy of Representations**. All of the representations and warranties of Contributor contained in this Agreement shall have been true and correct when made. In addition, all of the representations and warranties of Contributor contained in this Agreement (except for those set forth in Section 5.6 which shall be updated as of the Closing Date as provided in such section) shall be true and correct on the Closing Date with the same effect as if made on and as of such date. In clarification of the foregoing, the other representations and warranties of Contributor shall also be subject to such changes as may have occurred between the date hereof and the Closing Date *provided that* none of such changes shall be reasonably expected to have a Material Adverse Effect (1) on the LLC Interests, (2) on the Owner or the Property, or (3) on the ability of the Contributor to perform its obligations under this Agreement. To evidence the foregoing, there shall be delivered to the Operating Partnership at Closing a certificate to that effect, dated the Closing Date, which certificate shall have the effect of a representation and warranty of Contributor made on and as of the Closing Date.

8.2. **Performance**. Contributor shall have performed, observed and complied with all covenants, agreements and conditions required by this Agreement to be performed, observed and complied with on its part prior to or as of Closing hereunder.

8.3. **Documents and Deliveries**. All instruments and documents required on Contributor's part to effect this Agreement and the transactions contemplated hereby, all as set forth herein generally and particularly in Section 10.2 hereof, shall be delivered to the Operating Partnership and shall be in form and substance consistent with the requirements herein.

8.4. **Lender Approval**. Lender Approval shall have been secured. For purposes of this Section 8.4, Lender Approval shall not require any release or discharge of Guarantor from any of its liabilities or obligations under the Loan Documents (which release or discharge is a condition to Contributor's obligations under Section 7.4, and may be waived in whole or in part by Contributor as provided for therein and in Article VII generally).

8.5. **Tenant Estoppels**. Contributor shall have delivered to the Operating Partnership and the Owner estoppel certificates not later than two (2) Business Days prior to Closing (on substantially the respective forms and containing substantially the respective information attached hereto as Exhibit G-1), dated within sixty (60) days prior to the Closing Date (collectively, "Estoppel Certificates"), from the following Tenants: (1) Wachovia Bank, National Association; (2) Hunton & Williams; (3) Miles & Stockbridge, P.C.; (4) PricewaterhouseCoopers LLP; and (5) Octagon, Inc. With respect to the Estoppel Certificates:

(1) If and to the extent a Tenant is not required to provide an estoppel with respect to the matters set forth on the form attached hereto as Exhibit G-1 under the terms of its Lease, then Contributor shall request that the Tenant nevertheless execute an estoppel in the form attached hereto as Exhibit G-1 and shall use commercially reasonable efforts to obtain such executed estoppel, but the final executed Estoppel Certificates need only contain the matters set forth on Exhibit G-1 to the extent the Tenant is required to provide an estoppel with respect to such matters under the terms of its Lease.

(2) If one or more Estoppel Certificates has not been obtained by a Tenant as required hereby on or prior to Closing, then, at Contributor's option, Contributor shall be permitted to substitute its own certificate in place thereof (a "Contributor Certificate"), any such Contributor Certificate to be substantially in the form of Exhibit G-2 hereto and to contain substantially identical information to that which is set forth in the corresponding Estoppel Certificate that was not received. Notwithstanding the foregoing, if after the Closing an Estoppel Certificate is obtained from a Tenant with respect to which a Contributor's Certificate was previously delivered, such Estoppel Certificate shall replace the Contributor's Certificate previously delivered with respect to such Tenant (and such Contributor's Certificate previously delivered shall be null and void). The right to provide a Contributor Certificate as aforesaid shall not extend to Wachovia Bank, National Association, with respect to which an Estoppel Certificate executed by such Tenant shall be required as set forth in this Section 8.5.

8.6. **New Leases**. Each of the New Leases, if any and if executed prior to Closing, shall contain the applicable business terms set forth on Exhibit K hereto or such other terms as the Contributor and the Operating Partnership may agree.

ARTICLE IX
SATISFACTION OR FAILURE OF CONDITIONS

9.1. **Lender Approval**. Contributor and the Operating Partnership shall use all reasonable efforts to apply for and secure the Lender Approval. In furtherance of the foregoing:

(1) The Operating Partnership shall at its sole cost and expense promptly provide to Lender such financial information, and shall join in and execute such applications, assumptions and other documentation, as the Lender may from time to time reasonably request or require in order fully to secure the Lender Approval, including, without limitation, the Operating Partnership shall provide Lender with a suitable entity to assume the obligations of Contributor as Guarantor under the Loan Documents, including without limitation all of Guarantor's non-recourse carve-out and environmental indemnity obligations under the Loan Documents from and after the Closing Date (at the request of the Lender, such successor "Guarantor" will be the Operating Partnership itself). Contributor shall initially take the lead in applying for and seeking Lender Approval, and the Operating Partnership shall cooperate fully with Contributor in the process. Under the terms of the Loan Documents, the application for Lender Approval as aforesaid shall take into account the fact that the transaction contemplated by this Agreement should be deemed to be and characterized as a "Permitted Transfer" as defined in the Loan Documents, not requiring an absolute consent by the Lender thereunder but requiring instead satisfaction of certain conditions, including certain approvals by the Lender in respect of and related to satisfaction of such conditions. Each party shall keep the other promptly and reasonably informed of its progress in applying for and securing such Lender Approval as aforesaid.

(2) If Contributor receives written notice from the Lender that Lender will not grant the Lender Approval, Contributor will promptly provide a copy of such notice to the Operating Partnership. In such case, either party may terminate this Agreement by written notice to the other, in which event the Escrow Funds posted by the Operating Partnership shall be returned to it in full, and this Agreement shall terminate and no longer shall be of any force or effect, and no party shall have any further liability or obligation hereunder to any other, except under such provisions which shall expressly survive a termination of this Agreement.

(3) The Operating Partnership has read and approved all of the Loan Documents, all of which are acceptable and satisfactory to the Operating Partnership.

(4) At the Closing, the Contributor shall pay any and all transfer fees and loan assumption fees, if any, and all Lender's costs related thereto and related recording fees (however denominated) (collectively, the "Loan Fee"), all in connection with the Loan Assumption and the Lender Approval and as required under the Loan Documents. Under the terms of the Loan Documents, the application for Lender Approval as provided for herein shall take into account, as set forth above, the fact that the transaction contemplated by this Agreement should be deemed to be and characterized as a "Permitted Transfer" and as an "UPREIT transaction" as defined in or contemplated by the Loan Documents; and, therefore, such "UPREIT transaction" should not be subject to payment of a transfer fee or other loan assumption fee under the Loan Documents.

9.2. **Failure by Reason of a Default**. If any condition required herein shall have failed by reason of a default or breach by a party of any of its representations, warranties or covenants contained herein, then the aggrieved party shall be permitted and entitled to pursue the remedies available to it in the event of a default as set forth in Section 19 hereof.

9.3. **Failure Without a Default**. If any condition required herein shall have failed not by reason of a default or breach by a party hereunder, then, unless such failure of condition is waived: (1) all Owner Property Materials delivered by Contributor or Owner to the Operating Partnership shall be returned to Contributor, and all OP Property Materials, to the extent within the Operating Partnership's possession or control, shall be delivered to Contributor (at no out-of-pocket cost to the Operating Partnership) without any representation or warranty from the Operating Partnership; *provided, however*, that the Operating Partnership shall have no obligation to obtain any third party consents or approvals for Contributor to rely on such OP Property Materials; (2) upon satisfaction by the Operating Partnership of the delivery requirements in clause 9.3(1) above, the Escrow Funds shall be returned to the Operating Partnership; and (3) this Agreement shall terminate and no longer shall be of any force or effect, and no party shall have any further liability or obligation hereunder to any other, except under such provisions which shall expressly survive a termination of this Agreement.

9.4. **No Other Conditions**. It is expressly understood and agreed that the only conditions to the respective obligations of Contributor and the Operating Partnership to consummate Closing hereunder are as set forth in Sections 7 and 8 hereof, respectively.

ARTICLE X
CLOSING; DELIVERIES AT CLOSING.

10.1. **Date, Time and Place**.

(1) Subject to the remaining provisions in this Section 10.1, the Closing will take place on September 15, 2004 (the "Scheduled Closing Date"). The Closing will take place at 10:00 A.M. (Eastern time) on the Scheduled Closing Date, at the offices of Contributor in Philadelphia, Pennsylvania (or at the offices of Contributor's counsel in Philadelphia, Pennsylvania), or on such earlier date or at such other time or place as Contributor and the Operating Partnership may mutually agree in writing, and in such a manner and at such time so that Contributor shall receive the full Cash Consideration on the Closing Date by 2:00 P.M. such that Contributor is able to deposit such amount and receive interest on such amount for the Closing Date. Time is understood to be of the strict essence hereof except for the right in Contributor and the Operating Partnership to extend the Scheduled Closing Date as provided for in Section 10.1(2).

(2) The Scheduled Closing Date may be extended for any one or a combination of the following reasons:

(a) Either Contributor or the Operating Partnership will have the right to extend the Scheduled Closing Date from time to time until (but not later than) the Outside Date, on five (5) days prior written notice to the other, if the sole reason that the Closing has not occurred is due to the failure to obtain the Lender Approval and/or the Estoppel Certificates required hereby, and the party so electing to extend (*i.e.,* either Contributor or the Operating Partnership) reasonably believes that such Lender Approval and/or Estoppel Certificates can be obtained within such extension period.

(b) Contributor will have the right to extend the Scheduled Closing Date from time to time until (but not later than) the Outside Date, on five (5) days prior written notice to the Operating Partnership, for any reason, in Contributor's sole judgment, relating to the sequencing and timing of other transactions related to other properties in Contributor's portfolio (with the understanding, nevertheless, that a closing or any other event with respect to any such other transaction is not in any respect a condition to Contributor's obligations hereunder).

(c) Contributor will have the right to extend the Scheduled Closing Date as provided for in Section 13.4.

(3) If either Contributor or the Operating Partnership shall so exercise its right to extend the Scheduled Closing Date as provided for in Section 10.1(2)(a), then either party shall be permitted to set the new Closing Date (after satisfaction or waiver of the condition described in Section 10.1(2)(a), as applicable, which gave rise to the right so to extend) by not less than three (3) Business Days' notice to the other (or if both parties shall give a notice as aforesaid setting the new Closing Date, then the earliest Closing Date so set shall be the Closing Date hereunder).

(3) If Contributor shall so exercise its right to extend the Scheduled Closing Date as provided for in Section 10.1(2)(b) or (c), then Contributor shall be permitted to set the new Closing Date (after satisfaction or waiver of the event or other condition described in Section 10.1(2)(b) or (c), as applicable, which gave rise to the reason or right so to extend) by not less than three (3) Business Days' notice to the Operating Partnership.

10.2. **Deliveries by Contributor**. At Closing, Contributor shall deliver to the Operating Partnership the following:

(1) An Assignment, duly executed and acknowledged by Contributor, assigning and contributing to the Operating Partnership all of Contributor's right, title and interest in and to the LLC Interests, substantially in the form of Exhibit O hereto (the "Assignment").

(2) A counterpart of the Tax Protection Agreement, duly executed by Contributor and the Designees.

(3) A counterpart of the Partnership Agreement Amendment, duly executed by Contributor and the Designees.

(4) The updated Exhibits required by Sections 5.17, 5.20 and 16.9(1).

(5) To the extent in Contributor's possession, originals of all Leases, originals of all Retained Contracts and Construction Contracts, and originals or copies of all Owner Property Materials and all other records and files, including all Tenant correspondence files and also including all bills and statements for all operating and other expenses of the Property relating to the leasing, operation and maintenance of the Property.

(6) The Updated Rent Roll and certificates required by Sections 5.6 and 8.1.

(7) Notices to Tenants, substantially in the form of Exhibit P hereto (a "Tenant Notice"), directing that rent and other payments thereafter be sent and directed to the Owner (or its agent) at the address provided by the Operating Partnership at Closing, unless otherwise directed by the Owner.

(8) Notices to contractors and other vendors under the Retained Contracts and the Construction Contracts, substantially in the form of Exhibit Q hereto (a "Contractor Notice"), directing that all future notices and other matters relating to the Retained Contracts and the Construction Contracts thereafter be sent and directed to the Owner (or its agent) at the address provided by the Operating Partnership at Closing, unless otherwise directed by the Owner.

(9) If and to the extent in Contributor's possession, originals or copies of all certificates of occupancy, licenses, permits, authorizations, consents and approvals issued by any Governmental Authority having jurisdiction over the Property.

(10) All "as built" plans (including CAD diskettes), specifications, surveys or other documents relating or pertaining to the Property in the possession of Contributor, including, but not limited to, all records relating to repair, renovation and maintenance of the Property.

(11) Such owner's affidavits as the Title Insurer shall reasonably require in order to issue, without extra charge, policies of title insurance free of any exceptions for unfiled mechanics' or materialmen's liens for work performed prior to Closing, other than work for which the Operating Partnership shall be responsible pursuant to Section 11.7(1).

(12) Keys or combinations to all locks at the Property in the possession of Contributor.

(13) A certificate with respect to Section 1445 of the Code, stating that neither Contributor nor any Designee is a "foreign person" as defined in such Section 1445 and applicable regulations thereunder.

(14) Documentation, in form and substance reasonably satisfactory to the Operating Partnership, confirming and evidencing the following matters: that Contributor is a limited partnership duly organized, validly existing and in good standing under the laws of the State of Delaware; that Contributor has the power and authority to execute and deliver this Agreement and perform its obligations hereunder; that the execution, delivery and performance of this Agreement and of all instruments to be executed and delivered by Contributor hereunder have been duly authorized by all necessary action on the part of Contributor; and that the individuals executing this Agreement and the other documents and instruments referenced herein or otherwise executed and delivered in connection herewith on behalf of Contributor have the legal power, right and authority to bind Contributor.

(15) Documentation, in form and substance reasonably satisfactory to the Operating Partnership, confirming and evidencing that Owner is a limited liability company duly organized, validly existing and in good standing under the laws of the Commonwealth of Virginia.

(16) Such other items required of Contributor as set forth elsewhere herein, including, without limitation, an affidavit/indemnity in form reasonably satisfactory to Contributor and the Title Company (such to be in favor of the Title Company and necessary to have the Title Company issue a "non-imputation endorsement" in the Operating Partnership's and Owner's final policy of title insurance).

10.3. **Deliveries by the Operating Partnership and the REIT.** At Closing, the Operating Partnership and the REIT shall deliver to Contributor the following:

(1) A wire transfer of immediately available federal funds, to an account designated by Contributor, in an amount equal to the Cash Consideration (less that portion of the Cash Consideration which shall be paid from and out of the Escrow Funds). In addition, the Operating Partnership shall authorize, direct and cause the Escrow Agent to make a further wire transfer of immediately available federal funds, to an account designated by Contributor, in the full amount of the Escrow Funds, as contemplated in Section 4.2(1) above.

(2) The Preferred Units or Common Units, as applicable, in either case duly issued by the Operating Partnership in the names of Contributor and any applicable Designee in accordance with Section 2.2.

(3) A counterpart of the Tax Protection Agreement, duly executed by the Operating Partnership and the REIT.

(4) A counterpart of the Partnership Agreement Amendment, duly executed by the REIT (as general partner of the Operating Partnership).

(5) A counterpart of the Assignment, duly executed by the Operating Partnership.

(6) Documentation evidencing (a) the Operating Partnership's and the Owner's (and, to the extent of matters covered by a guaranty and required by Lender, a Guarantor's) acceptance and assumption of the Loan Documents and the Loan, all as prepared by and in form and substance reasonably satisfactory to the Lender and the Operating Partnership, and as Lender may reasonably request or require in connection with the granting of Lender Approval and the effectuation of the Loan Assumption, and (b) the full and complete release by Lender of Contributor (as Guarantor) from each of its obligations and liabilities under or pursuant to the Loan Documents, except only for Surviving Loan Obligations, such release to be prepared by Contributor and in form and substance satisfactory to Contributor and Lender.

(7) The certificate required by Section 7.1.

(8) Documentation, in form and substance reasonably satisfactory to Contributor and Lender, confirming and evidencing the following matters: that the Operating Partnership is a limited partnership, duly formed, validly existing and in good standing under the laws of the State of Delaware; that the Operating Partnership has the power and authority to execute and deliver this Agreement and perform its obligations hereunder; that the execution, delivery and performance of this Agreement and of all instruments to be executed and delivered by the Operating Partnership hereunder have been duly authorized by all necessary action on the part of the Operating Partnership; and that the individuals executing this Agreement and the other documents and instruments referenced herein or otherwise executed and delivered in connection herewith on behalf of the Operating Partnership have the legal power, right and authority to bind the Operating Partnership under the terms and conditions stated herein.

(9) Documentation, in form and substance reasonably satisfactory to Contributor and Lender, confirming and evidencing the following matters: that the REIT is a real estate investment trust, duly formed, validly existing and in good standing under the laws of the State of Maryland; that the REIT has the power and authority to execute and deliver this Agreement and perform its obligations hereunder; that the execution, delivery and performance of this Agreement and of all instruments

to be executed and delivered by the REIT hereunder have been duly authorized by all necessary action on the part of the

REIT; and that the individuals executing this Agreement and the other documents and instruments referenced herein or otherwise executed and delivered in connection herewith on behalf of the REIT have the legal power, right and authority to bind the REIT under the terms and conditions stated herein.

(10) A counterpart of the Tenant Notices, duly executed by the Operating Partnership.

(11) A counterpart of the Contractor Notices, duly executed by the Operating Partnership.

(12) Such other items required of the Operating Partnership or the REIT as set forth elsewhere herein.

10.4. **Liabilities.** Except as otherwise provided for in this Agreement, the Operating Partnership shall not assume or take subject to any liabilities and obligations of the Contributor, and Contributor shall pay the same as they mature and shall hold the Operating Partnership harmless with respect to all thereof. Subject, nevertheless, to the terms of this Agreement, all liabilities and obligations of the Property accruing prior to, on or after the Closing Date shall be the responsibility of the Owner and the Owner shall pay the same as they mature and shall hold Contributor harmless with respect to all thereof. This Section 10.4 shall survive Closing.

10.5. **Closing Statement**. At Closing, Contributor and the Operating Partnership shall execute and deliver (and Contributor shall cause the Owner to execute and deliver) one or more Closing Statements prepared by Contributor and reasonably satisfactory to both Contributor and the Operating Partnership (a "Closing Statement"), which shall, among other items, set forth the Agreed Value, the principal balance of the Loan, the Reimbursement Payment, the Cash Contribution, the amounts of all prorations and other adjustments set forth herein and all disbursements made at Closing on behalf of the Operating Partnership, the Contributor and the Owner. In addition, the Closing Statement(s) shall confirm that the representations and warranties of Contributor, the Operating Partnership and the REIT set forth in this Agreement are true and correct as of the Closing and shall survive the Closing to the extent herein set forth, and the Closing Statement(s) shall include a representation from Contributor, the Operating Partnership and the REIT that all obligations of Contributor, the Operating Partnership and the REIT hereunder, respectively, to be performed at or prior to Closing have been performed in full.

10.6. **Availability of Certain Materials After Closing**. The Operating Partnership shall cause all of the materials described in Section 10.2(5) above to be reasonably available to Contributor for a period of three (3) years after Closing.

ARTICLE XI
APPORTIONMENTS; EXPENSES

11.1. **Apportionments Generally**.

(1) Except as otherwise specifically provided below, all expenses, charges and other obligations relating to the operation of the Property (including, without limitation, real estate taxes; expenses, charges and other obligations under the Leases, the Assigned Contracts and the Loan) shall be pro rated between the Operating Partnership and the Contributor on a per diem basis as of 11:59 P.M. on the Pro Ration Date. For purposes of the pro rations contained in this Article XI, the Operating Partnership shall be deemed to be the owner of the LLC Interests for the entire Closing Date. Whether amounts are allocable for the above purposes for the period before or after Closing shall be determined in accordance with generally accepted accounting principles using the accrual method.

(2) In furtherance of the foregoing: (a) any bills, invoices or other payments that are apportionable hereunder and that are received by Contributor or the Owner following Closing or otherwise become due following Closing, shall in the first instance be paid by the Owner, and upon evidence of the payment thereof, Contributor shall reimburse the Owner its apportioned share thereof in accordance with the provisions of this Article XI, and (b) any bills, invoices or other payments that relate to periods prior to Closing and are received by Contributor or the Owner following Closing or otherwise become due following Closing, shall be sent to Contributor and shall be paid for by Contributor when due. To the extent possible, the parties shall undertake to have services or contracts effectively terminated on the Pro Ration Date in order to avoid (to the extent practicable) post-Closing prorations of such items.

(3) All apportionments and adjustments set forth in this Article XI hereof and elsewhere in this Agreement shall be accounted for separately at Closing and shall be reflected on the Closing Statement, and the net amount thereof shall be paid, as applicable, (a) by Contributor to the Operating Partnership (if the net credit of all such apportionments and adjustments results in a credit to the Operating Partnership) or (b) by the Operating Partnership to Contributor (if the net credit of all such apportionments and adjustments results in a credit to the Contributor).

11.2. **Taxes**. All *ad valorem* real estate taxes, charges and assessments shall be pro-rated and apportioned between Contributor and the Operating Partnership at Closing on a per diem basis as of 11:59 P.M. on the Pro Ration Date, apportioned on the basis of the fiscal year of the authority or other person levying the same. If any of the same have not been finally assessed, as of the Closing Date, for the current fiscal year of the taxing authority or other person assessing or charging the same, then the same shall be adjusted appropriately at Closing based upon the most recently issued bills therefor, and shall be readjusted immediately when and if final bills are issued. To the extent there are any interest or penalties associated with the payment of any taxes, such interest and penalties shall be allocated to the party who is responsible for the payment of the tax generating such interest or penalty. The parties acknowledge the following: (1) *ad valorem* real estate taxes (including a "Gypsy Moth Tax") assessed against the Real Estate are assessed on a calendar year basis; (2) such real estate taxes are currently due in two substantially equal installments for calendar year 2004, with the first installment due on or before July 28, 2004 and the second installment due on or about December 1, 2004; (3) the total such real estate taxes due for calendar year 2004 are $633,683.54 (which are due in two substantially equal installments as aforesaid of $316,841.77 each); and (4) the first such installment (in the amount of $316,841.77) was paid on or about July 20, 2004.

11.3. **Utilities**. Charges for water, electricity, sewer rental, gas, telephone and all other utilities shall be pro rated on a per diem basis as of 11:59 P.M. on the Pro Ration Date, disregarding any discount or penalty and on the basis of the fiscal year or billing period of the authority, utility or other person levying or charging for the same. If the consumption of any of the foregoing is measured by meters, then if possible and as an attempt to effectively allocate and apportion charges for such service, Contributor shall use commercially reasonable efforts to obtain a reading of each such meter on the Closing Date and determine the usage of such service as of 11:59 P.M. on the Pro Ration Date and Contributor shall pay all charges thereunder through the date of the meter readings. If there is no such meter or if a reading is not taken as of the Pro Ration Date, or if the bills for any of the foregoing have not been issued prior to the date of the Closing, the charges therefor shall be adjusted at the Closing on the basis of charges for the prior period for which bills were issued and shall be further adjusted when the bills for the current period are issued. Contributor and the Operating Partnership shall cooperate to cause the return to Contributor of any deposits to utility companies previously made by Contributor or Owner (all of which deposits shall become the property of Contributor).

11.4. **Rents and Leases**.

(1) All base rent, additional rent and other sums actually paid under the Leases (including, without limitation, amounts owed by Tenants at the Property as periodic estimates of the costs of utilities, insurance, maintenance, repairs and other operating expenses), shall be prorated and apportioned between the Contributor and the Operating Partnership at Closing on a per diem basis as of 11:59 P.M. on the Pro Ration Date, *provided that* delinquent amounts shall not be considered in such calculation. After the Closing Date, payments of monthly base rent received by the Operating Partnership or the Owner shall be applied (a) first, to current base monthly rent due and owing to the Owner, (b) second, to past-due base monthly rent owing to Owner and starting with the most recent delinquency, and (c) third, after the foregoing amounts are paid in full, to past-due base monthly rent unpaid for the period prior to the Closing Date, which amounts shall be payable to Contributor after deducting therefrom any of the Operating Partnership's costs of collection, including, without limitation, reasonable attorneys' fees. The Operating Partnership will have no obligation to incur any cost or expense or institute any litigation to collect delinquent rents, percentage rents, or other costs or charges owed to Contributor, and Contributor will not exercise any right to collect such amounts unless the Operating Partnership fails to use reasonable efforts to do so. If the Operating Partnership fails to use reasonable efforts to collect such delinquent amounts, Contributor shall have the right to pursue all rights and remedies against the Tenants to recover any such delinquencies, except that Contributor shall not be entitled to threaten to dispossess such Tenants or to institute suit against any Tenant under the Leases.

(2) The Operating Partnership shall receive a credit at Closing for all rents and other charges actually collected prior to Closing to the extent relating to any period after Closing.

(3) With respect to rents and other charges uncollected at Closing and owed by non-occupants of the Improvements at Closing for any period before Closing, Contributor shall retain all rights relating thereto (including the right to collect all such rents and charges), and Contributor shall receive no proration credits from the Owner. All amounts collected by Contributor relating thereto shall be retained by Contributor, and all such amounts received by the Operating Partnership or the Owner with respect thereto shall be forthwith paid over to Contributor.

(4) Any and all Post-Closing Tenant Costs shall be taken into account on a dollar-for-dollar basis in the determination of the Equity Value (in the manner set forth in the definition of that term). The Operating Partnership and/or the Owner shall, after Closing, continue to fund the Escrow Reserves (which includes the PWC Escrow Reserve).

(5) The provisions of this Section 11.4 shall survive Closing.

11.5. **Security Deposits**. Contributor shall deliver to the Owner at Closing, by adjustment entry on the Closing Statement delivered at Closing, the amounts of all Security Deposits and advance rentals which may have been received from Tenants under the Leases and which are still held by Owner or Contributor, together with interest thereon which is or may become due to any Tenant under the provisions of any Lease or applicable law. In connection with the foregoing, Contributor shall provide the Operating Partnership with a certified schedule of such Security Deposits and advance rentals, which schedule shall set forth the name of each Tenant and the amount of its respective Security Deposit and advance rentals, and any interest on any thereof. Notwithstanding the foregoing, any Security Deposit held in the form of a letter of credit shall be delivered at Closing to the Owner and there shall be no adjustment or credit on the Closing Statement in connection therewith.

11.6. **Expenses**. Each party shall be responsible for and shall pay all of its own expenses incurred in connection with this Agreement and the transactions contemplated hereby, including, without

limiting the generality of the foregoing, (1) all costs and expenses stated herein to be borne or shared by a party, and (2) all of their respective accounting and legal fees. Contributor, in addition to Contributor's other expenses, shall be responsible for and shall pay: (x) costs incurred to repay any liens encumbering the Property (except liens securing the Loan which are intended to be assumed by the Company as provided for elsewhere herein or which otherwise constitute Permitted Exceptions), and (y) all transfer or assumption fees and other costs related to the assignment and assumption of the Loan (including the Loan Fee). The Operating Partnership, in addition to the Operating Partnership's other expenses, shall be responsible for and shall pay: (a) all title insurance premiums and costs for title searches, examinations, services and endorsements, including the costs of a non-imputation endorsement, if applicable, and also including, without limitation, all survey costs and fees, (b) all costs and expenses associated or connected with the conduct of the Operating Partnership's inspections, including engineering, environmental reports and lease and expense audits, and the like, (c) all applicable sales taxes (if any) in respect of the Personalty, and (d) any and all charges of the Escrow Agent for performing its duties as escrow agent. In no event shall the Owner be responsible to pay any of the costs or expenses set forth in this Section 11.6. The parties understand and intend that, under applicable Law, the transaction as structured under this Agreement (*i.e.,* the contribution of the LLC Interests) is a transaction that is not subject to the imposition of any grantor's taxes or any state or county realty transfer taxes or stamps. If for any reason the transaction hereunder is subject to any such grantor's taxes or state or county realty transfer taxes or stamps, then the cost and expense thereof shall be paid by Contributor and the Operating Partnership in equal shares.

11.7. **Leasing Costs**. Subject to the limitations and provisions of Section 11.4 above and Section 16.2 below and provided that the transaction contemplated hereby shall close:

(1) The Operating Partnership shall be responsible for, and, if applicable, shall reimburse Contributor for (a) all Tenant Inducement Costs and Leasing Commissions which become due and payable (whether before or after Closing) (i) as a result of any renewals or expansions of existing Leases, approved in accordance with Section 16.2 hereof, between the date of this Agreement and the Closing Date, and (ii) under any New Leases, and (b) with respect to any and all existing Leases, all Tenant Inducement Costs and Leasing Commissions which become due and payable from and after the Closing Date relating to events (*i.e.,* renewals, expansions, etc.) occurring from and after the Closing Date.

(2) With respect to any and all existing Leases, Contributor shall be responsible for, and, if applicable, shall reimburse the Operating Partnership for all Tenant Inducement Costs and Leasing Commissions which become due and payable from and after the Closing Date other than (a) any Tenant Inducement Costs and Leasing Commissions relating to events (*i.e*., renewals, expansions, etc.) occurring from and after the Closing Date, (b) any Tenant Inducement Costs that become due and owing during the course of a Lease term (*e.g.,* painting, carpeting or other refurbishing allowances), and (c) any Tenant Inducement Costs and Leasing Commissions identified in clause (1)(a)(i) of this Section 11.7.

11.8. **Loan**. Interest, costs, expenses and credits related to the Loan will be adjusted and apportioned between Contributor and the Operating Partnership in accordance with the following: (1) prepaid or accrued interest will be apportioned as of the Pro Ration Date; (2) Contributor will be credited with the amounts (including accrued interest) of any escrow and other sums on deposit with Lender (including the PWC Escrow Reserve and the Tax and Insurance Escrow Reserve) and such escrow amounts and other sums shall remain on deposit with Lender in accordance with the Loan Documents; (3) Contributor will pay the costs and expenses in connection with the request for and granting of Lender Approval and the Loan Assumption, including the Loan Fee (if any) and the attorneys' fees charged by the Lender in conjunction with the Loan Assumption; and (4) the Operating Partnership will bear the cost

of its own production of information, review of documentation, counsel and other matters related to the Lender Approval and the Loan Assumption.

11.9. **Claims**. At Closing, Contributor will continue to retain the benefit of, and will bear any costs and liabilities associated with, the Insured Claims and the

Landlord Claims. Owner and the Operating Partnership shall reasonably cooperate with Contributor and Contributor's insurer(s) following Closing, with respect to the defense or prosecution of such claims.

11.10. **Cash and Cash Equivalents.** Contributor will be credited with the amounts (including accrued interest) of any cash deposits and balances or cash equivalents in any bank account or other depository in the name of Owner, the signature authority for all of which shall be transferred at Closing to such Person or Persons as the Operating Partnership may designate in writing at or prior to Closing. Contributor will in any case retain the right to withdraw a portion or all of any funds in any such account or other depository prior to Closing. The foregoing provisions in this Section 11.10 shall not apply to Security Deposits, which shall be delivered or otherwise adjusted as provided for in Section 11.5.

11.11. **Survival; Reconciliation.** The provisions of this Article XI shall survive a Closing hereunder and the provisions of Section 11.6 shall also survive a termination of this Agreement. To the extent that errors are discovered in, or additional information becomes available with respect to, the prorations and allocations made at Closing, Contributor and the Operating Partnership agree to make such post-Closing adjustments as may be necessary to correct any inaccuracy; h*owever*, all prorations shall be final no later than ninety (90) days after Closing, except for: (1) prorations and allocations of *ad valorem* taxes, which shall be finalized within thirty (30) days after receipt of the final tax bill for the tax year in which the Closing occurs, (2) prorations and allocations of tenant reimbursables, which shall be finalized within ninety (90) days after the reconciliations for calendar year 2004 have been completed, and (3) prorations or allocations that are then currently in dispute, which shall be finalized when any such dispute is resolved.

ARTICLE XII
DAMAGE OR DESTRUCTION; CONDEMNATION

12.1. **Damage or Destruction**. If at any time prior to the Closing Date all or any material portion of the Property is destroyed or damaged as a result of fire or any other casualty and the cost of restoring such damage exceeds or is reasonably anticipated to exceed $5,000,000, or any Tenant under a Material Lease has the right to terminate its Lease as a result of such casualty and such Tenant has not waived such right in writing, or access to the Property is materially and adversely impaired, then, at the election of the Operating Partnership, this Agreement shall terminate and shall be canceled with no further liability of any party to any other, except under such provisions which shall expressly survive a termination of this Agreement, and the Escrow Funds to the extent then made shall be returned to the Operating Partnership. Contributor shall give the Operating Partnership prompt written notice of any casualty. The election to terminate provided for hereby must be exercised by the Operating Partnership (or will be deemed to have been waived) by written notice to Contributor to that effect, which notice is received by Contributor on or before the tenth (10th) day following the Operating Partnership's receipt of written notice from Contributor of a casualty permitting termination hereunder. If the Operating Partnership shall not elect so to terminate, the Operating Partnership will be entitled to receive all insurance proceeds of any such casualty provided a Closing hereunder shall occur, and in that event Contributor will take at Closing all action necessary to assign its interest in any such proceeds to the Operating Partnership and the Operating Partnership shall receive a credit for any applicable deductible or retention amount not paid by Contributor under such insurance policies.

12.2. **Condemnation**. Any Material Taking of all or any part of the Property between the date of this Agreement and the Closing Date will, at the election of the Operating Partnership, cause a termination of this Agreement. The election to terminate provided for hereby must be exercised by the Operating Partnership (or will be deemed to have been waived) by written notice to Contributor to that effect, which notice is received by Contributor on or before the tenth (10th) day following the Operating Partnership's receipt of written notice from Contributor of the Material Taking and in the event of any such termination, this Agreement shall terminate and shall be canceled with no further liability of any party to any other, except under such provisions which shall expressly survive a termination of this Agreement, and the Escrow Funds to the extent then made shall be returned to the Operating Partnership. If the Operating Partnership shall not elect so to terminate, the Operating Partnership will be entitled to receive all proceeds of any such taking or condemnation provided the a Closing hereunder shall occur, and in that event Contributor will take at Closing all action necessary to assign its interest in any such award to the Operating Partnership. Contributor shall give the Operating Partnership prompt written notice of any taking that is threatened in writing if and as received by Contributor.

12.3. **No Termination**. If there is partial or total damage or destruction or condemnation or taking, as above set forth, and if the Operating Partnership does not elect to terminate (or if the Operating Partnership is not permitted to terminate under the terms of Section 12.1 or 12.2 above) this Agreement as therein provided, then (1) this Agreement shall continue in full force and effect in accordance with its terms and Closing hereunder shall take place in accordance with such terms and without abatement to or other adjustment of the Agreed Value; and (2) all insurance and all condemnation proceeds paid or payable to Contributor (less any insurance deductible applicable thereto) shall belong to the Operating Partnership and shall be paid over and assigned to the Operating Partnership at Closing, and Contributor shall further execute all assignments and any other documents or other instruments as the Operating Partnership may reasonably request or as may be necessary to transfer all interest in all such proceeds to the Owner or to whomever the Operating Partnership shall direct.

ARTICLE XIII
TITLE; FAILURE OF TITLE; EXAMINATION OF TITLE

13.1. **Title**. Title to the Property at Closing will be free and clear of all Liens, tenancies, leases, restrictions, encumbrances, charges, security interests, covenants and easements of every kind, except only Permitted Exceptions. Except for Permitted Exceptions, title to the Property will be good and marketable and such as will be insured by Title Insurer at the regular rates.

13.2. **Failure of Title**. If Contributor is unable to give good and marketable title and such as will be insured by Title Insurer at the regular rates subject only to Permitted Exceptions, then the Operating Partnership will have the option of (1) accepting such title as Contributor is able to provide, with no deduction from or adjustment of the Agreed Value, except to the extent of Liens of a fixed or ascertainable amount, or (2) declining to consummate the transactions contemplated herein; and in the latter event the Operating Partnership will be repaid forthwith the Escrow Funds, this Agreement shall terminate and shall be canceled with no further liability of any party to any other, except under such provisions which shall expressly survive a termination of this Agreement.

13.3. **Examination of Title**. The Operating Partnership may at or prior to Closing notify Contributor in writing of any objections to title (which would prevent title in the Owner at Closing to be good and marketable subject only to Permitted Exceptions) arising between the date of this Agreement and the Closing Date (a "Notice of Title Objections"). The Notice of Title Objections, if and when delivered by the Operating Partnership to Contributor (the date of such delivery is referred to herein as the "Title Objection Date"), shall enumerate with specificity all title exceptions and objections which are acceptable to the Operating Partnership, and all title exceptions or objections which are unacceptable to

the Operating Partnership (and all such title exceptions and objections which are so enumerated as acceptable to the Operating Partnership (together with all such matters which are neither enumerated as acceptable nor unacceptable, all of which shall be deemed to be acceptable), shall supplement the items listed on Exhibit E and shall become Permitted Exceptions for all purposes of this Agreement). In the event that the Operating Partnership fails to give a Notice of Title Objections on or before the Closing Date, then such failure to notify Contributor timely will constitute a waiver of such right to object to any title defects, and this Agreement will remain in full force and effect in accordance with its terms and the transactions contemplated hereby will be closed as herein provided, with Exhibit E as well as all exceptions shown on the Operating Partnership's title commitment shall be deemed acceptable to the Operating Partnership and shall constitute Permitted Exceptions.

13.4. **Cure of Title Objections**. If the Operating Partnership has timely given a Notice of Title Objections as set forth above, Contributor will have the right, but not the obligation (unless otherwise expressly set forth below in this subsection), until on or before ten (10) days after the Title Objection Date, within which to cure any such objections (and if Contributor shall so elect to attempt to cure any such objections, then the Scheduled Closing Date and Closing Date hereunder shall automatically be extended until a date which is on or before ten (10) days after the Title Objection Date). In furtherance of the foregoing:

(1) Notwithstanding anything set forth in this Agreement to the contrary, whether or not the Operating Partnership objects to the same, Contributor shall have an obligation (a) to pay (at or prior to Closing) any amount due in order to satisfy or remove from record title by bonding off or otherwise any Monetary Lien(s) voluntarily placed upon the Property by the Contributor, other than in conjunction with the Loan, and Contributor hereby irrevocably authorizes Escrow Agent to deduct from the Cash Consideration at Closing the amount necessary to pay off or discharge all such Monetary Liens, and (b) other than for Permitted Exceptions, to cure and remove from record title (at or prior to Closing) all Liens and other title exceptions voluntarily created or filed against the Property by the Contributor after the date of this Agreement and not consented to in writing by the Operating Partnership (collectively, the "Mandatory Cure Items").

(2) Notwithstanding anything set forth in this Agreement to the contrary, whether or not the Operating Partnership objects to the same, Contributor shall at all times have the right (a) to pay (at or prior to Closing) any amount due in order to satisfy, remove from record title or have insured over, by payment, bonding off, indemnity or otherwise, any Lien(s) upon the Property, other than in conjunction with the Loan, which Contributor believes were mistakenly or improperly placed upon the Property, and (b) thereafter (prior to, at or following Closing) to seek and recover from the Person placing the same, reimbursement for Contributor's costs, payments and other expenses that Contributor may have incurred in connection therewith and in causing the same to be satisfied, removed from record title or insured over at or prior to Closing.

13.5. **The Operating Partnership's Right To Terminate**. If any such objection to title of which Contributor has been so notified on a timely basis is not so cured within the ten-day period set forth in Section 13.4 above, then the Operating Partnership may, by written notice to Contributor, terminate this Agreement and thereafter neither party hereto will have any further rights, obligations or liabilities hereunder except to the extent that any right, obligation or liability set forth herein expressly survives termination of this Agreement. If any such title objection is not so cured within such ten-day time period and the Operating Partnership has not notified Contributor in writing within ten (10) additional days thereafter that this Agreement is to be so terminated, then the title objections shall be deemed waived and shall constitute Permitted Exceptions hereunder. With respect to Section 13.4 above and to the foregoing provisions of this Section 13.5: (1) Contributor will be deemed to have cured a title defect within the ten-day Contributor cure period as aforesaid if Contributor shall have timely notified the Operating

Partnership in writing that the title objection of which it has notice will be cured at or prior to Closing (and the actual cure thereof will be a condition precedent to the Operating Partnership's obligation to consummate Closing); and (2) the Operating Partnership's deemed waiver of a title objection pursuant to the immediately preceding sentence will not be deemed to have occurred unless the Operating Partnership has failed to notify Contributor in writing within the ten (10) days following the date on which Contributor shall have given written notice to the Operating Partnership that it will not or cannot cure such title objection. Nothing set forth in this Section shall be deemed to limit the Operating Partnership's remedies provided in Section 18.1 for Contributor's breach of any of its obligations hereunder, including, without limitation, Contributor's obligation to cure all Mandatory Cure Items as provided in Section 13.4.

ARTICLE XIV
NOTICES

14.1. **Notices.** All notices and other communications hereunder shall be in writing (whether or not a writing is expressly required hereby), and shall be deemed to have been given (1) if hand delivered or sent by facsimile transmission (with a confirmation copy immediately to follow by any of the other methods of delivery permitted herein) or by express United States mail or nationally-recognized, overnight delivery or courier service (which service provides a receipt of delivery), postage prepaid, then if and when delivered (or, if an attempt is made during ordinary business hours on a Business Day, when the first unsuccessful attempt is made to deliver) to the respective parties at the below addresses (or at such other address as a party may hereafter designate for itself by notice to the other party as required hereby), or (2) if mailed by First Class United States certified mail, return receipt requested, postage prepaid, then if and when delivered (or, if an attempt is made during ordinary business hours on a Business Day, when the first unsuccessful attempt is made to deliver) to the respective parties at the below addresses (or at such other address as a party may hereafter designate for itself by notice to the other party as required hereby).

14.2. **Notice Addresses.** All notice and other communications hereunder shall be given to the respective parties at the below addressed (or at such other address as a party may hereafter designate for itself by notice to the other party as required hereby):

(1) If to Contributor:

The Rubenstein Company, L.P.
4100 One Commerce Square
2005 Market Street
Philadelphia, Pennsylvania 19103-7041
Telephone: 215-563-3558
Facsimile: 215-563-4110
Attention: David B. Rubenstein and Hugh J. Ward III
Email: drubenstein@trclp.com and hward@trclp.com

With a required copy to:

The Rubenstein Company, L.P.
4100 One Commerce Square
2005 Market Street
Philadelphia, Pennsylvania 19103-7041
Telephone: 215-563-3558
Facsimile: 215-563-4110

Attention: Frank J. Ferro, Esq.
Email: fferro@trclp.com

(2) If to the Operating Partnership or the REIT:

Corporate Office Properties Trust
8815 Centre Park Drive, Suite 400

Columbia, Maryland 21045-2272
Telephone: 410-730-9092
Facsimile: 410-740-1174
Attention: Roger A. Waesche, Jr.
Executive Vice President and CFO
Email: roger.waesche@copt.com

With a required copy to:

Corporate Office Properties Trust
8815 Centre Park Drive, Suite 400
Columbia, Maryland 21045-2272
Telephone: 410-992-7337
Facsimile: 410-992-7534
Attention: Stephanie L. Shack, Esq.
Email: stephanie.shack@copt.com

(3) If to Escrow Agent:

Anchor Title Company
10715 Charter Drive
Columbia, Maryland 21045
Telephone: 410-730-4545
Facsimile: 410-730-7642
Attention: M. Charlotte Powel
President
Email: mcpowel@anchortitle.com

ARTICLE XV
CONDITION OF THE PROPERTY; NO OTHER CONDITIONS

15.1. **Condition of the Property.** The Operating Partnership represents and acknowledges the following: (1) that it has independently investigated, analyzed and appraised the value and profitability of the Property and the Operating Partnership's intended acquisition of the LLC Interests and has satisfied itself with respect to such matters; (2) that it has inspected the Property and has satisfied itself with respect to the physical condition of the Property (including the condition of the Land, all Improvements and all Personalty, and the respective components of each of the foregoing, and including the Property' environmental and subsurface conditions); (3) that it has reviewed all documents referred to or contemplated herein or in the Exhibits hereto; (4) that it is thoroughly acquainted with all of the above; and (5) that it agrees to accept the Property (including the Land, all Improvements and all Personalty, and the respective components of each of the foregoing) "AS IS" and in its and their present condition, subject to reasonable use, wear and tear and natural deterioration between the date of this Agreement and the Closing Date.

15.2. **No Other Conditions.** The Operating Partnership's obligations under this Agreement shall not be subject to any contingencies, diligence or conditions except as expressly set forth in this Agreement.

15.3. **No Other Representations.** The Operating Partnership acknowledges and agrees that, except as expressly set forth herein, neither Contributor nor any agent or representative of Contributor has made, and Contributor is not liable for or bound in any manner by, any express or implied warranties, guarantees, promises, statements, inducements, representations or information pertaining to the Property or to any document referred to herein or in any Exhibit hereto (including, without limitation, any information contained in the informational brochure, package and related materials about the Property), or any other matter or thing with respect to any of the foregoing, whether express or implied, or arising by operation of law; nor, except as expressly set forth herein, shall any adverse change in the Condition of the Property before the Closing Date give rise to any obligation on the part of Contributor or remedy on the part of the Operating Partnership. In furtherance of the foregoing:

(1) The Operating Partnership agrees that the Property will be accepted by the Operating Partnership at Closing in the then existing Condition of the Property, AS IS, WHERE IS, WITH ALL FAULTS, AND WITHOUT ANY WRITTEN OR ORAL REPRESENTATIONS OR WARRANTIES WHATSOEVER, WHETHER EXPRESS OR IMPLIED OR ARISING BY OPERATION OF LAW, other than representations and warranties of Contributor expressly set forth in this Agreement.

(2) Without limiting the generality of the foregoing, except for the representations and warranties of Contributor contained in this Agreement, the transactions contemplated by this Agreement are without statutory, express or implied warranty, representation, agreement, statement or expression of opinion of or with respect to (a) the Condition of the Property or any aspect thereof, including, without limitation, any and all statutory, express or implied representations or warranties related to the suitability for habitation, merchantability, or fitness for a particular purpose, (b) the nature or quality of construction, structural design or engineering of the improvements included in the Property, (c) the quality of labor or materials included in the improvements included in the Property, (d) the soil conditions, drainage, topographical features, flora, fauna, or other conditions of or which affect the Property, (e) any conditions at or which affect the Property with respect to a particular use, purpose, development, potential or otherwise, (f) areas, size, shape, configuration, location, access, capacity, quantity, quality, cash flow, expenses, value, condition, make, model, composition, accuracy, completeness, applicability, assignability, enforceability, exclusivity, usefulness, authenticity or amount, (g) any statutory, express or implied representations or warranties created by any affirmation of fact or promise, by any description of the Property or by operation of law, (h) any environmental, botanical, zoological, hydrological, geological, meteorological, structural, or other condition or hazard or the absence thereof heretofore, now or hereafter affecting in any manner the Property and (i) all other statutory, express or implied representations or warranties by Contributor whatsoever.

(3) The Operating Partnership acknowledges that the Operating Partnership has knowledge and expertise in real estate, financial and business matters that enable the Operating Partnership to evaluate the merits and risks of the transactions contemplated by this Agreement. The Operating Partnership further agrees, as part of the consideration for Contributor entering into this Agreement, that the Operating Partnership will not, under any circumstances (other than a breach of any express representation or warranty of Contributor contained in this Agreement which survives the Closing), bring any claim, lawsuit or other proceeding against Contributor (or otherwise name Contributor in any claim, lawsuit or other proceeding) under or by virtue of any local, state or federal law, rule, ordinance, code or

regulation relating to the Condition of the Property (including environmental matters) or relating to the compliance of the Property under any such law, rule, ordinance, code or regulation, or under or by virtue of any common law right relating to any of the foregoing. Additionally, the Operating Partnership shall indemnify, defend and hold harmless Contributor from any and all damages, losses, liabilities, claims, costs and expenses incurred by Contributor resulting from the Operating Partnership bringing a claim, lawsuit or other proceeding against any of Owner's predecessors-in-title for any of the matters for which the Operating Partnership has released Contributor pursuant to

the immediately preceding sentence.

15.4. **Certain Definitions.** For purposes of this Agreement, the term "Condition of the Property" means the following matters with respect to the Property:

(1) Physical Condition of the Property. The quality, nature and adequacy of the physical condition of the Property, including, without limitation, the quality of the design, labor and materials used to construct the improvements included in the Property; the condition of structural elements, foundations, roofs, glass, mechanical, plumbing, electrical, HVAC, sewage, and utility components and systems; the capacity or availability of sewer, water, or other utilities; the geology, flora, fauna, soils, subsurface conditions, groundwater, landscaping, and irrigation of or with respect to the Property, the location of the Property in or near any special taxing district, flood hazard zone, wetlands area, protected habitat, geological fault or subsidence zone, hazardous waste disposal or clean-up site, or other special area, the existence, location, or condition of ingress, egress, access, and parking; the condition of the personal property and any fixtures; and the presence of any asbestos or other hazardous materials, dangerous, or toxic substance, material or waste in, on, under or about the Property and the improvements located thereon.

(2) Adequacy of the Property. The economic feasibility, cash flow and expenses of the Property, and habitability, merchantability, fitness, suitability and adequacy of the Property for any particular use or purpose.

(3) Legal Compliance of the Property. The compliance or non-compliance of Contributor or the operation of the Property or any part thereof in accordance with, and the contents of, (i) all codes, laws, ordinances, regulations, agreements, licenses, permits, approvals and applications of or with any governmental authorities asserting jurisdiction over the Property, including, without limitation, those relating to zoning, building, public works, parking, fire and police access, handicap access, life safety, subdivision and subdivision sales, and hazardous materials, dangerous, and toxic substances, materials, conditions or waste, including, without limitation, the presence of hazardous materials in, on, under or about the Property that would cause state or federal agencies to order a clean up of the Property under any applicable legal requirements and (ii) all agreements, covenants, conditions, restrictions (public or private), condominium plans, development agreements, site plans, building permits, building rules, and other instruments and documents governing or affecting the use, management, and operation of the Property.

(4) Insurance. The availability, cost, terms and coverage of liability, hazard, comprehensive and any other insurance of or with respect to the Property.

(5) Condition of Title. Subject to any representation or warranty contained in Section 5 above, the condition of title to the Property, including, without limitation, vesting, legal description, matters affecting title, title defects, liens, encumbrances, boundaries, encroachments, mineral rights, options, easements, and access; violations of restrictive covenants, zoning ordinances, setback lines, or development agreements; the availability, cost, and coverage of title insurance; leases, rental agreements, occupancy agreements, rights of parties in possession of, using, or occupying the Property; and standby fees, taxes, bonds and assessments.

15.5. **Survival.** The provisions of this Article XV shall survive termination of this Agreement or a Closing hereunder.

ARTICLE XVI
UNDERTAKINGS BY CONTRIBUTOR AND THE OPERATING PARTNERSHIP

16.1. **Property Management and Operations**. Subject to the provisions of Section 12 and 15 above, between the date of execution of this Agreement and the Closing Date, Contributor shall continue to cause Owner to operate and manage the Property in a normal businesslike manner, consistent with prior practices, making all necessary and ordinary maintenance repairs resulting from the breakdown or improper functioning of a particular item or system which is required to keep the Property in substantially the same condition as the date hereof, including ordering and maintaining on hand sufficient materials, supplies, fuel and other personal property necessary for the efficient operation and management of the Property through the Closing Date; *provided that* Contributor shall not be obligated to perform any capital improvements to any part of the Property unless such improvements are necessary to maintain the Property in accordance with the Owner's present course and conduct of business. Contributor shall cause Owner to maintain hazard and liability insurance on the Property until the Closing Date. After the date hereof, Contributor shall not enter into any Contracts affecting the Property which are not terminable at or prior to Closing without penalty or cost to the Company, without the Operating Partnership's prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed. In addition, between the date of execution of this Agreement and the Closing Date, Contributor shall not execute any other documents, agreements or instruments affecting title to the Property, or (to the extent within Contributor's control) otherwise allow or permit the imposition of any Liens or other encumbrances which affect title to the Property, without the prior written approval of the Operating Partnership, which approval may be withheld in the Operating Partnership's sole discretion (understanding that no response from the Operating Partnership is a denial of its consent to such Lien or other encumbrance). Any request for the Operating Partnership's consent pursuant to this Section 16.1 shall be in writing.

16.2. **Leases**. Except for the New Leases, after the date of this Agreement and prior to the Closing, Contributor shall not permit Owner to enter into any lease, sublease, license, concession or other agreement for use, occupancy or utilization of space in the Property or amend any lease, sublease, license, concession or other agreement for use, occupancy or utilization of space in the Property, in either instance without the prior written consent of the Operating Partnership (such consent shall not be unreasonably withheld, conditioned or delayed). After the date of this Agreement and prior to the Closing, Contributor (1) shall cause Owner to perform all obligations of landlord or lessor under the Leases, including any condition for a Tenant's or lessee's occupancy of the Property, and (2) shall not (a) apply any Security Deposits to amounts due under the Leases (except as may be permitted by a Lease), (b) dispossess or threaten to dispossess any Tenant, or (c) institute suit against any Tenant. In addition, Contributor shall deliver to the Operating Partnership copies of any notice of default delivered to or received from Tenants in connection with the Leases between the date of this Agreement and the Closing.

16.3. **Access**. Contributor shall permit the Operating Partnership, and the Operating Partnership's agents and other representatives, to enter upon the Property from time to time, during normal business hours, after prior notice to Contributor and at their own risk and expense, for the purpose of making such examinations, tests and inspections as are necessary or desirable. In no event shall any such access interfere with the occupancy or rights of any Tenant or cause any damage to the Property or any portion thereof. In furtherance of the foregoing:

(1) The Operating Partnership, at its own cost and expense, (a) shall repair any damage caused thereby and restore the Property to its condition prior to such access, (b) shall provide Contributor with evidence of insurance, with limits of coverage and from an insurer satisfactory to

Contributor, naming each of Contributor and Owner as an additional insured for any loss, damage, claims or liability suffered by Contributor or Owner or by or to any portion of the Property resulting from any of the activities permitted in this Section 16.3 (such evidence of insurance to be provided to Contributor prior to the commencement of any such activities and to be maintained by the Operating Partnership until Closing hereunder or sooner termination of this Agreement), and (c) shall indemnify, defend and hold harmless Contributor and Owner, and their respective officers, employees, agents, representatives and affiliates, from any and all damages, losses, liabilities, claims, costs and expenses resulting from any of the activities of the Operating Partnership or its agents and representatives permitted in this Section 16.3.

(2) For access to the Property permitted hereby, the Operating Partnership shall be permitted to notify Mark Pasierb (by telephone to 215/399-4620) of its desire to enter the Property. The Operating Partnership 's right of access as aforesaid shall be further subject to the following: (a) each such access shall be subject to the prior approval of Contributor (which approval shall not be unreasonably withheld) and the Operating Partnership and any of the Operating Partnership's representatives shall

be accompanied by a representative of Contributor; and (b) all examinations, tests and inspections of the Property shall be conducted at such times and in such a manner as to not unreasonably interfere with, and to cause disturbance to, the ongoing operation, management and leasing operations of the Property and the full use, benefit and enjoyment of the Property by any Tenants.

(3) The right of access granted in this Section 16.3 shall extend from the date hereof until Closing hereunder or sooner termination of this Agreement. Notwithstanding anything contained in this Agreement to the contrary, in the event that the Operating Partnership desires to meet with any Tenant, the Operating Partnership shall be permitted to do so only upon prior notice to and approval by Contributor and upon the Operating Partnership being accompanied by a representative of Contributor. The provisions of this Section 16.3 shall survive any termination of this Agreement.

16.4. **Further Assurances**. In addition to the obligations required to be performed hereunder by the Operating Partnership and Contributor at Closing, the Operating Partnership and the Contributor agree to perform such other acts, and execute, acknowledge and deliver such other instruments, documents and other materials as the Operating Partnership or the Contributor may reasonably request of each other and as shall be necessary in order to effect consummation of the transactions contemplated by this Agreement.

16.5. **Owner Property Materials**. As of the date of this Agreement, Contributor has caused to be delivered to the Operating Partnership copies of (1) all schedules and documents referred to in the Owner Property Materials, (2) all Leases, and (3) all Contracts.

16.6 **Maintenance of Loan**. Between the date of execution of this Agreement and the Closing Date, Contributor shall cause Owner to make all payments of principal and interest required by the Loan Documents to be made prior to Closing and perform all of the obligations, terms and provisions thereof on the part of Owner to be performed.

16.7. **Covenants and Undertakings of the Contributor**. Contributor further agrees to and undertakes the following:

(1) Contributor shall cause the Designees to comply with the following restrictions on the transfer of Preferred Units or Common Units, as applicable: (a) any transferee must be a Person entitled to the benefits and rights of a “Protected Partner” (as defined in the Tax Protection Agreement), and (b) any transferee must be an Accredited Investor.

(2) Prior to Closing Contributor shall deliver to the Operating Partnership, and shall cause any Designee specified in accordance with Section 2.2(5) above to deliver to the Operating Partnership, or to any other party designated by the Operating Partnership, a completed Accredited Investor Questionnaire, providing, among other things, information concerning Contributor’s and each Designee’s status as an Accredited Investor. Contributor shall provide or cause to be provided to the Operating Partnership, or to any other party designated by the Operating Partnership, such other information and documentation as may reasonably be requested by the Operating Partnership in furtherance of the issuance of the OP Units as contemplated hereby (together with the information provided on the Accredited Investor Questionnaire, the “Investor Materials”). Notwithstanding anything contained in this Agreement to the contrary, in the event that, in the reasonable opinion of the Operating Partnership, based on advice of its securities counsel, (a) any such person or entity providing Investor Materials is not considered an Accredited Investor, (b) the proposed issuance of OP Units hereunder might not qualify for the exemption from the registration requirements of Section 5 of the Securities Act, or (c) the proposed issuance of OP Units hereunder would violate any applicable federal or state securities laws, rules or regulations, any agreement to which the REIT or the Operating Partnership is privy, or any tax related or other legal rules, agreements or constraints applicable to the REIT or the Operating Partnership, the Operating Partnership shall so advise Contributor in writing (the “Regulatory Violation Notice”) as promptly as practicable after such determination is made. In the event a Regulatory Violation Notice is delivered with respect to any Designee, the Operating Partnership shall not issue Preferred Units or Common Units to such Designee.

(3) Contributor hereby covenants and agrees that it shall deliver or shall cause any Designee to deliver to the Operating Partnership, or to any other party designated by the Operating Partnership, (a) any and all documentation reasonably required by the REIT or the Operating Partnership to formally memorialize their understanding that their rights and obligations as limited partners of the Operating Partnership (including their right to transfer, encumber, pledge and exchange OP Units) shall be subject to all of the express limitations, terms, provisions and restrictions set forth in this Agreement and in the Partnership Agreement and (b) any and all documentation that may be required under the Partnership Agreement or any charter document of the REIT, and such other information and documentation as may reasonably be requested by the Operating Partnership or the REIT, at such time as any Common Units are redeemed for shares of Common Shares.

(4) The provisions of this Section 16.7 shall survive Closing under this Agreement.

16.8. **Covenants and Undertakings of the Operating Partnership and the REIT**. Each of the Operating Partnership and the REIT further agrees to and undertakes the following:

(1) The Operating Partnership and the REIT each shall take all actions required in connection with the issuance of the Preferred Units or Common Units, as applicable, and the admission of the Designees as limited partners of the Operating Partnership in accordance with this Agreement.

(2) The Operating Partnership and the REIT shall consent to the pledging by any Designee of any Preferred Units or Common Units, as applicable, in favor of any unaffiliated institutional lender to such Designee.

(3) The provisions of this Section 16.8 shall survive Closing under this Agreement.

16.9. **Contracts Generally; Construction Contracts.**

(1) Contributor and the Operating Partnership have agreed with respect to (a) termination of the Property Contracts, as set forth in Section 5.8 above, (b) the retention or rejection of

Service Contracts, as set forth in Section 16.9(2) below, and (c) the Construction Contracts, as set forth in Section 16.9(3) below. Contributor shall deliver to the Operating Partnership an updated Exhibit D as of the Closing Date, reflecting the current status, as of the Closing Date, of (x) the Service Contracts (as Retained Contracts or Rejected Contracts, as applicable) and (y) the Construction Contracts.

(2) The provisions in this Section 16.9(2) shall apply to the Service Contracts identified in Part I of Exhibit D. Within three (3) Business Days following execution of this Agreement, the Operating Partnership shall designate in writing to Contributor any Service Contracts that the Operating Partnership elects to have the Owner (a) retain and keep in place following Closing (the “Retained Contracts”) and (b) not retain and keep in place following Closing (the “Rejected Contracts”). If no such notice is sent to Contributor, the Operating Partnership shall be deemed to have elected to have the Owner retain and keep in place all Service Contracts set forth in Exhibit D. Prior to or at Closing, Contributor shall cause Owner to send written notice to all vendors and other contractors under the Rejected Contracts indicating that each such Rejected Contract is to be terminated as of the soonest permitted date for termination thereunder at or following the Closing Date (a “Contract Termination Notice”). Contributor and the Operating Partnership acknowledge and agree to the following: (x) Contributor shall only be required and obligated to cause Owner to send a Contract

Termination Notice if and when Contributor is confident, in Contributor's reasonable judgment, that a Closing hereunder likely shall occur and that all conditions to Closing hereunder likely shall be satisfied; (y) to the extent that any such Rejected Contracts cannot be terminated by Closing (either because they are non-cancelable by their terms or because a longer notice period is required), then in either case the Owner shall remain liable under such Rejected Contracts until the first date on which the termination may become effective; and (z) the Contributor shall be responsible for, and shall pay as of the applicable date of termination thereof, any cancellation charges or fees for termination of any Rejected Contracts that the Operating Partnership does not elect to have the Owner retain and keep in place as Retained Contracts.

(3) With respect to the Construction Contracts, all of the terms reflected in the notes that are a part of Part III of Exhibit D and that are set forth in Exhibit L are expressly acknowledged and agreed to by Contributor and the Operating Partnership. Following Closing, Contributor shall reasonably cooperate with Owner and the Operating Partnership for the purpose of assisting in the smooth and orderly transition of management and implementation of work under the Construction Contracts. In respect of the foregoing, Contributor's undertaking as aforesaid shall extend from the Closing Date until December 31, 2004, and shall obligate Contributor to have one or more persons reasonably available to assist Owner with respect to the Construction Contracts and the work thereunder, including reasonable availability of such person(s) by telephone and by occasional site visits (not more frequently than once each month) to participate in meetings with representatives of contractors, Tenants and the Operating Partnership and the Owner. Contributor shall cooperate as aforesaid without compensation or other fee, except that Contributor shall be reimbursed for its reasonable out-of-pocket third party costs and expenses incurred by Contributor in performing its undertakings under this Section (such reimbursement to be made upon presentation to the Operating Partnership or the Owner from time to time of an invoice therefor accompanied by appropriate receipts or other appropriate evidence of the cost or expense so incurred).

(4) The provisions of this Section 16.9 shall survive Closing under this Agreement.

16.10. **SEC Reporting Requirements.** For the period commencing on the date hereof and continuing through the first anniversary of the Closing Date, and without limitation of other document production otherwise required of Contributor hereunder, Contributor shall, from time to time, upon reasonable advance written notice from the Operating Partnership, provide the Operating Partnership and its representatives, with (1) all financial, leasing and other information pertaining to the period of Owner's ownership and operation of the Property, which information is relevant and reasonably

necessary, in the opinion of the Operating Partnership's outside, third party accountants (the "Accountants"), to enable the Operating Partnership and its Accountants to prepare financial statements and to conduct audits of such financial statements in accordance with generally accepted auditing standards, such that the Operating Partnership shall be in compliance with any or all of (a) Rule 3-05 or 3-14 of Regulation S-X of the Commission, as applicable; (b) any other rule issued by the Commission and applicable to the Operating Partnership; and (c) any registration statement, report or disclosure statement filed with the Commission by or on behalf of the Operating Partnership; and (2) a representation letter, signed by the individual(s) responsible for Contributor's financial reporting, as prescribed by generally accepted auditing standards promulgated by the Auditing Standards Division of the American Institute of Certified Public Accountants, which representation letter may be required by the Accountants to render an opinion concerning Owner's financial statements.

ARTICLE XVII
BROKERS

17.1. **Brokers.** Each party represents and warrants to the other that it has not made any agreement or taken any action which may cause any person to become entitled to a commission, fee or other compensation as a result of the transactions contemplated by this Agreement other than Lehman Brothers Inc. ("Lehman"). Contributor shall be responsible for payment of any brokerage commission, fee or other compensation due to Lehman as a result of the transactions contemplated by this Agreement. Contributor and the Operating Partnership will each indemnify and defend the other from any and all claims, actual or threatened, for any such fee, commission or other compensation by any third person with whom such party has had dealings in connection with the transactions contemplated by this Agreement. The provisions of this Section 17.1 shall survive the Closing and any termination of this Agreement.

ARTICLE XVIII
DEFAULTS PRIOR TO CLOSING; TERMINATION

18.1. **Default by the Contributor**. Should Contributor violate or fail (in breach of its obligations hereunder) to fulfill or perform any of the terms, conditions or undertakings set forth in this Agreement applicable to it at or prior to Closing, and if as a result thereof a Closing hereunder shall not occur, then in such case the Operating Partnership shall, as its sole remedy therefor, have the option of (1) specifically enforcing this Agreement, or (2) terminating this Agreement; and in the latter event the Escrow Funds shall be returned to the Operating Partnership, Contributor shall reimburse the Operating Partnership for the Operating Partnership's documented, third-party, out-of-pocket due diligence expenses incurred in connection with the transactions contemplated by this Agreement (such expenses not to exceed $100,000), and this Agreement shall terminate and no party shall have any further liability or obligation hereunder to any other, except under such provisions which shall expressly survive a termination of this Agreement. The Operating Partnership further agrees, as part of the consideration for Contributor entering into this Agreement, that the Operating Partnership will not, under any circumstances, place or attempt to place a *lis pendens* on the Real Estate or any part thereof; and any violation of this covenant by the Operating Partnership shall constitute a default hereunder. The provisions of this Section 18.1 shall survive termination of this Agreement.

18.2. **Default by the Operating Partnership**. Should the Operating Partnership violate or fail (in breach of its obligations hereunder) to fulfill or perform any of the terms, conditions or undertakings set forth in this Agreement applicable to it at or prior to Closing, and if as a result thereof a Closing hereunder shall not occur, then in such case (1) Contributor shall, as its sole remedy therefor, be paid the Escrow Funds as liquidated damages (and not as a penalty) for such breach as full, complete and final damages in respect thereof, (2) all Owner Property Materials, if any, delivered by Contributor to the Operating Partnership shall be returned to Contributor, and all OP Property Materials in which the

Operating Partnership has a right and which the Operating Partnership can reasonably obtain from the preparer thereof shall be delivered to Contributor and shall belong to Contributor (at no out-of-pocket cost to the Operating Partnership) without any representation or warranty from the Operating Partnership; *provided, however*, that the Operating Partnership shall have no obligation to obtain any third party consent or approvals for Contributor to rely on such OP Property Materials, and (3) upon satisfaction by the Operating Partnership of the delivery requirements in clause 18.2.(2) above, this Agreement shall terminate, and no party shall have any further liability or obligation hereunder to any other, except under such provisions which shall expressly survive a termination of this Agreement. The provisions of this Section 18.3 shall survive termination of this Agreement.

18.3. **Termination.** This Agreement may be terminated at any time prior to the Closing:

(1) in writing by the mutual written consent of the Contributor, the Operating Partnership and the REIT;

(2) by either Contributor or the Operating Partnership if the Closing has not occurred by the Outside Date; *provided that* the terminating party is not in material breach of its obligations under this Agreement in a manner that shall have contributed to the occurrence or failure of the Closing to occur; or

(3) by the Contributor, the Operating Partnership or the REIT if a Governmental Entity shall have issued a judgment, decree or order or taken any

other action, in each case which has become final and non-appealable and which restrains or otherwise prohibits the transactions contemplated by this Agreement.

18.4. **Effect of Termination**. In the event of termination of this Agreement by any party as provided above, the provisions of this Agreement shall immediately become void and of no further force and effect (other than Article IV, this Section 18.4 and the Confidentiality Agreement, all of which shall survive the termination of this Agreement); *provided, however*, that no termination of this Agreement shall relieve any of the parties to this Agreement from liability for damages for any breach of this Agreement or any representation or warranty made herein or failure to perform its obligations under this Agreement.

ARTICLE XIX
INDEMNITY

19.1. **Survival.** The representations and warranties in this Agreement shall survive the Closing for a period of twelve (12) months following the Closing Date, *provided, however,* that the representations and warranties made by the Contributor, the Operating Partnership and the REIT contained in Sections 5.1, 5.3, 5.11, 5.15, 6.1, 6.3, 6.8 and 6.9 shall remain in force for the applicable period of the statute of limitations. No claim for indemnification hereunder for breach of any such representations or warranties may be made after the expiration of the survival period applicable to such claims; *provided that* any claim for indemnification for which written notice has been given pursuant to Section 19.5 below within the prescribed period may be prosecuted to conclusion notwithstanding the subsequent expiration of such period.

19.2. **Indemnification by Contributor for the Benefit of Operating Partnership.**

(1) Subject to Section 18.1, the Contributor shall indemnify the Operating Partnership and the REIT, their Affiliates and their successors and assigns and their respective officers, directors, employees, agents and representatives (the "REIT Indemnified Parties") and save and hold each

of them harmless from and against any claim, loss, liability, damage, cost or expense (including, but not limited to reasonable attorneys' fees and expenses) (collectively, "Losses"), which any of them may suffer or sustain as a result of or in connection with: (a) any breach by Contributor of any representation or warranty made by it in this Agreement and (b) any non-fulfillment or breach of any covenant, agreement or other provision set forth in this Agreement by Contributor.

(2) Contributor shall not have any liability under this Section 19.2 unless the aggregate of all Losses relating thereto for which the Contributor would, but for this proviso, in the aggregate be liable exceeds on a cumulative basis an amount equal to $175,000 (the "Deductible"), and then only to the extent such Losses exceed the Deductible; and *provided further* that the Contributor's aggregate liability under this Section 19.2 shall in no event exceed $1,600,000 (the "Liability Cap")

19.3. **Indemnification by Operating Partnership and REIT for the Benefit of Contributor.**

(1) Subject to Section 18.2, the Operating Partnership and the REIT shall jointly and severally indemnify Contributor, its Affiliates and its successors and assigns and their respective officers, directors, employees, agents and representatives (the "Contributor Indemnified Parties") and save and hold each of them harmless from and against any Losses, which any of them may suffer or sustain as a result of or in connection with: (a) any breach by the Operating Partnership or the REIT of any representation or warranty made by either of them in this Agreement and (b) any non-fulfillment or breach of any covenant, agreement or other provision set forth in this Agreement by the Operating Partnership or the REIT.

(2) Neither the Operating Partnership nor the REIT shall have any liability under this Section 19.3 unless the aggregate of all Losses relating thereto for which the Operating Partnership and the REIT would, but for this proviso, in the aggregate be liable exceeds on a cumulative basis an amount equal to the Deductible, and then only to the extent such Losses exceed the Deductible; and *provided further* that the Operating Partnership's and the REIT's total liability under this Section 19.3 shall in no event exceed the Liability Cap.

19.4. **Indemnification Generally.** The indemnification provisions of this Article XIX shall survive Closing and shall be the exclusive remedy following the Closing with respect to (1) the breach or failure to be true of any representations or warranties and (2) the failure of a party hereto to perform or observe any term, provision or covenant in this Agreement.

19.5. **Notification of Claims.**

(1) A Person that may be entitled to be indemnified under this Agreement (the "Indemnified Party"), shall promptly notify the party liable for such indemnification (the "Indemnifying Party") in writing of any pending or threatened claim or demand that the Indemnified Party has determined has given or could reasonably give rise to a right of indemnification under this Agreement (including a pending or threatened claim or demand asserted by a third party against the Indemnified Party, such claim being a "Third Party Claim"), describing in reasonable detail the facts and circumstances with respect to the subject matter of such claim or demand; *provided, however*, that the failure to provide such notice shall not release the Indemnifying Party from any of its obligations under this Article XIX except to the extent the Indemnifying Party is prejudiced by such failure, except that notices for claims in respect of a breach of a representation or warranty must be delivered prior to the expiration of any applicable period specified in Section 19.1 for giving written notice.

(2) Upon receipt of a notice of a claim for indemnity from an Indemnified Party pursuant to Section 19.1, the Indemnifying Party shall have the right, but not the obligation, to assume the

defense and control of any Third Party Claim and the Indemnified Party shall have the right, but not the obligation, to participate in the defense of such Third Party Claim with its own counsel and at its own expense. The Contributor, the Operating Partnership or the REIT, as the case may be, shall, and shall cause each of its Affiliates to cooperate fully with the Indemnifying Party in the defense of any Third Party Claim. In the event that the Indemnifying Party does not, within twenty (20) Business Days after notice of any Third Party Claim, assume the defense thereof, the Indemnified Party shall have the right to undertake the defense, compromise or settlement of such Third Party Claim at the expense and for the account of the Indemnifying Party, subject to the right of the Indemnifying Party to assume the defense of such third Party Claim with counsel reasonably satisfactory to the Indemnified Party at any time prior to the compromise, settlement or final determination thereof. The Indemnifying Party shall be authorized to consent to a settlement of, or the entry of any judgment arising from, any Third Party Claim that does not require any admission of liability by the Indemnified Party without the consent of any Indemnified Party, provided that the Indemnifying Party shall (a) pay or cause to be paid all amounts arising out of such settlement or judgment concurrently with the effectiveness of such settlement, (b) not encumber any of the assets of any Indemnified Party or agree to any restriction or condition that would apply to or adversely affect the conduct of any Indemnified Party's business and (c) obtain, as a condition of any settlement or other resolution, a complete and unconditional release of any Indemnified Party from all liability with respect to such Third Party Claim.

(3) In the event any Indemnifying Party receives a notice of a claim for indemnity from an Indemnified Party pursuant to Section 19.1 that does not involve a Third Party Claim, the Indemnifying Party shall notify the Indemnified Party within thirty (30) days following its receipt of such notice if the Indemnifying Party disputes its liability to the Indemnified Party under this Article XIX. If the Indemnifying Party does not so notify the Indemnified Party, the Indemnifying Party shall be deemed to have rejected the claim specified by the Indemnified Party in such notice.

ARTICLE XX
MISCELLANEOUS

20.1. **Computation of Time**. In computing any period of time pursuant to this Agreement, the date of the act, default or other event from which the designated period of time begins to run (for example, the "execution date of this Agreement") will not be included. The last day of the period so computed will be included unless it is not a Business Day, in which event the period runs until the end of the next following day which is a Business Day.

20.2. **Time of the Essence**. All times, wherever specified herein, are of the essence of this Agreement.

20.3. **Knowledge**.

(1) Contributor's Knowledge. Whenever this Agreement refers to the "knowledge" or the "actual knowledge" of Contributor, it shall mean and be limited to the actual knowledge, without the requirement of any inquiry or investigation, of Richard Gallo, David B. Rubenstein and/or Mark Pasierb. Contributor shall not be obligated, liable or responsible to the Operating Partnership for any inaccuracy of any representation or warranty made by Contributor to the Operating Partnership in this Agreement if such inaccuracy was actually known to the Operating Partnership and not disclosed in writing to Contributor either on or prior to the execution date of this Agreement (in the case of a representation or warranty made in this Agreement) or on or prior to the Closing Date (in the case of a representation or warranty with respect to which the inaccuracy becomes known to the Operating Partnership following the execution date of this Agreement).

(2) The Operating Partnership's Knowledge. Whenever this Agreement refers to the "knowledge" or the "actual knowledge" of the Operating Partnership in the context of a representation or warranty being given by the Operating Partnership or the REIT hereunder, it shall mean and be limited to the actual knowledge, without the requirement of any inquiry or investigation, of Roger A. Waesche, Jr. Whenever this Agreement refers to the "knowledge" or the "actual knowledge" of the Operating Partnership in the context of the last sentence of the preceding Section 20.3(1), it shall mean and be limited to the actual knowledge, without the requirement of any inquiry or investigation, of Roger A. Waesche, Jr., Carl Nelson and/or Derrick Boegner. The Operating Partnership shall not be obligated, liable or responsible to Contributor for any inaccuracy of any representation or warranty made by the Operating Partnership to Contributor in this Agreement if such inaccuracy was actually known to Contributor and not disclosed in writing to the Operating Partnership either on or prior to the execution date of this Agreement (in the case of a representation or warranty made in this Agreement) or on or prior to the Closing Date (in the case of a representation or warranty with respect to which the inaccuracy becomes known to Contributor following the execution date of this Agreement).

20.4. **Recording**. This Agreement shall not be recorded or filed in the real estate records of Fairfax County, Virginia, or, except as may be necessary in connection with an action by a party to enforce its rights hereunder, any other office or place of public record. If the Operating Partnership shall record this Agreement or cause or permit the same to be recorded in violation of the foregoing restriction, Contributor, at Contributor's option, may declare the Operating Partnership in default hereunder and in addition to Contributor's other rights and remedies, shall have the right forthwith to institute appropriate legal proceedings to have the same removed of record at the Operating Partnership's expense.

20.5. **Governing Laws; Parties at Interest**. This Agreement shall be governed by Virginia law and shall bind and inure to the benefit of the parties hereto and, subject to Section 17 hereof, their respective heirs, administrators, personal representatives, successors and assigns.

20.6. **Headings**. The headings preceding the text of the Articles, Sections and subsections hereof are inserted solely for convenience of reference and shall not constitute a part of this Agreement, nor shall they affect its meaning, construction or effect.

20.7. **Assignability.**

(1) The Operating Partnership shall not assign or transfer any portion or all of its rights or obligations under this Agreement to any other individual, entity or other person without the express written consent thereto in writing by Contributor, which may be given, withheld or conditioned by Contributor in its sole discretion.

(2) Prior to or concurrently with Closing, Contributor shall have the right, without the Operating Partnership's or the REIT's consent, to assign and distribute the LLC Interests to TRCALP and thereupon to assign and delegate all of its rights and obligations in, to and under this Agreement to TRCALP; *provided* in all cases that (a) the Operating Partnership first receives written notice of any such distribution and assignment as aforesaid, and (b) TRCALP thereupon agrees in writing to assume all obligations of the Contributor hereunder (the "TRCALP Assumption"). Upon any distribution and assignment permitted as aforesaid, TRCALP shall succeed to and be deemed to be the "Contributor" hereunder for all purposes hereof and have all the rights and obligations of the "Contributor" hereunder; and in that case The Rubenstein Company, L.P. (which is the named "Contributor" hereunder on and as of the date hereof) shall be released and fully discharged from all obligations and liabilities under this Agreement. In respect of the foregoing, and to secure its obligations hereunder after Closing, TRCALP will represent, warrant, undertake and agree, in the TRCALP Assumption, that it has at Closing and thereafter will maintain a net worth of at least Three Million Five Hundred Thousand Dollars

($3,500,000), in the aggregate, until at least the date which is twelve (12) months after the Closing Date. The provisions of this Section 20.7(2) and all terms and provisions in the TRCALP Assumption will survive Closing under this Agreement.

20.8. **Waiver**. Failure of either the Operating Partnership or Contributor to exercise any right given hereunder, or to insist upon strict compliance with regard to any term, condition or covenant specified herein, shall not constitute a waiver of the Operating Partnership's or Contributor' right to exercise such right or to demand strict compliance with any other term, condition or covenant under this Agreement.

20.9. **Exhibits**. All Exhibits which are referred to herein and which are attached hereto or bound separately and initialed by the parties are expressly made and constitute a part of this Agreement.

20.10. **Confidentiality.** Contributor and the Operating Partnership agree to hold all information (the "Confidential Information") related to this transaction in strict confidence, and will not disclose the same to any Person other than directors, officers, members, partners, employees and agents of each, as well as to consultants, banks, accountants, attorneys, or other third parties working with Contributor or the Operating Partnership in connection with the transaction who need to know such information for the purpose of consummating this transaction. This prohibition will not be applicable to disclosure of information required by applicable Law and disclosures required in connection with the transactions contemplated by this Agreement, and will not survive the Closing. The provisions in this Section 20.10 are supplemental to (and do not diminish or supersede) the provisions set forth in the Confidentiality Agreement, which shall continue in full force and effect in accordance with its terms.

20.11. **Counterparts.** This Agreement may be executed in multiple copies, each of which shall be deemed an original, but all of which shall constitute one Agreement binding on all parties.

20.12. **Facsimile Signatures.** In order to expedite the transaction contemplated herein, telecopied or other electronically transmitted signatures may be used in

place of original signatures on this Agreement. All parties hereto intend to be bound by the signatures on the telecopied or other electronically transmitted document, are aware that other parties will rely on the telecopied or other electronically transmitted signatures, and hereby waive any and all defenses to the enforcement of the terms of this Agreement based on the form of signature.

20.13. **Limitation on Liability.**

(1) Notwithstanding anything contained herein to the contrary, Contributor acknowledges and agrees that no partner of the Operating Partnership, nor any trustee, director, holder of any beneficial interests, shareholder, officer or employee of the Operating Partnership or the REIT or any Affiliate of the Operating Partnership or the REIT (except an Affiliate to which this Agreement has been assigned) shall have any personal liability, directly or indirectly, under this Agreement or under any certificate, representation, warranty or other instrument delivered in connection herewith, and Contributor shall have recourse hereunder only against the Operating Partnership's partnership assets.

(2) Notwithstanding anything contained herein to the contrary, the Operating Partnership acknowledges and agrees that no partner of Contributor, nor any trustee, director, holder of any beneficial interests, shareholder, officer or employee of Contributor or any Affiliate of Contributor (except an Affiliate to which this Agreement has been assigned) shall have any personal liability, directly or indirectly, under this Agreement or under any certificate, representation, warranty or other instrument delivered in connection herewith, and the Operating Partnership shall have recourse hereunder only against Contributor's partnership assets.

20.14. **Execution Date**. As used herein, the "execution date" of this Agreement or "date" of this Agreement shall in each case mean and be deemed to be the date set forth in the first paragraph of this Agreement.

20.15. **Authorship**. Each of the parties has actively participated in the negotiation and drafting of this Agreement and the Closing Documents and each has received independent legal advice from attorneys of its choice with respect to the advisability of making and executing this Agreement and the Closing Documents. In the event of any dispute or controversy regarding this Agreement or any of the Closing Documents, the parties will be conclusively deemed to be the joint authors of this Agreement and the Closing Documents and no provision of this Agreement or the Closing Documents will be interpreted against a party be reason of authorship. The provisions of this Section 20.15 shall survive the Closing and any termination of this Agreement.

20.16. **Dispute**. In the event of any dispute between the parties hereto regarding any of the transactions contemplated by this Agreement, the prevailing party shall be entitled to recover from the non-prevailing party all reasonable out-of-pocket costs and expenses incurred by the prevailing party in connection with such dispute, including without limitation, attorneys fees.

20.17. **Entire Agreement; Amendments**. This Agreement and the Exhibits hereto set forth all of the promises, covenants, agreements, conditions and undertakings between the parties hereto with respect to the subject matter hereof, and supersede all prior and contemporaneous agreements and understandings, inducements or conditions, express or implied, oral or written, except as contained herein and except for the Confidentiality Agreement. This Agreement may not be changed orally but only by an agreement in writing, duly executed by or on behalf of the party against whom enforcement of any waiver, change, modification, consent or discharge is sought.

[SIGNATURES APPEAR ON THE SUCCEEDING SIGNATURE PAGES]

IN WITNESS WHEREOF, the parties have executed and delivered this Contribution Agreement as of the date and year first above written.

WITNESS:

CONTRIBUTOR:

THE RUBENSTEIN COMPANY, L.P.,
a Delaware limited partnership

By: **TRC Realty, Inc.-GP**
a Pennsylvania corporation
its sole general partner

/s/ June C. Dever

By: /s/ Frank J. Ferro
Frank J. Ferro
Executive Vice President

WITNESS:

OPERATING PARTNERSHIP:

CORPORATE OFFICE PROPERTIES, L.P.
a Delaware limited partnership

By: **Corporate Office Properties Trust**

a Maryland real estate investment trust
its sole general partner

/s/ Stephanie L. Shack

By: /s/ Roger A. Waesche, Jr.
Roger A. Waesche, Jr.
Executive Vice President

WITNESS:

REIT

CORPORATE OFFICE PROPERTIES TRUST
a Maryland real estate investment trust

/s/ Stephanie L. Shack

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

Executive Vice President

JOINDER BY ESCROW AGENT

ANCHOR TITLE COMPANY, the Escrow Agent named in the foregoing Contribution Agreement, hereby joins in such Contribution Agreement (1) to confirm its receipt of the Deposit, and (2) to evidence its agreement to hold the Escrow Funds, and otherwise to perform its obligations as Escrow Agent, all as provided for in Section 4.

ANCHOR TITLE COMPANY

Dated: August 27, 2004

By: /s/ M.Charlotte Powel
Name: M. Charlotte Powel
Title:

JOINDER

The undersigned, **TRC PINNACLE TOWERS, L.L.C.,** a Virginia limited liability company, hereby joins this Agreement for purposes of evidencing its agreement to the transactions contemplated in this Agreement and to its duties and obligations as otherwise set forth in this Agreement, effective from and after the Closing Date (as defined herein), and agrees that this Joinder shall survive Closing, and shall be binding upon the undersigned after Closing, notwithstanding its execution and delivery prior to Closing.

TRC PINNACLE TOWERS, L.L.C.,
a Virginia limited liability company

By: **The Rubenstein Company, L.P.**,
a Delaware limited partnership
its sole member

By: **TRC Realty, Inc.-GP**
a Pennsylvania corporation
its sole general partner

By: /s/ Frank J. Ferro
Frank J. Ferro
Executive Vice President

EXECUTION COPY

EXHIBITS
TO THE
CONTRIBUTION AGREEMENT

Reference is made to the **CONTRIBUTION AGREEMENT** (the “Agreement”) dated as of August 26, 2004 (the “Effective Date”), by and among **THE RUBENSTEIN COMPANY, L.P.,** a Delaware limited partnership (the “Contributor”); **CORPORATE OFFICE PROPERTIES, L.P.**, a Delaware limited partnership (the “Operating Partnership”); and **CORPORATE OFFICE PROPERTIES TRUST**, a Maryland real estate investment trust (the “REIT”).

The attached Exhibits (each a “Contributor Disclosure Exhibit”, and together, the “Contributor Disclosure Exhibits”) are furnished to the Operating Partnership and the REIT pursuant to the Agreement. The Contributor Disclosure Exhibits contain proprietary and confidential information of the Contributor, the Owner and their Subsidiaries that is being provided to the Operating Partnership and the REIT subject to confidentiality obligations and the other limitations and restrictions set forth in the Confidentiality Agreement and the Agreement. The headings contained in a Contributor Disclosure Exhibit are for reference purposes only and shall not affect in any way the meaning or interpretation of the Contributor Disclosure Exhibit. Capitalized terms not otherwise defined herein shall have the respective meanings ascribed to them in the Agreement.

The Contributor has made the representations, warranties and covenants set forth in the Agreement subject to the matters disclosed in the Contributor Disclosure Exhibits. The matters disclosed in the Contributor Disclosure Exhibits may be broader than those required to be disclosed in order for the representations, warranties and covenants contained in the Agreement to be true and correct. These additional matters are provided for informational purposes only, and the Contributor makes no representation or warranty that other matters of a similar or dissimilar nature or import are disclosed herein. The inclusion of a matter in any Contributor Disclosure Exhibit (1) that corresponds to a representation, warranty or covenant in the Agreement qualified by reference to materiality or a Material Adverse Effect does not constitute an admission as to the materiality of the matter so disclosed, nor shall it be deemed to establish a standard for materiality, (2) shall not constitute, or be deemed to constitute or be deemed to be, an admission of liability or obligation concerning such matter, nor an admission against the interests of the Contributor, the Owner or their Subsidiaries, (3) does not represent a determination by the Contributor that such item did not arise in the ordinary course of business, and (4) shall not evidence that any information was required to be disclosed in the Contributor Disclosure Exhibits.

Although the Contributor Disclosure Exhibits identify matters by specific Section or subsection references, a disclosure made with respect to any Section or subsection will also be deemed to be disclosure against other Sections and/or subsections of the Agreement.

The following is the Schedule of Exhibits that is provided in this Contributor Disclosure:

SCHEDULE OF EXHIBITS

EXHIBIT A: Description of the Land
EXHIBIT B: Schedule of Personalty
EXHIBIT C-1: Schedule of Leases
EXHIBIT C-2: Schedule of Licenses
EXHIBIT D: Schedule of Contracts
EXHIBIT E: Schedule of Permitted Exceptions
EXHIBIT F: Loan Terms
EXHIBIT G-1: Form of Tenant Estoppel Certificate
EXHIBIT G-2: Form of Contributor Certificate
EXHIBIT H: Form of Tax Protection Agreement
EXHIBIT I: Form of Partnership Agreement Amendment
EXHIBIT J: Form of Accredited Investor Questionnaire
EXHIBIT K: Schedule of New Leases
EXHIBIT L: Schedule of Tenant Inducement Costs and Leasing Commissions; Schedule of Escrow Reserves
EXHIBIT M: Schedule of Insured Claims; Schedule of Landlord Claims
EXHIBIT N: State and Federal Tax Returns of Owner for Calendar Years 2002 and 2003
EXHIBIT O: Form of Assignment
EXHIBIT P: Form of Notice to Tenants
EXHIBIT Q: Form of Notice to Contractors and Other Vendors