

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

FORM 10-Q

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

For the quarterly period ended March 31, 2007

OR

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

For the transition period from _____ to _____

Commission file number 0-24531

CoStar Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware

*(State or other jurisdiction of
incorporation or organization)*

52-2091509

*(I.R.S. Employer
Identification No.)*

**2 Bethesda Metro Center, 10th Floor
Bethesda, Maryland 20814**

(Address of principal executive offices) (zip code)

(301) 215-8300

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Securities Exchange Act of 1934.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of May 1, 2007 there were 19,194,545 shares of the registrant's common stock outstanding.

COSTAR GROUP, INC.

TABLE OF CONTENTS

PART I	FINANCIAL INFORMATION	
Item 1.	Financial Statements	3
	<u>Condensed Consolidated Statements of Operations</u>	3
	<u>Condensed Consolidated Balance Sheets</u>	4
	<u>Condensed Consolidated Statements of Cash Flows</u>	5
	<u>Notes to Condensed Consolidated Financial Statements</u>	6
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	13
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	22
Item 4.	<u>Controls and Procedures</u>	22
PART II	OTHER INFORMATION	
Item 1.	<u>Legal Proceedings</u>	23
Item 1A.	<u>Risk Factors</u>	23
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	23
Item 3.	<u>Defaults upon Senior Securities</u>	23
Item 4.	<u>Submission of Matters to a Vote of Security Holders</u>	23
Item 5.	<u>Other Information</u>	23
Item 6.	<u>Exhibits</u>	24
	<u>Signatures</u>	25

COSTAR GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)
(unaudited)

	Three Months Ended	
	March 31,	
	2007	2006
Revenues	\$ 44,831	\$ 37,274
Cost of revenues	17,826	12,926
Gross margin	27,005	24,348
Operating expenses:		
Selling and marketing	13,166	10,925
Software development	3,070	2,898
General and administrative	8,063	7,569
Purchase amortization	1,270	1,108
	25,569	22,500
Income from operations	1,436	1,848
Other income, net	1,862	1,426
Income before income taxes	3,298	3,274
Income tax expense, net	1,484	1,414
Net income	\$ 1,814	\$ 1,860
Net income per share ¼ basic	\$ 0.10	\$ 0.10
Net income per share ¼ diluted	\$ 0.09	\$ 0.10
Weighted average outstanding shares ¼ basic	18,896	18,692
Weighted average outstanding shares ¼ diluted	19,207	19,269

See accompanying notes.

COSTAR GROUP, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

	March 31, 2007 (unaudited)	December 31, 2006
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 43,118	\$ 38,159
Short-term investments	107,230	119,989
Accounts receivable, less allowance for doubtful accounts of approximately \$2,606 and \$1,966 as of March 31, 2007 and December 31, 2006	10,103	9,202
Deferred income taxes, net	7,904	7,904
Prepaid expenses and other current assets	4,028	3,497
Total current assets	172,383	178,751
Deferred income taxes	5,119	6,973
Property and equipment, net	19,616	18,407
Goodwill, net	61,600	46,497
Intangibles and other assets, net	30,847	23,172
Deposits	1,287	1,637
Total assets	<u>\$ 290,852</u>	<u>\$ 275,437</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and deferred rent	\$ 3,018	\$ 3,212
Accrued wages and commissions	7,531	6,018
Accrued expenses	10,628	6,098
Deferred revenue	12,256	8,817
Total current liabilities	33,433	24,145
Deferred income taxes	2,497	1,182
Total stockholders' equity	254,922	250,110
Total liabilities and stockholders' equity	<u>\$ 290,852</u>	<u>\$ 275,437</u>

See accompanying notes.

COSTAR GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Three Months Ended	
	March 31,	
	2007	2006
Operating activities:		
Net income	\$ 1,814	\$ 1,860
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,744	1,354
Amortization	1,866	1,459
Stock-based compensation expense related to stock options and restricted stock	1,529	998
Income tax expense, net	1,484	1,108
Provision for losses on accounts receivable	517	295
Changes in operating assets and liabilities, net of acquisitions	2,189	(276)
Net cash provided by operating activities	11,143	6,798
Investing activities:		
Purchases of short-term investments	(26,382)	(25,461)
Sales of short-term investments	39,225	34,272
Purchases of property and equipment and other assets	(2,581)	(1,225)
Acquisition, net of cash acquired	(16,737)	-
Net cash (used in) provided by investing activities	(6,475)	7,586
Financing activities:		
Proceeds from exercise of stock options	362	2,629
Net cash provided by financing activities	362	2,629
Effect of foreign currency exchange rates on cash and cash equivalents	(71)	15
Net increase in cash and cash equivalents	4,959	17,028
Cash and cash equivalents at the beginning of period	38,159	28,065
Cash and cash equivalents at the end of period	\$ 43,118	\$ 45,093

See accompanying notes.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

1. ORGANIZATION

CoStar Group, Inc. (the "Company") has created a comprehensive, proprietary database of commercial real estate information for metropolitan areas throughout the United States, the United Kingdom, and France. Based on its unique database, the Company provides information services to the commercial real estate and related business community and operates within two segments, United States and International. The Company's information services are typically distributed to its clients under subscription-based license agreements, which have a minimum term of one year and renew automatically.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Basis of Presentation**

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. Accounting policies are consistent for each operating segment.

Interim Financial Statements

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information. In the opinion of the Company's management, the financial statements reflect all adjustments necessary to present fairly the Company's financial position at March 31, 2007, the results of its operations for the three months ended March 31, 2007 and 2006, and its cash flows for the three months ended March 31, 2007 and 2006. These adjustments are of a normal recurring nature.

Certain notes and other information have been condensed or omitted from the interim financial statements presented in this Quarterly Report on Form 10-Q. Therefore, these financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2006.

The results of operations for the three months ended March 31, 2007 are not necessarily indicative of future financial results.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications

Certain previously reported amounts have been reclassified to conform to the Company's current presentation.

Foreign Currency Translation

The Company's functional currency in its foreign locations is the local currency. Assets and liabilities are translated into U.S. dollars as of the balance sheet date. Revenues, expenses, gains and losses are translated at the average exchange rates in effect during each period. Gains and losses resulting from translation are included in accumulated other comprehensive income (loss). Net gains or losses resulting from foreign currency exchange

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)— (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (CONTINUED)

Foreign Currency Translation (continued)

transactions are included in the consolidated statements of operations. The Company had a comprehensive loss of approximately \$11,000 for the three months ended March 31, 2007 and comprehensive income of \$220,000 for the three months ended March 31, 2006. There were no material gains or losses from foreign currency exchange transactions for the three months ended March 31, 2007 and 2006.

Comprehensive Income

During the three months ended March 31, 2007 and 2006, total comprehensive income was approximately \$1.9 million. As of March 31, 2007, accumulated comprehensive income included foreign currency translation adjustments of approximately \$4.7 million and an unrealized loss on short-term investments of approximately \$61,000.

Net Income Per Share

Net income per share is computed by dividing net income by the weighted average number of common shares outstanding during the period on a basic and diluted basis. The Company's potentially dilutive securities include stock options and restricted stock. Diluted net income per share considers the impact of potentially dilutive securities except in periods in which there is a net loss, as the inclusion of the potentially dilutive common shares would have an anti-dilutive effect.

The following table sets forth the calculation of basic and diluted net income per share (in thousands, except per share data):

	Three Months Ended March 31,	
	2007	2006
	(unaudited)	
Numerator:		
Net income	\$ 1,814	\$ 1,860
Denominator:		
Denominator for basic net income per share $\frac{3}{4}$ weighted-average outstanding shares	18,896	18,692
Effect of dilutive securities:		
Stock options	311	577
Denominator for diluted net income per share $\frac{3}{4}$ weighted-average outstanding shares	19,207	19,269
Net income per share $\frac{3}{4}$ basic	\$ 0.10	\$ 0.10
Net income per share $\frac{3}{4}$ diluted	\$ 0.09	\$ 0.10

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)— (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (CONTINUED)

Stock-Based Compensation

On January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123R “Share Based Payment” (“SFAS 123R”), which addresses the accounting for share-based payment transactions in which the Company receives employee services in exchange for equity instruments. The statement eliminates the Company’s ability to account for share-based compensation transactions as prescribed by Accounting Principles Board Opinion No. 25, “Accounting for Stock Issued to Employees” (“APB No. 25”), and generally requires that equity instruments issued in such transactions be accounted for using a fair-value based method and the fair value of such equity instruments be recognized as expenses in the consolidated statements of operations.

Stock-based compensation expense for stock options and restricted stock included in the Company’s results of operations for the three months ended March 31, 2007 and 2006, was as follows (in thousands):

	Three Months Ended	
	March 31,	
	2007	2006
	(unaudited)	
Cost of revenues	\$ 254	\$ 28
Selling and marketing	379	320
Software development	95	43
General and administrative	801	607
Total	\$ 1,529	\$ 998

Options to purchase 35,680 shares were exercised during the three months ended March 31, 2007.

Recent Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (“FASB”) issued SFAS No. 157, “Fair Value Measurements” or “SFAS 157”, which defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles (“GAAP”) in the United States of America, and expands disclosures about fair value measurements. SFAS 157 does not require any new fair value measurements under GAAP and is effective for fiscal years beginning after November 15, 2007. The effects of adoption will be determined by the types of instruments carried at fair value in the Company’s financial statements at the time of adoption as well as the method utilized to determine their fair values prior to adoption. Based on the Company’s current use of fair value measurements, SFAS 157 is not expected to have a material effect on the results of operations or financial position of the Company.

In February 2007, the FASB issued SFAS No. 159, Fair Value Option for Financial Assets and Financial Liabilities — Including an amendment of FASB Statement No. 115 (“SFAS No. 159”), which permits entities to choose to measure many financial instruments and certain other items at fair value. We are currently in the process of assessing the provisions of SFAS No. 159 and determining how the elective application of these fair value measurements would affect our current accounting policies and procedures. We have not yet determined whether we will elect to measure items subject to SFAS No. 159 at fair value, and as a result, have not assessed any potential impacts of adoption on our consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)— (CONTINUED)

3. ACQUISITIONS

On December 21, 2006, CoStar Limited, a wholly-owned U.K. subsidiary of CoStar, acquired Grecam S.A.S. ("Grecam"), a provider of commercial property information and market-level surveys, studies and consulting services, located in Paris, France. The Company acquired all of the outstanding capital stock of Grecam, for approximately \$2.0 million in cash.

On February 16, 2007, CoStar Limited acquired all of the outstanding capital stock of Property Investment Exchange ("Propex"), for approximately \$22.0 million, consisting of cash, deferred consideration of \$2.9 million included in accrued expenses as of March 31, 2007, and 21,526 shares of CoStar common stock. The purchase price is subject to downward adjustment based on Propex's financial position as of the closing date. Propex provides web-based commercial property information and operates an electronic platform that facilitates the exchange of investment property in the U.K. Propex's suite of electronic platforms and listing websites give users access to the U.K. commercial property investment and leasing markets.

These acquisitions were accounted for using purchase accounting. The purchase price for each acquisition was primarily allocated to acquired database technology, customer base, trade names, and goodwill. The acquired database technology is being amortized on a straight-line basis over 4 years. The customer base, which consists of one distinct intangible asset for each acquisition and is composed of acquired customer contracts and the related customer relationships, is being amortized on a 125% declining balance method over 10 years. Trade names are being amortized on a straight-line basis over 3 years. Goodwill is not amortized, but is subject to annual impairment tests. The results of operations of Grecam and Propex have been consolidated with those of the Company since the respective dates of the acquisitions and are not considered material to the consolidated financial statements of the Company. Accordingly, pro forma financial information has not been presented for either acquisition.

4. GOODWILL

Goodwill consists of the following (in thousands):

	March 31, 2007 (unaudited)	December 31, 2006
Goodwill	\$ 72,823	\$ 57,720
Accumulated amortization	(11,223)	(11,223)
Goodwill, net	<u>\$ 61,600</u>	<u>\$ 46,497</u>

The Company recorded goodwill of approximately \$15.3 million for the Propex acquisition in February 2007, offset by a purchase accounting adjustment in the goodwill estimate previously recorded for the Grecam acquisition in December 2006.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)— (CONTINUED)

5. INTANGIBLES AND OTHER ASSETS

Intangibles and other assets consist of the following (in thousands except amortization period data):

	March 31, 2007 (unaudited)	December 31, 2006	Weighted- Average Amortization Period (in years)
Building photography	\$ 10,180	\$ 9,902	5
Accumulated amortization	(5,840)	(5,567)	
Building photography, net	<u>4,340</u>	<u>4,335</u>	
Acquired database technology	21,301	22,101	4
Accumulated amortization	(20,223)	(20,107)	
Acquired database technology, net	<u>1,078</u>	<u>1,994</u>	
Acquired customer base	50,060	44,949	10
Accumulated amortization	(30,539)	(29,414)	
Acquired customer base, net	<u>19,521</u>	<u>15,535</u>	
Acquired tradename and other	9,165	4,198	6
Accumulated amortization	(3,257)	(2,890)	
Acquired tradename and other, net	<u>5,908</u>	<u>1,308</u>	
Intangibles and other assets, net	<u>\$ 30,847</u>	<u>\$ 23,172</u>	

6. INCOME TAXES

The income tax provision for the three months ended March 31, 2007 and March 31, 2006, reflects a 45.0% and 43.2% effective tax rate, respectively. The Company establishes a valuation allowance with respect to deferred tax assets associated with future tax benefits that the Company is not certain it will be able to realize. As of March 31, 2007, the Company continues to maintain a valuation allowance of approximately \$337,000 for certain state net operating loss carryforwards.

The Company adopted FASB Interpretation 48, Accounting for Uncertainty in Income Taxes ("FIN 48"), at the beginning of fiscal year 2007. As a result of the implementation of FIN 48, the Company recognized no material adjustment in the liability for unrecognized income tax benefits. At the adoption date of January 1, 2007, the Company had \$226,000 of unrecognized tax benefits, all of which would favorably affect the effective tax rate if recognized in future periods.

The Company's federal and state income tax returns for tax years 2003 through 2006 remain open to examination. The Company's U.K. income tax returns for tax years 2001 through 2006 remain open to examination.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)— (CONTINUED)

6. INCOME TAXES (CONTINUED)

The Company's continuing practice is to recognize interest and penalties related to income tax matters in income tax expense. As of January 1, 2007, included in the \$226,000 of unrecognized tax benefits is \$31,000 accrued for interest and \$52,000 accrued for penalties.

7. COMMITMENTS AND CONTINGENCIES

Currently, and from time to time, the Company is involved in litigation incidental to the conduct of its business. The Company is not a party to any lawsuit or proceeding that, in the opinion of management, is likely to have a material adverse effect on its financial position or results of operations.

8. SEGMENT REPORTING

Due to the increased size, complexity, and funding requirements associated with the Company's international expansion in 2007, the Company began to manage the business geographically in two operating segments, with the primary areas of measurement and decision-making being the United States and International, which includes the U.K. and France. Management relies on an internal management reporting process that provides revenue and segment EBITDA, which is the Company's net-income before interest, income taxes, depreciation and amortization. Management believes that segment EBITDA is an appropriate measure for evaluating the operational performance of segments. EBITDA is used by management to internally measure operating and management performance and to evaluate the performance of business. However, this measure should be considered in addition to, not as a substitute for, or superior to, income from operations or other measures of financial performance prepared in accordance with GAAP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)— (CONTINUED)

8. SEGMENT REPORTING (CONTINUED)

Summarized information by segment was as follows (in thousands):

	Three Months Ended	
	March 31,	
	2007	2006
	(unaudited)	
Revenues		
United States	\$ 40,181	\$ 34,424
International	4,650	2,850
Total Revenues	<u>\$ 44,831</u>	<u>\$ 37,274</u>
EBITDA		
United States	\$ 5,850	\$ 4,681
International	(804)	(20)
Total EBITDA	<u>\$ 5,046</u>	<u>\$ 4,661</u>
Reconciliation of EBITDA to Net Income		
EBITDA	\$ 5,046	\$ 4,661
Purchase amortization in cost of revenues	(325)	(256)
Purchase amortization in operating expenses	(1,270)	(1,108)
Depreciation and other amortization	(2,015)	(1,449)
Interest income, net	1,862	1,426
Income tax expense, net	(1,484)	(1,414)
Net Income	<u>\$ 1,814</u>	<u>\$ 1,860</u>

International EBITDA includes a corporate allocation of approximately \$775,000 and \$252,000 for the three months ended March 31, 2007 and 2006, respectively. The corporate allocation represents costs incurred for United States employees involved in international management and expansion activities.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis of Financial Condition and Results of Operations contain "forward-looking statements," including statements about our beliefs and expectations. See "Cautionary Statement Concerning Forward-Looking Statements" at the end of this Item 2. for additional factors relating to such statements, and see "Risk Factors" in Item 1A. of Part II of this Report for a discussion of certain risk factors applicable to our business, financial condition and results of operations.

The following discussion should be read in conjunction with our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other filings with the Securities and Exchange Commission and the condensed consolidated financial statements and related notes included in this Quarterly Report on Form 10-Q.

Overview

CoStar is the leading provider of information services to the commercial real estate industry in the United States and the United Kingdom based on the fact that we offer the most comprehensive commercial real estate database available, have the largest research department in the industry, provide more information services than any of our competitors and believe we generate more revenues than any of our competitors. We have created a standardized information platform where the members of the commercial real estate and related business community can continuously interact and facilitate transactions by efficiently exchanging accurate and standardized commercial real estate information. Our integrated suite of online service offerings includes information about space available for lease, comparable sales information, tenant information, information about properties for sale, information for clients' web sites, information about industry professionals and their business relationships, analytic information, data integration, property marketing and industry news. Our service offerings span all commercial property types — office, industrial, retail, land, mixed-use, hospitality and multifamily.

Since 1994, we have expanded the geographical coverage of our existing information services and developed new information services. In addition to internal growth, this expansion included the acquisitions of Chicago ReSource, Inc. in Chicago in 1996 and New Market Systems, Inc. in San Francisco in 1997. In August 1998, we expanded into the Houston region through the acquisition of Houston-based real estate information provider C Data Services, Inc. In January 1999, we expanded further into the Midwest and Florida by acquiring LeaseTrend, Inc. and into Atlanta and Dallas/Fort Worth by acquiring Jamison Research, Inc. In February 2000, we acquired Comps, a San Diego-based provider of commercial real estate information. In November 2000, we acquired First Image Technologies, Inc. In September 2002, we expanded further into Portland, Oregon through the acquisition of certain assets of Napier Realty Advisors d/b/a REAL-NET. In January 2003, we established a base in the United Kingdom with our acquisition of London-based Property Intelligence. In May 2004, we expanded into Tennessee through the acquisition of Peer Market Research, Inc., and in September 2004, we extended our coverage of the United Kingdom through the acquisition of Scottish Property Network. In September 2004, we strengthened our position in Denver, Colorado through the acquisition of substantially all of the assets of RealComp, Inc., a local comparable sales information provider. In January 2005, we acquired National Research Bureau ("NRB"), a leading provider of U.S. shopping center information. Additionally, in December 2006, our U.K. subsidiary, CoStar Limited, acquired Grecom S.A.S. ("Grecom"), a provider of commercial property information and market-level surveys, studies and consulting services located in Paris, France. In February 2007, CoStar Limited also acquired Property Investment Exchange Limited ("Propex"), a provider of commercial property information and operator of an investment property exchange located in London, England. The more recent acquisitions are discussed later in this section under the heading "Recent Acquisitions."

Our current expansion plan began in 2004 and included entering 21 new metropolitan markets throughout the United States, as well as expanding the geographical boundaries of many of our existing U.S. and U.K. markets during 2005 and 2006. As of February 2006, our expansion into the 21 new markets was complete.

In early 2005, we announced the launch of a major effort to expand our coverage of retail real estate information. The new retail component of our flagship product, CoStar Property Professional, was unveiled in May 2006 at the International Council of Shopping Centers' convention in Las Vegas.

In July 2006, we announced our intention to commence actively researching commercial properties in approximately 100 new Metropolitan Statistical Areas ("MSAs") across the United States in an effort to expand the geographical coverage of our service offerings, including our new retail service. During 2006, in connection with our plan to actively research commercial properties in these new MSAs, we increased our U.S. field research fleet by adding 89 vehicles and hired researchers to staff these vehicles. Further, in support of our expanded research efforts, we opened a research facility under a short-term lease in White Marsh, Maryland and hired and trained additional researchers and other personnel. In March 2007, we signed a long-term lease for a new research facility in White Marsh, Maryland.

As a result of our recent acquisitions of Propex and Grecam, we intend to invest further in our U.K. and French operations and to expand the coverage of our service offerings within the U.K. and France. CoStar intends to integrate its U.K. and French operations more fully with those of the U.S. and eventually to introduce a consistent international platform of service offerings.

Our current expansion plan, including further geographical expansion into approximately 100 new MSAs, expansion of coverage of retail real estate information, expansion of our coverage in existing markets and expansion of our U.K. and French operations, has caused, and will continue to cause, our cost structure to escalate in advance of the revenues that we expect to generate from these new markets and services, which may reduce our earnings or earnings growth.

We also expect to continue to develop and distribute new services, expand existing services, consider strategic acquisitions, and expand our sales and marketing organization. Any future significant expansion could reduce our profitability and significantly increase our capital expenditures. Therefore, while we expect current service offerings in existing markets to remain generally profitable and provide substantial funding for our overall business, it is possible that further overall expansion could cause us to generate losses and negative cash flow from operations in the future.

We expect 2007 revenue to grow over 2006 revenue as a result of further penetration of our services in our potential customer base across our platform, successful cross selling of our services to our existing customer base, continued geographic expansion and acquisitions. We expect that 2007 EBITDA, which is our net-income before interest, income taxes, depreciation and amortization, could increase from 2006 based on the growth in EBITDA from U.S. operations, which will be partially offset by our plan to expand and integrate our international operations. We anticipate that our EBITDA for our existing core platform will continue to grow principally due to growth in revenue.

In 2006, we issued restricted stock and stock options to our officers, directors and employees, and as a result we recorded additional compensation expense in our consolidated statement of operations. We plan to continue the use of alternative stock-based compensation for our officers, directors and employees, which may include, among other things, restricted stock or stock option grants that typically will require us to record additional compensation expense in our consolidated statement of operations and reduce our net income. We incurred approximately \$4.2 million in total equity compensation expense in 2006, and expect to incur approximately \$6.0 million in 2007.

Our subscription-based information services, consisting primarily of CoStar Property Professional, CoStar Tenant, CoStar COMPS Professional, FOCUS services, Propex services, and Grecam services, currently generate approximately 95% of our total revenues. Our contracts for our subscription-based information services typically have a minimum term of one year and renew automatically. Upon renewal, many of the subscription contract rates may increase in accordance with contract provisions or as a result of contract renegotiations. To encourage clients to use our services regularly, we generally charge a fixed monthly amount for our subscription-based services rather than fees based on actual system usage. Contract rates are based on the number of sites, number of users, organization size, the client's business focus and the number of services to which a client subscribes. Our subscription clients generally pay contract fees on a monthly basis, but in some cases may pay us on a quarterly or annual basis. We recognize this revenue on a straight-line basis over the life of the contract. Annual and quarterly

advance payments result in deferred revenue, substantially reducing the working capital requirements generated by accounts receivable.

For the three months ended March 31, 2007 and 2006, our contract renewal rates were approximately 92.4% and 94.0%, respectively.

Application of Critical Accounting Policies and Estimates

The preparation of financial statements and related disclosures in conformity with generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the period reported. The following accounting policies involve a "critical accounting estimate" because they are particularly dependent on estimates and assumptions made by management about matters that are highly uncertain at the time the accounting estimates are made. In addition, while we have used our best estimates based on facts and circumstances available to us at the time, different estimates reasonably could have been used in the current period. Changes in the accounting estimates we use are reasonably likely to occur from period to period, which may have a material impact on the presentation of our financial condition and results of operations. We review these estimates and assumptions periodically and reflect the effects of revisions in the period that they are determined to be necessary.

Valuation of long-lived and intangible assets and goodwill

We assess the impairment of long-lived assets, identifiable intangibles and goodwill whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors we consider important that could trigger an impairment review include the following:

- Significant underperformance relative to historical or projected future operating results;
- Significant changes in the manner of our use of the acquired assets or the strategy for our overall business;
- Significant negative industry or economic trends; or
- Significant decline in our market capitalization relative to net book value for a sustained period.

When we determine that the carrying value of long-lived and identifiable intangible assets may not be recovered based upon the existence of one or more of the above indicators, we measure any impairment based on a projected discounted cash flow method using a discount rate determined by our management to be commensurate with the risk inherent in our current business model.

Goodwill and identifiable intangible assets not subject to amortization are tested annually by operating segment on October 1st of each year for impairment, and are tested for impairment more frequently based upon the existence of one or more of the above indicators. We measure any impairment loss to the extent that the carrying amount of the asset exceeds its fair value.

Accounting for Income Taxes

As part of the process of preparing our consolidated financial statements, we are required to estimate our income taxes in each of the jurisdictions in which we operate. This process requires us to estimate our actual current tax exposure and assess the temporary differences resulting from differing treatment of items, such as deferred revenue or deductibility of certain intangible assets, for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within our consolidated balance sheet. We must then also assess the likelihood that our deferred tax assets will be recovered from future taxable income, and to the extent we believe that it is more likely than not that some portion or all of our deferred tax assets will not be realized, we must establish a valuation allowance. To the extent we establish a valuation allowance or change the allowance in a period, we must reflect the corresponding increase or decrease within the tax provision in the statement of operations for that period.

As of March 31, 2007, we continued to maintain a valuation allowance of approximately \$337,000 primarily for certain state net operating loss carryforwards. At March 31, 2007, we had net operating loss carryforwards for

federal income tax purposes of approximately \$43.1 million, which expire, if unused, from the year 2013 through the year 2023. Our decision to maintain only a minimal valuation allowance on our deferred tax asset is based on our expectation that we will recognize taxable income from operations in the future, which will enable us to use our net operating loss carryforwards. We believe our expectation that we will recognize taxable income in the future is supported by our increase in net earnings over the last three years, our revenue growth, and renewal rates with our existing customers, and our business model, which permits some control over future costs. We will continue to evaluate our expectation of future taxable income during each quarter. If we are unable to conclude that it is more likely than not that we will realize the future tax benefits associated with our deferred tax assets, then we may be required to establish a valuation allowance against some or all of the deferred tax assets.

Our U.K. expansion is expected to generate net operating losses in the U.K. The losses in the U.K. will generate a lower tax benefit than if the losses were incurred in the U.S. because the corporate tax rates are lower in the U.K. than in the U.S., thereby creating a higher overall effective tax rate in 2007. For 2007, we expect to record income tax expense on our results from operations at an effective rate of approximately 45%. In 2007, however, we expect the majority of our taxable income to be offset by our net operating loss carryforwards. As a result, we expect our cash payments for taxes to be limited primarily to federal alternative minimum taxes and to state income taxes in certain states.

In determining the quarterly annual provision for income taxes, we use an estimated annual effective tax rate based on expected annual income by jurisdiction, statutory tax rates, permanent timing difference, and tax planning opportunities available in the various jurisdictions in which we operate.

Non-GAAP Financial Measure

We prepare and publicly release quarterly unaudited financial statements prepared in accordance with GAAP. We also disclose and discuss certain non-GAAP financial measures in our public releases. Currently, the non-GAAP financial measure that we disclose is EBITDA, which is our net income before interest, income taxes, depreciation and amortization. We disclose EBITDA on a company-wide and an operating segment basis in our earnings releases, investor conference calls and filings with the Securities and Exchange Commission. The non-GAAP financial measure that we use may not be comparable to similarly titled measures reported by other companies. Also, in the future, we may disclose different non-GAAP financial measures in order to help our investors more meaningfully evaluate and compare our future results of operations to our previously reported results of operations.

We view EBITDA as an operating performance measure and as such we believe that the GAAP financial measure most directly comparable to it is net income. In calculating EBITDA we exclude from net income the financial items that we believe should be separately identified to provide additional analysis of the financial components of the day-to-day operation of our business. We have outlined below the type and scope of these exclusions and the material limitations on the use of these non-GAAP financial measures as a result of these exclusions. EBITDA is not a measurement of financial performance under GAAP and should not be considered as a measure of liquidity, as an alternative to net income or as an indicator of any other measure of performance derived in accordance with GAAP. Investors and potential investors in our securities should not rely on EBITDA as a substitute for any GAAP financial measure, including net income. In addition, we urge investors and potential investors in our securities to carefully review the reconciliation of EBITDA to net income set forth below, in our earnings releases and in other filings with the Securities and Exchange Commission and to carefully review the GAAP financial information included as part of our Quarterly Reports on Form 10-Q and our Annual Reports on Form 10-K that are filed with the Securities and Exchange Commission, as well as our quarterly earnings releases, and compare the GAAP financial information with our EBITDA.

EBITDA is used by management to internally measure our operating and management performance and by investors as a supplemental financial measure to evaluate the performance of our business. We believe that EBITDA, when viewed with our GAAP results and the accompanying reconciliation, provides additional information that is useful to gain an understanding of the factors and trends affecting our business. We have spent more than 19 years building our database of commercial real estate information and expanding our markets and services partially through acquisitions of complementary businesses. Due to the expansion of our information services, which included acquisitions, our net income has included significant charges for purchase amortization, depreciation and other amortization. EBITDA excludes these charges and provides meaningful information about

the operating performance of our business, apart from charges for purchase amortization, depreciation and other amortization. We believe the disclosure of EBITDA helps investors meaningfully evaluate and compare our performance from quarter to quarter and from year to year. We also believe EBITDA is a measure of our ongoing operating performance because the isolation of non-cash charges, such as amortization and depreciation, and non-operating items, such as interest and income taxes, provides additional information about our cost structure, and, over time, helps track our operating progress. In addition, investors, securities analysts and others have regularly relied on EBITDA to provide a financial measure by which to compare our operating performance against that of other companies in our industry.

Set forth below are descriptions of the financial items that have been excluded from our net income to calculate EBITDA and the material limitations associated with using this non-GAAP financial measure as compared to net income:

- Purchase amortization in cost of revenues may be useful for investors to consider because it represents the use of our acquired database technology, which is one of the sources of information for our database of commercial real estate information. We do not believe these charges reflect the current and ongoing cash charges related to our operating cost structure.
- Purchase amortization in operating expenses may be useful for investors to consider because it represents the estimated attrition of our acquired customer base and the diminishing value of any acquired tradenames. We do not believe these charges necessarily reflect the current and ongoing cash charges related to our operating cost structure.
- Depreciation and other amortization may be useful for investors to consider because they generally represent the wear and tear on our property and equipment used in our operations. We do not believe these charges necessarily reflect the current and ongoing cash charges related to our operating cost structure.
- The amount of net interest income we generate may be useful for investors to consider and may result in current cash inflows or outflows. However, we do not consider the amount of net interest income to be a representative component of the day-to-day operating performance of our business.
- Net income tax expense may be useful for investors to consider because it generally represents the taxes which may be payable for the period and the change in deferred income taxes during the period and may reduce the amount of funds otherwise available for use in our business. However, we do not consider the amount of net income tax expense to be a representative component of the day-to-day operating performance of our business.

Management compensates for the above-described limitations of using non-GAAP measures by only using a non-GAAP measure to supplement our GAAP results and to provide additional information that is useful to gain an understanding of the factors and trends affecting our business.

The following table shows our EBITDA reconciled to our net income and our cash flows from operating, investing and financing activities for the indicated periods (in thousands of dollars):

	Three Months Ended	
	March 31,	
	2007	2006
	(unaudited)	
Net income	\$ 1,814	\$ 1,860
Purchase amortization in cost of revenues	325	256
Purchase amortization in operating expenses	1,270	1,108
Depreciation and other amortization	2,015	1,449
Interest income, net	(1,862)	(1,426)
Income tax expense, net	1,484	1,414
EBITDA	<u>\$ 5,046</u>	<u>\$ 4,661</u>
Cash flows provided by (used in)		
Operating activities	\$ 11,143	\$ 6,798
Investing activities	(6,475)	7,586
Financing activities	362	2,629

Comparison of Three Months Ended March 31, 2007 and Three Months Ended March 31, 2006

Revenues. Revenues increased from \$37.3 million in the first quarter of 2006 to \$44.8 million in the first quarter of 2007. This increase in revenue is due to further penetration of our subscription-based information services, the successful cross-selling into our customer base across our service platform in existing markets combined with continued high renewal rates, and additional revenues from acquired companies, including Grecom in December 2006 and Propex in February 2007. Our subscription-based information services, consisting primarily of CoStar Property Professional, CoStar Tenant, CoStar COMPS Professional, FOCUS services, Propex services, and Grecom services currently generate 95% of our total revenues.

Gross Margin. Gross margin increased from \$24.3 million in the first quarter of 2006 to \$27.0 million in the first quarter of 2007. The gross margin percentage decreased from 65.3% in the first quarter of 2006 to 60.2% in the first quarter of 2007. The decrease in gross margin percentage was principally due to an increase in the cost of revenues from \$12.9 million for the first quarter of 2006 to \$17.8 million for the first quarter of 2007. The increase in cost of revenues resulted from research department hiring, training, compensation and other operating costs, the addition of offshore resources for our retail and 100 MSA expansions, as well as costs of acquisitions.

Selling and Marketing Expenses. Selling and marketing expenses increased from \$10.9 million in the first quarter of 2006 to \$13.2 million in the first quarter of 2007, and remained consistent as a percentage of revenues at 29.3% in the first quarter of 2006 and 29.4% in the first quarter of 2007. The increase in the amount of selling and marketing expenses is primarily due to increased sales commissions and growth in the sales force, as well as costs associated with sales and marketing efforts for our current expansion plan.

Software Development Expenses. Software development expenses increased from \$2.9 million in the first quarter of 2006 to \$3.1 million in the first quarter of 2007 and decreased as a percentage of revenues from 7.8% in the first quarter of 2006 to 6.8% in the first quarter of 2007. The increase in the amount of software and development expenses was due to the hiring of new employees to support our continued focus on enhancements to our existing services, development of new services and development costs for our internal information systems.

General and Administrative Expenses. General and administrative expenses increased from \$7.6 million in the first quarter of 2006 to \$8.1 million in the first quarter of 2007 and decreased as a percentage of revenues from 20.3% in the first quarter of 2006 to 18.0% in the first quarter of 2007. The increase in the amount includes increases in equity compensation and costs associated with the Propex acquisition. The decrease in the percentage was primarily due to our continued efforts to control and leverage our overhead costs.

Purchase Amortization. Purchase amortization increased from \$1.1 million in the first quarter of 2006 to \$1.3 million in the first quarter of 2007, and decreased as a percentage of revenues from 3.0% in the first quarter of 2006 to 2.8% in the first quarter of 2007. This increase in the amount was due to the acquisitions of Grecom in December 2006 and Propex in February 2007.

Other Income, Net. Other income increased from \$1.4 million in the first quarter of 2006 to \$1.9 million in the first quarter of 2007. This increase was primarily due to higher interest income as a result of higher total cash, cash equivalents and short-term investment balances for the first quarter of 2007 and increased interest rates for the first quarter of 2007 as compared to the first quarter of 2006.

Income Tax Expense, Net. Income tax expense remained relatively consistent at \$1.4 million in the first quarter of 2006 and \$1.5 million in the first quarter of 2007.

Business Segment Results

Due to the increased size, complexity, and funding requirements associated with our international expansion in 2007, we began to manage our business geographically in two operating segments, with our primary areas of measurement and decision-making being the United States and International, (which includes the U.K. and France). Management relies on an internal management reporting process that provides revenue and segment EBITDA, which is our net income before interest, income taxes, depreciation and amortization. Management believes that segment EBITDA is an appropriate measure for evaluating the operational performance of our segments. EBITDA is used by management to internally measure our operating and management performance and to evaluate the performance of our business. However, this measure should be considered in addition to, not as a substitute for, or superior to, income from operations or other measures of financial performance prepared in accordance with GAAP.

Segment Revenues. U.S. revenues increased from \$34.4 million in the first quarter of 2006 to \$40.2 million in the first quarter of 2007. This increase in U.S. revenue is due to further penetration of our U.S. subscription-based information services and the successful cross-selling into our customer base across our service platform in existing markets, combined with continued high renewal rates. International revenues increased from \$2.9 million in the first quarter of 2006 to \$4.7 million in the first quarter of 2007. This increase in international revenue is principally a result of a combination of a further penetration of our subscription-based information services and the acquisitions of Propex and Grecom.

Segment EBITDA. U.S. EBITDA increased from \$4.7 million in the first quarter of 2006 to \$5.9 million in the first quarter of 2007. The increase in U.S. EBITDA was due to increased revenue, partially offset by increased research costs, sales commissions, and growth in the sales force as a result of our current expansion. International EBITDA increased from a loss of \$20,000 in the first quarter of 2006 to a loss of \$804,000 in the first quarter of 2007. This increased loss is due to our increased investment in international expansion. International EBITDA also includes a corporate allocation of approximately \$775,000 and \$252,000 for the three months ended March 31, 2007 and 2006, respectively. The corporate allocation represents costs incurred for United States employees involved in international management and expansion activities.

Recent Acquisitions

Grecom, S.A.S. On December 21, 2006, CoStar Limited, a wholly owned subsidiary of CoStar, acquired Grecom S.A.S. ("Grecom"), a provider of commercial property information and market-level surveys, studies and consulting services located in Paris, France. CoStar Limited acquired all of the outstanding capital stock of Grecom, for approximately \$2.0 million in cash.

Propex. On February 16, 2007, CoStar Limited acquired Property Investment Exchange ("Propex"), a provider of web-based commercial property information and operator of an electronic platform that facilitates the exchange of investment property in the U.K. Propex's suite of electronic platforms and listing websites give users access to the U.K. commercial property investment and leasing markets. CoStar Limited acquired all outstanding capital stock of Propex for approximately \$22.0 million in cash, deferred consideration, and common stock.

Accounting Treatment. These acquisitions have been accounted for using purchase accounting. The purchase price for each acquisition was allocated primarily to acquired database technology, customer base, trade names, and goodwill. The acquired database technology is being amortized on a straight-line basis over 4 years. The customer base for the acquisitions, which consists of one distinct intangible asset composed of acquired customer contracts and the related customer relationships, is being amortized on a 125% declining balance method over 10 years. Trade names are being amortized on a straight-line basis over 3 years. Goodwill will not be amortized, but is subject to annual impairment tests. The results of operations of Grecom and Propex have been consolidated with our results since the date of acquisition and are not considered material to our consolidated financial statements. Accordingly, pro forma financial information has not been presented for either acquisition.

Liquidity and Capital Resources

Our principal sources of liquidity are cash, cash equivalents and short-term investments. Total cash, cash equivalents and short-term investments decreased from \$158.1 million at December 31, 2006 to \$150.3 million at March 31, 2007. The decrease in cash, cash equivalents and short-term investments during the three months ended March 31, 2007 is primarily due to our acquisition of Propex on February 16, 2007, which used approximately \$16.7 million, net of cash acquired, and purchases of property and equipment partially offset by earnings before non-cash charges for taxes, stock-based compensation, provision for losses on accounts receivable, depreciation, amortization, and changes in working capital.

Net cash provided by operating activities for the three months ended March 31, 2007 was \$11.1 million compared to \$6.8 million for the three months ended March 31, 2006. This \$4.3 million increase in net cash provided by operating activities was principally due to changes in working capital and increased earnings before non-cash charges for taxes, stock-based compensation, provision for losses on accounts receivable, depreciation, amortization, and changes in working capital.

Net cash used by investing activities was \$6.5 million for the three months ended March 31, 2007, compared to net cash provided by investing activities of \$7.6 million for the three months ended March 31, 2006. This \$14.1 million increase in net cash used by investing activities was principally due to the acquisition of Propex for approximately \$16.7 million, net of acquired cash and increased purchases of property and equipment, partially offset by increased net sales of short-term investments.

Net cash provided by financing activities was \$362,000 for the three months ended March 31, 2007, compared to \$2.6 million for the three months ended March 31, 2006. This \$2.3 million decrease in net cash provided by financing activities was the result of a decrease in proceeds from exercises of stock options in the three months ended March 31, 2007 compared to the three months ended March 31, 2006.

During the three months ended March 31, 2007, we incurred capital expenditures of approximately \$2.6 million. Additionally, we expect to incur approximately \$2.0 to \$4.0 million of capital expenditures in the second quarter of 2007 and continue to expect to incur approximately \$12.0 million of capital expenditures for the year ended December 31, 2007. We also expect to incur approximately \$1.4 million of pre-tax incremental expense during the second quarter of 2007 for seasonal costs associated with the International Council of Shopping Centers' ("ICSC") tradeshow, which occurs during the second quarter.

On March 9, 2007, the Company entered into an operating lease agreement, pursuant to which the Company has agreed to lease approximately 32,341 square feet of office space located in White Marsh, Maryland. The lease has an initial term of 60 months and an average base rent of \$24.95 per rentable square foot per year.

To date, we have grown in part by acquiring other companies and we may continue to make acquisitions. Our acquisitions may vary in size and could be material to our current operations. We expect to use cash, stock, debt or other means of funding to make these acquisitions.

Based on current plans, we believe that our available cash combined with positive cash flow provided by operating activities should be sufficient to fund our operations for at least the next 12 months.

For the foreseeable future, we expect to record income tax expense on our results from operations at an effective rate of approximately 45%. In 2007, however, we expect the majority of our taxable income to be absorbed by our net operating loss carryforwards. As a result, we expect our cash payments for taxes to be limited primarily to payments of federal alternative minimum taxes and state income taxes in certain states.

Recent Accounting Pronouncements

In June 2006, the FASB issued FASB Interpretation No. 48 ("FIN 48") "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109", which became effective for the Company beginning 2007. FIN 48 addressed the determination of how tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under FIN 48, we must recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained upon examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate resolution. The impact of our reassessment of our tax positions in accordance with FIN 48 did not have a material impact on our results of operations and financial condition.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" or "SFAS 157", which defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles ("GAAP") in the United States of America, and expands disclosures about fair value measurements. SFAS 157 does not require any new fair value measurements under GAAP and is effective for fiscal years beginning after November 15, 2007. The effects of adoption will be determined by the types of instruments carried at fair value in our financial statements at the time of adoption as well as the method utilized to determine their fair values prior to adoption. Based on our current use of fair value measurements, SFAS 157 is not expected to have a material effect on our results of operations or financial position.

In February 2007, the FASB issued SFAS No. 159, Fair Value Option for Financial Assets and Financial Liabilities — Including an amendment of FASB Statement No. 115 ("SFAS No. 159"), which permits entities to choose to measure many financial instruments and certain other items at fair value. We are currently in the process of assessing the provisions of SFAS No. 159 and determining how the elective application of these fair value measurements would affect our current accounting policies and procedures. We have not yet determined whether we will elect to measure items subject to SFAS No. 159 at fair value and, as a result, have not assessed any potential impacts of adoption on our consolidated financial statements.

Cautionary Statement Concerning Forward-Looking Statements

We have made forward-looking statements in this Report and make forward-looking statements in our press releases and conference calls that are subject to risks and uncertainties. Forward-looking statements include information that is not purely historic fact and include, without limitation, statements concerning our financial outlook for 2007 and beyond, our possible or assumed future results of operations generally, and other statements and information regarding assumptions about our revenues, EBITDA, fully diluted net income, taxable income, cash flow from operating activities, available cash, operating costs, amortization expense, intangible asset recovery, net income per share, diluted net income per share, weighted-average outstanding shares, capital and other expenditures, effective tax rate, equity compensation charges, future taxable income, purchase amortization, financing plans, geographic expansion, capital structure, contractual obligations, legal proceedings and claims, our database, database growth, services and facilities, employee relations, future economic performance, management's plans, goals and objectives for future operations and growth and markets for our stock. The sections of this Report which contain forward-looking statements include the Financial Statements and Related Notes, "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Quantitative and Qualitative Disclosures About Market Risk", "Legal Proceedings" and "Risk Factors".

Our forward-looking statements are also identified by words such as "believes," "expects," "thinks," "anticipates," "intends," "estimates" or similar expressions. You should understand that these forward-looking statements are estimates reflecting our judgment, beliefs and expectations, not guarantees of future performance. They are subject to a number of assumptions, risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the forward-looking statements. The following important factors, in

addition to those discussed or referred to under the heading "Risk Factors" in Item 1A. of Part II of this report, and other unforeseen events or circumstances, could affect our future results and could cause those results or other outcomes to differ materially from those expressed or implied in our forward-looking statements: general economic conditions; customer retention; competition; our ability to identify and integrate acquisitions; our ability to integrate our U.S. and international product offerings; our ability to continue to expand successfully; our ability to effectively penetrate the market for retail real estate information and gain acceptance in that market; our ability to control costs; litigation; changes in accounting policies or practices; changes or consolidations within the commercial real estate industry; release of new and upgraded services by us or our competitors; data quality; development of our sales force; employee retention; technical problems with our services; managerial execution; changes in relationships with real estate brokers and other strategic partners; foreign currency fluctuations; legal and regulatory issues; changes in accounting policies or practices; and successful adoption of and training on our services.

Accordingly, you should not place undue reliance on forward-looking statements, which speak only as of, and are based on information available to us on, the date of this Report. All subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. We do not undertake any obligation to update any such statements or release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date of this Report or to reflect the occurrence of unanticipated events.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We provide information services to the commercial real estate and related business community in the United States, United Kingdom, and France. Our functional currency for our operations in the United Kingdom and France is the local currency. As such, fluctuations in the British Pound or Euro may have an impact on our business, results of operations and financial condition. We currently do not use financial instruments to hedge our exposure to exchange rate fluctuations with respect to our foreign subsidiaries. We may seek to enter hedging transactions in the future to reduce our exposure to exchange rate fluctuations, but we may be unable to enter into hedging transactions successfully, on acceptable terms or at all. As of March 31, 2007, accumulated other comprehensive income included a gain from foreign currency translation adjustments of approximately \$4.7 million.

We do not have material exposure to market risks associated with changes in interest rates related to cash equivalent securities held as of March 31, 2007.

We have a substantial amount of intangible assets. Although, as of March 31, 2007, we believe our intangible assets will be recoverable, changes in the economy, the business in which we operate and our own relative performance could change the assumptions used to evaluate intangible asset recoverability. In the event that we determine that an asset has been impaired, we would recognize an impairment charge for the excess amount by which the carrying amount of the impaired asset exceeds the fair value of the asset. We continue to monitor these assumptions and their effect on the estimated recoverability of our intangible assets.

Item 4. Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As of March 31, 2007, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective and were operating at the reasonable assurance level.

There have been no changes in our internal control over financial reporting during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II ¼ OTHER INFORMATION

Item 1. Legal Proceedings

Currently, and from time to time, we are involved in litigation incidental to the conduct of our business. We are not a party to any lawsuit or proceeding that, in the opinion of our management, is likely to have a material adverse effect on our financial position or results of operations.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2006, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or results of operations.

Item 2. Unregistered Sales of Equity in Securities and Use of Proceeds

The following table is a summary of our repurchases of common stock during each of the three months in the quarter ended March 31, 2007:

ISSUER PURCHASES OF EQUITY SECURITIES

Month	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
January 1 through 31, 2007	114(1)	\$ 49.99	--	--
February 1 through 28, 2007	--	--	--	--
March 1 through 31, 2007	3,017(1)	\$ 45.45	--	--
Total	3,131(1)	\$ 45.62	--	--

(1) The number of shares purchased consists of shares of common stock tendered by employees to the Company to satisfy the employees' tax withholding obligations arising as a result of vesting of restricted stock grants under the Company's 1998 Stock Incentive Plan, as amended, which shares were purchased by the Company based on their fair market value on the vesting date. None of these share purchases were part of a publicly announced program to purchase common stock of the Company.

Item 3. Defaults upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

None

Item 6. Exhibits

- 3.1 Restated Certificate of Incorporation (Incorporated by reference to Exhibit 3.1 to the Registration Statement on Form S-1 of the Registrant (Reg. No. 333-47953) filed with the Commission on March 13, 1998 (the "1998 Form S-1")
- 3.2 Certificate of Amendment of Restated Certificate of Incorporation (Incorporated by reference to Exhibit 3.1 to the Registrant's Report on Form 10-Q for the period ending June 30, 1999)
- 3.3 Amended and Restated By-Laws (Incorporated by reference to Exhibit 3.2 to the 1998 Form S-1)
- 10.1 CoStar Group, Inc. 2007 Stock Incentive Plan (filed herewith)
- 10.2 White Marsh Lease (filed herewith)
- 31.1 Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
- 31.2 Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
- 32.1 Certification of Principal Executive Officer pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)
- 32.2 Certification of Principal Financial Officer pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)

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 thereunto duly authorized.

Date: May 9, 2007

COSTAR GROUP, INC.

By:

/s/ Frank A. Carchedi

Frank A. Carchedi

Chief Financial Officer

(Principal Financial and Accounting Officer and Duly Authorized Officer)

[COSTAR LOGO]

COSTAR GROUP, INC.
2007 STOCK INCENTIVE PLAN

1. Purpose

The purpose of the CoStar Group, Inc. 2007 Stock Incentive Plan (the "Plan") is to advance the interests of CoStar Group, Inc. (the "Company") by enabling the Company and its subsidiaries to attract, retain and motivate employees of the Company by providing for or increasing the proprietary interests of such individuals in the Company, and by enabling the Company to attract, retain and motivate its nonemployee directors and further align their interests with those of the shareholders of the Company by providing for or increasing the proprietary interests of such directors in the Company. The Plan provides for the grant of Incentive and Nonqualified Stock Options, Stock Appreciation Rights, Restricted Stock and Restricted Stock Units, any of which may be performance-based, as determined by the Committee.

2. Definitions

As used in the Plan, the following terms shall have the meanings set forth below:

- (a) "Award" means an Incentive Stock Option, Nonqualified Stock Option, Stock Appreciation Right, Restricted Stock, or Restricted Stock Unit granted to a Participant pursuant to the provisions of the Plan, any of which the Committee may structure to qualify in whole or in part as a Performance Award.
 - (b) "Award Agreement" means a written agreement or other instrument as may be approved from time to time by the Committee implementing the grant of each Award. An Agreement may be in the form of an agreement to be executed by both the Participant and the Company (or an authorized representative of the Company) or certificates, notices or similar instruments as approved by the Committee.
 - (c) "Board" means the board of directors of the Company.
 - (d) "Code" means the Internal Revenue Code of 1986, as amended from time to time, and the rulings and regulations issues thereunder.
 - (e) "Committee" means the Committee delegated the authority to administer the Plan in accordance with Section 16.
 - (f) "Common Share" means a share of the Company's common stock, subject to adjustment as provided in Section 11.
 - (g) "Company" means CoStar Group, Inc., a Delaware corporation.
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(h) "Fair Market Value" means, as of any given date, the closing sales price on such date during normal trading hours (or, if there are no reported sales on such date, on the last date prior to such date on which there were sales) of the Common Shares on NASDAQ, the New York Stock Exchange Composite Tape or, if not listed on such exchanges, on any other national securities exchange on which the Common Shares are listed, in any case, as reporting in such source as the Committee shall select. If there is no regular public trading market for such Common Shares, the Fair Market Value of the Common Shares shall be determined by the Committee in good faith and in compliance with Section 409A of the Code.

(i) "Incentive Stock Option" means a stock option that is intended to qualify as an "incentive stock option" within the meaning of Section 422 of the Code.

(j) "Nonemployee Director" means each person who is, or is elected to be, a member of the Board or the board of directors of any Subsidiary and who is not an employee of the Company or any Subsidiary.

(k) "Nonqualified Stock Option" means a stock option that is not intended to qualify as an "incentive stock option" within the meaning of Section 422 of the Code.

(l) "Option" means an Incentive Stock Option and/or a Nonqualified Stock Option granted pursuant to Section 6 of the Plan.

(m) "Participant" means any individual described in Section 3 to whom Awards have been granted from time to time by the Committee and any authorized transferee of such individual.

(n) "Performance Award" means an Award, the grant, issuance, retention, vesting or settlement of which is subject to satisfaction of one or more performance criteria pursuant to Section 12.

(o) "Plan" means the CoStar Group, Inc. 2007 Stock Incentive Plan as set forth herein and as amended from time to time.

(p) "Prior Plan" means the CoStar Group, Inc. 1998 Stock Incentive Plan.

(q) "Qualifying Performance Criteria" has the meaning set forth in Section 12(b).

(r) "Restricted Stock" means Common Shares granted pursuant to Section 8 of the Plan.

(s) "Restricted Stock Unit" means an Award granted to a Participant pursuant to Section 8 pursuant to which Common Shares or cash in lieu thereof may be issued in the future.

(t) "Stock Appreciation Right" means a right granted pursuant to Section 7 of the Plan that entitles the Participant to receive, in cash or Common Shares or a combination thereof, as determined by the Committee, value equal to or otherwise based on the excess of (i) the market price of a specified number of Common Shares at the time of exercise over (ii) the exercise price of the right, as established by the Committee on the date of grant.

(u) "Subsidiary" means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company where each of the corporations in the unbroken chain other than the last corporation owns stock possessing at least 50 percent or more of the total combined voting power of all classes of stock in one of the other corporations in the chain, and if specifically determined by the Committee in the context other than with respect to Incentive Stock Options, may include an entity in which the Company has a significant ownership interest or that is directly or indirectly controlled by the Company.

(v) "Substitute Awards" means Awards granted or Common Shares issued by the Company in assumption of, or in substitution or exchange for, awards previously granted, or the right or obligation to make future awards, by a corporation acquired by the Company or any Subsidiary or with which the Company or any Subsidiary combines.

3. Eligibility

Any person who is an officer or employee of the Company or of any Subsidiary (including any director who is also an employee, in his or her capacity as such) shall be eligible for selection by the Committee for the grant of Awards hereunder. In addition, Nonemployee Directors shall be eligible for the grant of Awards hereunder as determined by the Committee. In addition any service provider who has been retained to provide consulting, advisory or other services to the Company or to any Subsidiary shall be eligible for selection by the Committee for the grant of Awards hereunder. Options intending to qualify as Incentive Stock Options may only be granted to employees of the Company or any Subsidiary within the meaning of the Code, as selected by the Committee.

4. Effective Date and Termination of Plan

This Plan was adopted by the Board and became effective as of April 26, 2007 (the "Effective Date"), subject to the approval by the Company's stockholders. All Awards granted under this Plan are subject to, and may not be exercised before, the approval of this Plan by the stockholders prior to the first anniversary date of the effective date of the Plan by the affirmative vote of the holders of a majority of the outstanding Common Shares of the Company present, or represented by proxy, and entitled to vote, at a meeting of the Company's stockholders or by written consent in accordance with the laws of the State of Delaware; provided that if such approval by the stockholders of the Company is not forthcoming, all Awards previously granted under this Plan shall be void. The Plan shall remain available for the grant of Awards until the tenth (10th) anniversary of the Effective Date. Notwithstanding the foregoing, the Plan may be terminated at such earlier time as the Board may determine. Termination of the Plan will not affect the rights and obligations of the Participants and the Company arising under Awards theretofore granted and then in effect.

5. Common Shares Subject to the Plan and to Awards

(a) *Aggregate Limits.* The aggregate number of Shares issuable pursuant to all Awards shall not exceed 1,000,000 shares, plus (i) any Shares that were authorized for issuance under the Prior Plan that, as of June 7, 2007, remain available for issuance under the Prior Plan (not including any Shares that are subject to, as of June 7, 2007, outstanding awards under the

Prior Plan or any Shares that prior to June 7, 2007 were issued pursuant to awards granted under the Prior Plan) and (ii) any Shares subject to outstanding awards under the Prior Plan as of June 7, 2007 that on or after such date cease for any reason to be subject to such awards (other than by reason of exercise or settlement of the awards to the extent they are exercised for or settled in vested and nonforfeitable shares). The aggregate number of Common Shares available for grant under this Plan and the number of Common Shares subject to outstanding Awards shall be subject to adjustment as provided in Section 11. The Common Shares issued pursuant to Awards granted under this Plan may be shares that are authorized and unissued or shares that were reacquired by the Company, including shares purchased in the open market.

(b) *Issuance of Common Shares.* For purposes of this Section 5, the aggregate number of Common Shares available for Awards under this Plan at any time shall not be reduced by (i) shares subject to Awards that have been terminated, expired unexercised, forfeited or settled in cash, (ii) shares subject to Awards that have been retained by the Company in payment or satisfaction of the exercise price, purchase price or tax withholding obligation of an Award, or (iii) shares subject to Awards that otherwise do not result in the issuance of Common Shares in connection with payment or settlement of an Award. In addition, Common Shares that have been delivered (either actually or by attestation) to the Company in payment or satisfaction of the exercise price, purchase price or tax withholding obligation of an Award shall be available for Awards under this Plan.

(c) *Tax Code Limits.* The aggregate number of Common Shares subject to Awards granted under this Plan during any calendar year to any one Participant shall not exceed 200,000, which number shall be calculated and adjusted pursuant to Section 11 only to the extent that such calculation or adjustment will not affect the status of any Award intended to qualify as "performance based compensation" under Section 162(m) of the Code but which number shall not count any tandem SARs (as defined in Section 7). Any Common Shares that may be issued under this Plan may be issued pursuant to the exercise of Incentive Stock Options.

(d) *Substitute Awards.* Substitute Awards shall not reduce the Common Shares authorized for issuance under the Plan or authorized for grant to a Participant in any calendar year. Additionally, in the event that a corporation acquired by the Company or any Subsidiary, or with which the Company or any Subsidiary combines, has shares available under a pre-existing plan approved by shareholders and not adopted in contemplation of such acquisition or combination, the shares available for grant pursuant to the terms of such pre-existing plan (as adjusted, to the extent appropriate, using the exchange ratio or other adjustment or valuation ratio or formula used in such acquisition or combination to determine the consideration payable to the holders of common stock of the entities party to such acquisition or combination) may be used for Awards under the Plan and shall not reduce the Common Shares authorized for issuance under the Plan; provided that Awards using such available shares shall not be made after the date awards or grants could have been made under the terms of the pre-existing plan, absent the acquisition or combination, and shall only be made to individuals who were not employees, directors or consultants of the Company or its Subsidiaries immediately before such acquisition or combination.

6. Options

(a) *Option Awards.* Options may be granted at any time and from time to time prior to the termination of the Plan to Participants as determined by the Committee. No Participant shall have any rights as a stockholder with respect to any Common Shares subject to Option hereunder until said Common Shares have been issued, except that the Committee may authorize dividend equivalent accruals with respect to such Common Shares. Each Option shall be evidenced by an Award Agreement. Options granted pursuant to the Plan need not be identical but each Option must contain and be subject to the terms and conditions set forth below.

(b) *Price.* The Committee will establish the exercise price per Common Share under each Option, which, in no event will be less than the Fair Market Value of the Common Shares on the date of grant; provided, however, that the exercise price per Common Share with respect to an Option that is granted in connection with a merger or other acquisition as a substitute or replacement award for options held by optionees of the acquired entity may be less than 100% of the market price of the Common Shares on the date such Option is granted if such exercise price is based on a formula set forth in the terms of the options held by such optionees or in the terms of the agreement providing for such merger or other acquisition. The exercise price of any Option may be paid in Common Shares, cash, certified check, money order or a combination thereof, as determined by the Committee, including an irrevocable commitment by a broker to pay over such amount from a sale of the Common Shares issuable under an Option, the delivery of previously owned Common Shares and withholding of Common Shares deliverable upon exercise.

(c) *No Repricing.* Other than in connection with a change in the Company's capitalization (as described in Section 11) the exercise price of an Option may not be reduced without stockholder approval (including canceling previously awarded Options and regranting them with a lower exercise price).

(d) *Provisions Applicable to Options.* The date on which Options become exercisable shall be determined at the sole discretion of the Committee and set forth in an Award Agreement. Unless provided otherwise in the applicable Award Agreement, to the extent that the Committee determines that an approved leave of absence or employment on a less than full-time basis is not a Termination of employment, the vesting period and/or exercisability of an Option shall be adjusted by the Committee during or to reflect the effects of any period during which the Participant is on an approved leave of absence or is employed on a less than full-time basis.

(e) *Term of Options and Termination of Employment.* The Committee shall establish the term of each Option, which in no case shall exceed a period of ten (10) years from the date of grant. Unless an Option earlier expires upon the expiration date established pursuant to the foregoing sentence, upon the termination of the Participant's employment, his or her rights to exercise an Option then held shall be determined by the Committee and set forth in an Award Agreement.

(f) *Incentive Stock Options.* Notwithstanding anything to the contrary in this Section 6, in the case of the grant of an Option intending to qualify as an Incentive Stock Option: (i) if the Participant owns stock possessing more than 10 percent of the combined voting power

of all classes of stock of the Company (a "10% Common Shareholder"), the exercise price of such Option must be at least 110 percent of the Fair Market Value of the Common Shares on the date of grant and the Option must expire within a period of not more than five (5) years from the date of grant, and (ii) termination of employment will occur when the person to whom an Award was granted ceases to be an employee (as determined in accordance with Section 3401(c) of the Code and the regulations promulgated thereunder) of the Company and its Subsidiaries. Notwithstanding anything in this Section 6 to the contrary, options designated as Incentive Stock Options shall not be eligible for treatment under the Code as Incentive Stock Options (and will be deemed to be Nonqualified Stock Options) to the extent that either (a) the aggregate Fair Market Value of Common Shares (determined as of the time of grant) with respect to which such Options are exercisable for the first time by the Participant during any calendar year (under all plans of the Company and any Subsidiary) exceeds \$100,000, taking Options into account in the order in which they were granted, or (b) such Options otherwise remain exercisable but are not exercised within three (3) months of Termination of employment (or such other period of time provided in Section 422 of the Code).

7. Stock Appreciation Rights

Stock Appreciation Rights may be granted to Participants from time to time either in tandem with or as a component of other Awards granted under the Plan ("tandem SARs") or not in conjunction with other Awards ("freestanding SARs") and may, but need not, relate to a specific Option granted under Section 6. The provisions of Stock Appreciation Rights need not be the same with respect to each grant or each recipient. Any Stock Appreciation Right granted in tandem with an Award may be granted at the same time such Award is granted or at any time thereafter before exercise or expiration of such Award. All freestanding SARs shall be granted subject to the same terms and conditions applicable to Options as set forth in Section 6 and all tandem SARs shall have the same exercise price, vesting, exercisability, forfeiture and termination provisions as the Award to which they relate. Subject to the provisions of Section 6 and the immediately preceding sentence, the Committee may impose such other conditions or restrictions on any Stock Appreciation Right as it shall deem appropriate. Stock Appreciation Rights may be settled in Common Shares, cash or a combination thereof, as determined by the Committee and set forth in the applicable Award Agreement. Other than in connection with a change in the Company's capitalization (as described in Section 11) the exercise price of Stock Appreciation Rights may not be reduced without stockholder approval (including canceling previously awarded Stock Appreciation Rights and regranting them with a lower exercise price).

8. Restricted Stock and Restricted Stock Units

(a) *Restricted Stock and Restricted Stock Unit Awards.* Restricted Stock and Restricted Stock Units may be granted at any time and from time to time prior to the termination of the Plan to Participants as determined by the Committee. Restricted Stock is an award or issuance of Common Shares the grant, issuance, retention, vesting and/or transferability of which is subject during specified periods of time to such conditions (including continued employment or performance conditions) and terms as the Committee deems appropriate. Restricted Stock Units are Awards denominated in units of Common Shares under which the issuance of Common Shares is subject to such conditions (including continued employment or performance conditions) and terms as the Committee deems appropriate. Each grant of Restricted Stock and

Restricted Stock Units shall be evidenced by an Award Agreement. Unless determined otherwise by the Committee, each Restricted Stock Unit will be equal to one Common Share and will entitle a Participant to either the issuance of Common Shares or payment of an amount of cash determined with reference to the value of Common Shares. To the extent determined by the Committee, Restricted Stock and Restricted Stock Units may be satisfied or settled in Common Shares, cash or a combination thereof. Restricted Stock and Restricted Stock Units granted pursuant to the Plan need not be identical but each grant of Restricted Stock and Restricted Stock Units must contain and be subject to the terms and conditions set forth below.

(b) *Contents of Agreement.* Each Award Agreement shall contain provisions regarding (i) the number of Common Shares or Restricted Stock Units subject to such Award or a formula for determining such number, (ii) the purchase price of the Common Shares, if any, and the means of payment, (iii) the performance criteria, if any, and level of achievement versus these criteria that shall determine the number of Common Shares or Restricted Stock Units granted, issued, retainable and/or vested, (iv) such terms and conditions on the grant, issuance, vesting and/or forfeiture of the Common Shares or Restricted Stock Units as may be determined from time to time by the Committee, (v) the term of the performance period, if any, as to which performance will be measured for determining the number of such Common Shares or Restricted Stock Units, and (vi) restrictions on the transferability of the Common Shares or Restricted Stock Units. Common Shares issued under a Restricted Stock Award may be issued in the name of the Participant and held by the Participant or held by the Company, in each case as the Committee may provide.

(c) *Vesting and Performance Criteria.* The grant, issuance, retention, vesting and/or settlement of shares of Restricted Stock and Restricted Stock Units will occur when and in such installments as the Committee determines or under criteria the Committee establishes, which may include Qualifying Performance Criteria; provided, however, that, except in the case of a change of control of the Company or the death or disability of the Participant, vesting of Restricted Stock and Restricted Stock Units shall be no earlier than three (3) years from the date of grant for Awards not subject to vesting based on performance criteria and one (1) year from the date of grant for Awards that vest based on the achievement of performance criteria. Notwithstanding anything in this Plan to the contrary, the performance criteria for any Restricted Stock or Restricted Stock Unit that is intended to satisfy the requirements for "performance-based compensation" under Section 162(m) of the Code will be a measure based on one or more Qualifying Performance Criteria selected by the Committee and specified when the Award is granted.

(d) *Discretionary Adjustments and Limits.* Subject to the limits imposed under Section 162(m) of the Code for Awards that are intended to qualify as "performance based compensation," notwithstanding the satisfaction of any performance goals, the number of Common Shares granted, issued, retainable and/or vested under an Award of Restricted Stock or Restricted Stock Units on account of either financial performance or personal performance evaluations may, to the extent specified in the Award Agreement, be reduced by the Committee on the basis of such further considerations as the Committee shall determine.

(e) *Voting Rights.* Unless otherwise determined by the Committee, Participants holding shares of Restricted Stock granted hereunder may exercise full voting rights with respect

to those shares during the period of restriction. Participants shall have no voting rights with respect to Common Shares underlying Restricted Stock Units unless and until such Common Shares are reflected as issued and outstanding shares on the Company's stock ledger.

(f) *Dividends and Distributions.* Participants in whose name Restricted Stock is granted shall be entitled to receive all dividends and other distributions paid with respect to those Common Shares, unless determined otherwise by the Committee. The Committee will determine whether any such dividends or distributions will be automatically reinvested in additional shares of Restricted Stock and subject to the same restrictions on transferability as the Restricted Stock with respect to which they were distributed or whether such dividends or distributions will be paid in cash. Common Shares underlying Restricted Stock Units shall be entitled to dividends or dividend equivalents only to the extent provided by the Committee.

9. Deferral of Gains

The Committee may, in an Award Agreement or otherwise, provide for the deferred delivery of Common Shares upon settlement, vesting or other events with respect to Restricted Stock or Restricted Stock Units. Notwithstanding anything herein to the contrary, in no event will any deferral of the delivery of Common Shares or any other payment with respect to any Award be allowed if the Committee determines, in its sole discretion, that the deferral would result in the imposition of the additional tax under Section 409A(a)(1)(B) of the Code.

10. Conditions and Restrictions Upon Securities Subject to Awards

The Committee may provide that the Common Shares issued upon exercise of an Option or Stock Appreciation Right or otherwise subject to or issued under an Award shall be subject to such further agreements, restrictions, conditions or limitations as the Committee in its discretion may specify prior to the exercise of such Option or Stock Appreciation Right or the grant, vesting or settlement of such Award, including without limitation, conditions on vesting or transferability, forfeiture or repurchase provisions and method of payment for the Common Shares issued upon exercise, vesting or settlement of such Award (including the actual or constructive surrender of Common Shares already owned by the Participant) or payment of taxes arising in connection with an Award. Without limiting the foregoing, such restrictions may address the timing and manner of any resales by the Participant or other subsequent transfers by the Participant of any Common Shares issued under an Award, including without limitation (i) restrictions under an insider trading policy or pursuant to applicable law, (ii) restrictions designed to delay and/or coordinate the timing and manner of sales by Participant and holders of other Company equity compensation arrangements, (iii) restrictions as to the use of a specified brokerage firm for such resales or other transfers, and (iv) provisions requiring Common Shares to be sold on the open market or to the Company in order to satisfy tax withholding or other obligations.

11. Adjustment of and Changes in the Stock

The number and kind of Common Shares available for issuance under this Plan (including under any Awards then outstanding), and the number and kind of Common Shares subject to the limits set forth in Section 5 of this Plan, shall be equitably adjusted by the

Committee to reflect any reorganization, reclassification, combination of shares, stock split, reverse stock split, spin-off, dividend or distribution of securities, property or cash (other than regular, quarterly cash dividends), or any other equity restructuring transaction, as that term is defined in Statement of Financial Accounting Standards No. 123 (revised). Such adjustment may be designed to comply with Section 425 of the Code or, except as otherwise expressly provided in Section 5(c) of this Plan, may be designed to treat the Common Shares available under the Plan and subject to Awards as if they were all outstanding on the record date for such event or transaction or to increase the number of such Common Shares to reflect a deemed reinvestment in Common Shares of the amount distributed to the Company's securityholders. The terms of any outstanding Award shall also be equitably adjusted by the Committee as to price, number or kind of Common Shares subject to such Award, vesting, and other terms to reflect the foregoing events, which adjustments need not be uniform as between different Awards or different types of Awards.

In the event there shall be any other change in the number or kind of outstanding Common Shares, or any stock or other securities into which such Common Shares shall have been changed, or for which it shall have been exchanged, by reason of a change of control, other merger, consolidation or otherwise in circumstances that do not involve an equity restructuring transaction, as that term is defined in Statement of Financial Accounting Standards No. 123 (revised), then the Committee shall determine the appropriate adjustment, if any, to be effected. In addition, in the event of such change described in this paragraph, the Committee may accelerate the time or times at which any Award may be exercised and may provide for cancellation of such accelerated Awards that are not exercised within a time prescribed by the Committee in its sole discretion.

No right to purchase fractional shares shall result from any adjustment in Awards pursuant to this Section 11. In case of any such adjustment, the Common Shares subject to the Award shall be rounded down to the nearest whole share. The Company shall notify Participants holding Awards subject to any adjustments pursuant to this Section 11 of such adjustment, but (whether or not notice is given) such adjustment shall be effective and binding for all purposes of the Plan.

12. Qualifying Performance-Based Compensation

(a) *General.* The Committee may establish performance criteria and level of achievement versus such criteria that shall determine the number of Common Shares, units, or cash to be granted, retained, vested, issued or issuable under or in settlement of or the amount payable pursuant to an Award, which criteria may be based on Qualifying Performance Criteria or other standards of financial performance and/or personal performance evaluations. In addition, the Committee may specify that an Award or a portion of an Award is intended to satisfy the requirements for "performance-based compensation" under Section 162(m) of the Code, provided that the performance criteria for such Award or portion of an Award that is intended by the Committee to satisfy the requirements for "performance-based compensation" under Section 162(m) of the Code shall be a measure based on one or more Qualifying Performance Criteria selected by the Committee and specified at the time the Award is granted. The Committee shall certify the extent to which any Qualifying Performance Criteria has been satisfied, and the amount payable as a result thereof, prior to payment, settlement or vesting of

any Award that is intended to satisfy the requirements for “performance-based compensation” under Section 162(m) of the Code. Notwithstanding satisfaction of any performance goals, the number of Common Shares issued under or the amount paid under an award may, to the extent specified in the Award Agreement, be reduced by the Committee on the basis of such further considerations as the Committee in its sole discretion shall determine.

(b) *Qualifying Performance Criteria.* For purposes of this Plan, the term “Qualifying Performance Criteria” shall mean any one or more of the following performance criteria, either individually, alternatively or in any combination, applied to either the Company as a whole or to a business unit or Subsidiary, either individually, alternatively or in any combination, and measured either annually or cumulatively over a period of years, on an absolute basis or relative to a pre-established target, to previous years’ results or to a designated comparison group, in each case as specified by the Committee: (i) cash flow (before or after dividends), (ii) earnings or earnings per share (including earnings before interest, taxes, depreciation and amortization), (iii) stock price, (iv) return on equity, (v) total stockholder return, (vi) return on capital or investment (including return on total capital, return on invested capital, or return on investment), (vii) return on assets or net assets, (viii) market capitalization, (ix) economic value added, (x) debt leverage (debt to capital), (xi) revenue, (xii) income or net income, (xiii) operating income, (xiv) operating profit or net operating profit, (xv) operating margin or profit margin, (xvi) return on operating revenue, (xvii) cash from operations, (xviii) operating ratio, (xix) operating revenue, or (xx) customer service. To the extent consistent with Section 162(m) of the Code, the Committee (A) shall appropriately adjust any evaluation of performance under a Qualifying Performance Criteria to eliminate the effects of charges for restructurings, discontinued operations, extraordinary items and all items of gain, loss or expense determined to be extraordinary or unusual in nature or related to the acquisition or disposal of a segment of a business or related to a change in accounting principle all as determined in accordance with standards established by opinion No. 30 of the Accounting Principles Board (APA Opinion No. 30) or other applicable or successor accounting provisions, as well as the cumulative effect of accounting changes, in each case as determined in accordance with generally accepted accounting principles or identified in the Company’s financial statements or notes to the financial statements, and (B) may appropriately adjust any evaluation of performance under a Qualifying Performance Criteria to exclude any of the following events that occurs during a performance period: (i) asset write-downs, (ii) litigation, claims, judgments or settlements, (iii) the effect of changes in tax law or other such laws or provisions affecting reported results, (iv) accruals for reorganization and restructuring programs and (v) accruals of any amounts for payment under this Plan or any other compensation arrangement maintained by the Company.

13. Transferability

Unless the Committee provides otherwise, each Award may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated by a Participant other than by will or the laws of descent and distribution, and each Option or Stock Appreciation Right shall be exercisable only by the Participant during his or her lifetime.

14. Compliance with Laws and Regulations

This Plan, the grant, issuance, vesting, exercise and settlement of Awards thereunder, and the obligation of the Company to sell, issue or deliver Common Shares under such Awards, shall be subject to all applicable foreign, federal, state and local laws, rules and regulations, stock exchange rules and regulations, and to such approvals by any governmental or regulatory agency as may be required. The Company shall not be required to register in a Participant's name or deliver any Common Shares prior to the completion of any registration or qualification of such shares under any foreign, federal, state or local law or any ruling or regulation of any government body which the Committee shall determine to be necessary or advisable. To the extent the Company is unable to or the Committee deems it infeasible to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Common Shares hereunder, the Company and its Subsidiaries shall be relieved of any liability with respect to the failure to issue or sell such Common Shares as to which such requisite authority shall not have been obtained. No Option shall be exercisable and no Common Shares shall be issued and/or transferable under any other Award unless a registration statement with respect to the Common Shares underlying such Option is effective and current or the Company has determined that such registration is unnecessary.

15. Withholding

To the extent required by applicable federal, state, local or foreign law, a Participant shall be required to satisfy, in a manner satisfactory to the Company, any withholding tax obligations that arise by reason of an Option exercise, disposition of Common Shares issued under an Incentive Stock Option, the vesting of or settlement of an Award, an election pursuant to Section 83(b) of the Code or otherwise with respect to an Award. The Company and its Subsidiaries shall not be required to issue Common Shares, make any payment or to recognize the transfer or disposition of Common Shares until such obligations are satisfied. The Committee may provide for or permit the minimum statutory withholding obligations to be satisfied through the mandatory or elective sale of Common Shares and/or by having the Company withhold a portion of the Common Shares that otherwise would be issued to him or her upon exercise of the Option or the vesting or settlement of an Award, or by tendering Common Shares previously acquired.

16. Administration of the Plan

(a) *Committee of the Plan.* The Plan shall be administered by the Compensation Committee of the Board or the Board itself. Any power of the Committee may also be exercised by the Board, except to the extent that the grant or exercise of such authority would cause any Award or transaction to become subject to (or lose an exemption under) the short-swing profit recovery provisions of Section 16 of the Securities Exchange Act of 1934 or cause an Award designated as a Performance Award not to qualify for treatment as performance-based compensation under Section 162(m) of the Code. To the extent that any permitted action taken by the Board conflicts with action taken by the Committee, the Board action shall control. The Compensation Committee may by resolution authorize one or more officers of the Company to perform any or all things that the Committee is authorized and empowered to do or perform

under the Plan, and for all purposes under this Plan, such officer or officers shall be treated as the Committee; provided, however, that the resolution so authorizing such officer or officers shall specify the total number of Awards (if any) such officer or officers may award pursuant to such delegated authority, and any such Award shall be subject to the form of Award Agreement theretofore approved by the Compensation Committee. No such officer shall designate himself or herself as a recipient of any Awards granted under authority delegated to such officer. In addition, the Compensation Committee may delegate any or all aspects of the day-to-day administration of the Plan to one or more officers or employees of the Company or any Subsidiary, and/or to one or more agents.

(b) *Powers of Committee.* Subject to the express provisions of this Plan, the Committee shall be authorized and empowered to do all things that it determines to be necessary or appropriate in connection with the administration of this Plan, including, without limitation: (i) to prescribe, amend and rescind rules and regulations relating to this Plan and to define terms not otherwise defined herein; (ii) to determine which persons are Participants, to which of such Participants, if any, Awards shall be granted hereunder and the timing of any such Awards; (iii) to grant Awards to Participants and determine the terms and conditions thereof, including the number of Common Shares subject to Awards and the exercise or purchase price of such Common Shares and the circumstances under which Awards become exercisable or vested or are forfeited or expire, which terms may but need not be conditioned upon the passage of time, continued employment, the satisfaction of performance criteria, the occurrence of certain events (including events which constitute a change of control), or other factors; (iv) to establish and verify the extent of satisfaction of any performance goals or other conditions applicable to the grant, issuance, exercisability, vesting and/or ability to retain any Award; (v) to prescribe and amend the terms of the agreements or other documents evidencing Awards made under this Plan (which need not be identical) and the terms of or form of any document or notice required to be delivered to the Company by Participants under this Plan; (vi) to determine the extent to which adjustments are required pursuant to Section 11; (vii) to interpret and construe this Plan, any rules and regulations under this Plan and the terms and conditions of any Award granted hereunder, and to make exceptions to any such provisions in good faith and for the benefit of the Company; and (viii) to make all other determinations deemed necessary or advisable for the administration of this Plan.

(c) *Determinations by the Committee.* All decisions, determinations and interpretations by the Committee regarding the Plan, any rules and regulations under the Plan and the terms and conditions of or operation of any Award granted hereunder, shall be final and binding on all Participants, beneficiaries, heirs, assigns or other persons holding or claiming rights under the Plan or any Award. The Committee shall consider such factors as it deems relevant, in its sole and absolute discretion, to making such decisions, determinations and interpretations including, without limitation, the recommendations or advice of any officer or other employee of the Company and such attorneys, consultants and accountants as it may select.

17. Amendment of the Plan or Awards

The Board may amend, alter or discontinue this Plan and the Committee may amend, or alter any agreement or other document evidencing an Award made under this Plan but, except as specifically provided for hereunder, no such amendment shall, without the approval of the

stockholders of the Company (a) reduce the exercise price of outstanding Options or Stock Appreciation Rights, (b) reduce the price at which Options may be granted below the price provided for in Section 6 or (c) otherwise amend the Plan in any manner requiring stockholder approval by law or under the NASDAQ's listing requirements. No amendment or alteration to the Plan or an Award or Award Agreement shall be made which would impair the rights of the holder of an Award, without such holder's consent, provided that no such consent shall be required if the Committee determines in its sole discretion and prior to the date of any change of control that such amendment or alteration either is required or advisable in order for the Company, the Plan or the Award to satisfy any law or regulation or to meet the requirements of or avoid adverse financial accounting consequences under any accounting standard.

18. Miscellaneous

(a) *No Liability of Company.* The Company and any Subsidiary or affiliate which is in existence or hereafter comes into existence shall not be liable to a Participant or any other person as to: (i) the non-issuance or sale of Common Shares as to which the Company has been unable to obtain from any regulatory body having jurisdiction the authority deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Common Shares hereunder; and (ii) any tax consequence expected, but not realized, by any Participant or other person due to the receipt, exercise or settlement of any Award granted hereunder.

(b) *Non-Exclusivity of Plan.* Neither the adoption of this Plan by the Board nor the submission of this Plan to the stockholders of the Company for approval shall be construed as creating any limitations on the power of the Board or the Committee to adopt such other incentive arrangements as either may deem desirable, including without limitation, the granting of restricted stock or stock options otherwise than under this Plan or an arrangement not intended to qualify under Code Section 162(m), and such arrangements may be either generally applicable or applicable only in specific cases.

(c) *Governing Law.* This Plan and any agreements or other documents hereunder shall be interpreted and construed in accordance with the laws of the Delaware and applicable federal law.

(d) *No Right to Employment, Reelection or Continued Service.* Nothing in this Plan or an Award Agreement shall interfere with or limit in any way the right of the Company, its Subsidiaries and/or its affiliates to terminate any Participant's employment, service on the Board or service for the Company at any time or for any reason not prohibited by law, nor shall this Plan or an Award itself confer upon any Participant any right to continue his or her employment or service for any specified period of time. Neither an Award nor any benefits arising under this Plan shall constitute an employment contract with the Company, any Subsidiary and/or its affiliates.

(e) *Unfunded Plan.* The Plan is intended to be an unfunded plan. Participants are and shall at all times be general creditors of the Company with respect to their Awards. If the Committee or the Company chooses to set aside funds in a trust or otherwise for the payment of Awards under the Plan, such funds shall at all times be subject to the claims of the creditors of the Company in the event of its bankruptcy or insolvency.

**CORPORATE PLACE I
STANDARD FORM
OFFICE LEASE AGREEMENT**

THIS OFFICE LEASE AGREEMENT, is made as of this sixteenth day of March, 2007, by CORPORATE PLACE I BUSINESS TRUST ("Landlord"), and COSTAR GROUP, INC., a Delaware corporation ("Tenant").

Lease

IN CONSIDERATION of the Rent hereinafter reserved and the agreements set forth in the General Terms and Conditions, and any and all Exhibits and Riders hereto, as well as any other schedules or attachments hereto, Landlord hereby leases to Tenant and Tenant rents from the Landlord the Premises, located in the Building within the Center, for the Term. Landlord and Tenant agree as follows.

1. Summary of Lease Terms; Summary of Certain Defined Words and Phrases. The following is a summary of certain of the terms, defined words and phrases of this Lease. These shall have the following meanings, when used in the foregoing grant and in the following Sections, Subsections, Exhibits and Rider, in the attached General Terms and Conditions of Lease, and in all the other schedules or attachments, and are in addition to the definitions contained in Section 23 of the General Terms and Conditions to Lease.

1.1. Advance Rent: \$63,334.46, representing the Monthly Installment of Basic Rent for the first month of the Term.

1.2. Base Operating Costs: \$5.60 per square feet of the Premises (\$181,109.60).

1.3. Base Taxes: The Taxes assessed in the Tax Year which commenced or which commences July 1, 2007.

1.4. Basic Rent: The annual sum of \$760,013.50 payable in equal consecutive monthly installments of \$63,334.46 with respect to the first Lease Year of the Term, thereafter subject to the Basic Rent Adjustment as provided in Section 5.2 of the General Terms and Conditions to Lease.

1.5. Basic Rent Adjustment: For the second and each successive Lease Year, three percent (3.0%). Basic Rent shall be payable during the Term in accordance with the following schedule:

Lease Year	Annual Basic Rent	Monthly Installment
1	\$760,013.50	\$63,334.46
2	\$782,813.91	\$65,234.49
3	\$806,298.32	\$67,191.53
4	\$830,487.27	\$69,207.27
5	\$855,401.89	\$71,283.49

- 1.6. **Building:** The building situate within the Center and having the address of 8140 Corporate Drive, White Marsh, Maryland 21236, as shown on **Exhibit A-1**, and containing 75,687 square feet as of the date hereof.
- 1.7. **Center:** That certain office/industrial development consisting of a parcel of land containing 5.02667 acres, more or less, and shown and designated as Lot 105A on a plat entitled "First Amended Plat Corporate Place", which plat is recorded among the Land Records of Baltimore County, Maryland as Plat SM No. 74, folio 38, and including the Building and all other buildings or other improvements now existing or hereafter to be constructed thereon, all generally as shown on **Exhibit A-1**.
- 1.8. **Commencement Date:** The date upon which Landlord tenders possession of the Premises to Tenant following Substantial Completion of the Leasehold Improvements, as further provided in Section 3 of the General Terms and Conditions to Lease.
- 1.9. **Common Area Factor:** 12% of the area of the Premises measured as provided in Section 1 of the General Terms and Conditions to Lease and in accordance with the BOMA Method, American National Standard ANSI/BOMA Z65.1-1996.
- 1.10. **Deposit:** The aggregate of (a) the Advance Rent, which shall be held until the Commencement Date and then applied as provided in Section 1.1, plus (b) \$71,283.49, which shall be held by Landlord and applied as provided in Subsection 5.7 of the General Terms and Conditions.
- 1.11. **Landlord's Notice Address:** Care of Corporate Office Properties Trust, 6711 Columbia Gateway Drive, Suite 300, Columbia, Maryland 21046.
- 1.12. **Landlord's Rental Payment Address:** Care of Corporate Office Properties, L.P., P.O. Box 64521, Baltimore, Maryland 21264-4521.
- 1.13. **Named Broker:** Lincoln Property Company.
- 1.14. **Permitted Use:** The use of the Premises as commercial office space.
- 1.15. **Premises; Rentable Area of the Premises:** That portion of the Building leased by Tenant from Landlord and shown outlined on **Exhibit A-2**, containing a total of 32,341 square feet (26,534 square feet of which is located on the third floor of the Building and 5,807 square feet of which is located on the first floor of the Building)(the "Rentable Area of the Premises"), including any Common Area Factor indicated in Section 1.9 and known and designated as Suites 100 & 300, subject to measurement and confirmation as further described in Section 1 of the General Terms and Conditions to Lease.
- 1.16. **Tenant's Notice Address:** The term CoStar Group, Inc., 2 Bethesda Metro Center, 10th Floor, Bethesda, Maryland 20814, Attn.: Martha Sichel, Director of Facilities and Administration.
- 1.17. **Term:** A period of sixty (60) calendar months plus the fractional part of a calendar month (if any) commencing on the Commencement Date.
2. **Exhibits.** The following Exhibits are attached to this Lease, and such documents, as well as all drawings and documents prepared pursuant thereto, shall be deemed to be a part hereof:

- Exhibit A-1** - Site Plan of Center
- Exhibit A-2** - Floor Plan or other Depiction of Location of Premises
- Exhibit A-3** - Restricted Parking and Smoking Zones
- Exhibit B** - Construction Provisions for Leasehold Improvements
- Exhibit B-1** - Base Building/Leasehold Improvements Delineation and Building Standard Specifications for Leasehold Improvements
- Exhibit B-2** - Time Schedule for Construction
- Exhibit C** - Rules and Regulations
- Exhibit D** - Form of Commencement Date Letter

3. **General Terms and Conditions.** The General Terms and Conditions to Lease, numbered as Sections 1 through 23, attached hereto, are an integral part of this Lease and are incorporated herein by reference.

4. **Rider.** Any Rider to Lease which is attached hereto and dated of even date is intended to be an integral part of this Lease and is incorporated herein by reference.

IN WITNESS WHEREOF, the parties hereto have executed this Office Lease Agreement, or have caused the same to be executed on their respective behalves by their duly authorized representatives, the date and year first above written.

WITNESS:

LANDLORD:

CORPORATE PLACE 1 BUSINESS TRUST, a Maryland business trust, by COMMERCIAL PROPERTY INVESTORS TRUST COMPANY, LLC, as trustee

/s/ (illegible)

By: /s/ Roger A. Waesche, Jr. (seal)
 Roger Waesche, Jr., Executive Vice President

TENANT:

COSTAR GROUP, INC., a Delaware corporation

/s/ Martha E Sichel

By: /s/ Frank Carchedi (seal)

Frank Carchedi

Name

C.F.O.

Title

{acknowledgements appear on following page}

Acknowledgements

State of Maryland
County of Howard, to wit:

On this 16th day of March, 2007, before me, the undersigned officer, personally appeared Roger A. Waesche, Jr. who acknowledged himself to be the President of Commercial Property Investors Trust, LLC, a Maryland corporation, which is Trustee of Corporate Place I Business Trust, a Maryland business trust, and on behalf of said limited liability company and said trust, did acknowledge that he, as such officer, being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of such limited liability company as such Trustee by himself as such officer.

IN WITNESS WHEREOF, I hereby unto set my hand and official seal.

/s/ Samantha Keeton (seal)
Notary Public

My Commission expires:

July 14, 2009

State of Maryland
County of Montgomery, to wit:

On this 9th day of March, 2007, before me, the undersigned officer, personally appeared Frank Carchedi who acknowledged himself/herself to be the C.F.O. of Costar Group, Inc., a Delaware corporation, and on behalf of said corporation did acknowledge that he/she as such officer being authorized so to do executed the foregoing Lease for the purposes therein contained by signing the name of the corporation by himself/herself as such officer.

IN WITNESS WHEREOF, I hereby unto set my hand and official seal.

/s/ Lisa Springer (seal)
Notary Public

My Commission expires:

January 7, 2009

CORPORATE PLACE I
STANDARD FORM
OFFICE LEASE AGREEMENT

EXHIBIT A-1
SITE PLAN OF CENTER
AND
EXHIBIT A-2
FLOOR PLAN OR OTHER DEPICTION OF LOCATION OF PREMISES

See page or pages which follow
5

[FLOOR PLAN OF CORPORATE PLACE INTENTIONALLY OMITTED]

**CORPORATE PLACE I
STANDARD FORM
OFFICE LEASE AGREEMENT**

**EXHIBIT A-3
RESTRICTED PARKING AND SMOKING ZONES**

**CORPORATE PLACE I
STANDARD FORM
OFFICE LEASE AGREEMENT**

**EXHIBIT B
CONSTRUCTION PROVISIONS FOR LEASEHOLD IMPROVEMENTS**

1. Completion of Final Plans and Specifications. On or before February 23, 2007, Tenant shall provide Landlord with the proposed Plans and Specifications for Landlord's review and approval. Within five (5) business days following Landlord's receipt of the proposed Preliminary Plans and Specifications, Landlord shall review and approve the same or shall provide comments to Tenant suggesting further revisions to the same. Thereafter the parties shall cooperate and exercise commercially reasonable efforts and due diligence to complete and finalize the Preliminary Plans and Specifications (the "Final Plans and Specifications") by April 16, 2007. Notwithstanding anything to the contrary set forth in this Lease, "Final Plans and Specifications" shall be deemed to include all architectural drawings, construction drawings and mechanical, engineering and plumbing drawings such that Landlord is able to obtain any required permits in connection with the commencement of the construction described herein. Attached hereto as **Exhibit B-2** is a proposed time schedule (the "Proposed Time Schedule") generally providing for the parties' expectations of completion of the construction of the Leasehold Improvements. The parties acknowledge that the time periods set forth on **Exhibit B-2** solely reflect the anticipated times for completion of the stages of construction of the Leasehold Improvements and agree to use commercially reasonable efforts to follow the such time periods.

2. Compliance with Base Building/Leasehold Improvements Delineation and Building Standard Specifications for Leasehold Improvements. Attached hereto as **Exhibit B-1** are the Base Building/Leasehold Improvements Delineation and the Building Standard Specifications for Leasehold Improvements (the "Base Building Standards"). The construction of the Leasehold Improvements shall be performed in accordance with the Base Building Standards.

3. Compatibility with Existing Improvements. Notwithstanding anything to the contrary set forth herein, the Leasehold Improvements shall be compatible with existing Building systems. The cost of any supplementation, expansion, replacement or reinforcement of the existing Building systems necessitated by or in connection with the design of the Leasehold Improvements shall be borne solely by Tenant, subject to the Allowance set forth below unless such Allowance has been fully expended in which event, Tenant shall pay such costs at its sole cost and expense.

4. Construction of Premises. Promptly following the completion of Final Plans and Specifications and determination of final pricing of completion of Leasehold Improvements based on the Final Plans and Specifications, the Leasehold Improvements shall be constructed within the Premises for Tenant's use and occupancy in accordance with the Final Plans and Specifications and as further provided below.

5. Changes to Preliminary Plans and Specifications, Final Plans and Specifications; Adjustment to Basic Rent.

5.1. The parties acknowledge and agree that the Basic Rent set forth in Lease Section 1 incorporates Landlord's allowance in the amount of One Million, One Hundred Thirty-One Thousand, Nine Hundred Thirty-Five Dollars (\$1,131,935.00) toward the cost of completion of the Leasehold

Improvements (the "Allowance"). Tenant shall pay any increase in the actual cost to complete the Leasehold Improvements (as determined by Landlord) in excess of the Allowance (a "Proposed Adjustment") as follows: (i) one-half (1/2) of such excess shall be payable by Tenant upon Tenant's execution of a construction contract with respect to the completion of the Leasehold Improvements described herein, and (ii) the remaining one-half (1/2) balance shall be paid within thirty (30) days of the Commencement Date. (The Allowance shall be proportionately adjusted based on any remeasurement of the Premises as provided in Section 1 of the General Terms and Conditions to Lease.)

5.2. Landlord shall notify Tenant of any Proposed Adjustment when Landlord notifies Tenant of Landlord's approval of the Final Plans and Specifications or when Tenant requests changes to the Final Plans and Specifications during the course of Leasehold Improvement construction. In either case Tenant shall have five (5) days (not counting any intervening Saturday, Sunday or holiday) following the date of receipt of Landlord's notice of a Proposed Adjustment within which to accept or reject the same, and Tenant shall be deemed to have accepted and approved the Proposed Adjustment unless Tenant shall have given Landlord Notice to the contrary within such five (5) day period.

5.3. If Tenant rejects Landlord's Proposed Adjustment made during preparation of the Final Plans and Specifications then Tenant shall be required to revise its proposed Final Plans and Specifications in order to permit the Leasehold Improvements to be constructed for a sum not to exceed the Allowance. If Tenant fails or refuses to make such revisions and to resubmit conforming Final Plans and Specifications within ten (10) business days following the date of Tenant's original notice rejecting Landlord's Proposed Adjustment, then Landlord may make the appropriate revisions to the proposed Final Plans and Specifications so as to conform the same to the Preliminary Plans and Specifications and so that the Leasehold Improvements may be constructed for a cost not to exceed the Allowance (in which case Landlord's costs in making and/or reviewing such plans revisions shall be charged to Tenant as Additional Rent) or else, and at Landlord's sole option and discretion.

5.4. If Tenant rejects Landlord's Proposed Adjustment made in response to Tenant's request during construction for changes to the Final Plans and Specifications then Landlord shall not be obligated to accept such proposed change or to perform or allow to be performed any construction in accordance with any such proposed change. If, however, Tenant accepts a Proposed Adjustment (either by failure of response or else by express notice of acceptance given within the required five (5) day period as above set forth) then Tenant agrees to execute and acknowledge such instruments confirming such acceptance as Landlord may from time to time require, in which case Landlord shall construct or allow to be constructed all of the Leasehold Improvements required by the Final Plans and Specifications, including all agreed-upon changes thereto.

6. Construction Contract; Subcontracts; Permits.

6.1. The contract for construction of the Leasehold Improvements shall be competitively bid to no less than three (3) general contractors approved in advance by Landlord, one of which shall be Landlord's contractor and one of which shall be a contractor selected by Tenant. Such construction shall be performed by the contractor offering the lowest bid (or in the alternative, by a contractor not offering the lowest bid provided such contractor is approved by Landlord in its reasonable discretion), in general accordance with the Proposed Time Schedule attached hereto as **Exhibit B-2** and pursuant to a contract generally providing for the completion of the Leasehold Improvements in accordance with the Final Plans and Specifications for a price equal to such contractor's cost of Leasehold Improvements (subcontractors' prices plus fees, design costs and permits) plus a fixed percentage of the

same. One (1) time during the bidding process and upon notice to Landlord, Tenant may make changes to the Plans and Specifications without the same being considered a Tenant delay, provided however, such changes are made within five (5) consecutive business days of Tenant's notice to Landlord. Any increase in the cost of constructing the Leasehold Improvements pursuant to such changes in excess of the Allowance shall be deemed a Proposed Adjustment payable by Tenant in accordance with Section 5 of this **Exhibit B**.

6.2. If the selected contractor is a contractor other than Landlord's contractor, then Landlord shall receive a supervisory fee in the amount of three percent (3%) of the cost of the Leasehold Improvements which supervisory fee shall, in any event, not exceed Forty Thousand Dollars (\$40,000.00) and shall be deducted from the Allowance, for which Landlord will oversee the construction performed by the general contractor to ensure (i) compliance with the rules and regulations set forth in the Lease and as established for the Building and the Center generally, (ii) that the construction does not interfere with other tenants' uses of their respective premises or the Common Areas of the Building and (iii) that the Leasehold Improvements are in compliance with building standard qualities.

6.3. The contractor performing the construction of the Leasehold Improvements shall obtain all permits required in connection with such work, and the cost of all fees in connection with the issuance of such permits shall be included within the Allowance or otherwise reimbursed by Tenant unless the parties otherwise agree in writing. Notwithstanding the foregoing, Landlord shall obtain the certificate of occupancy.

6.4. At all times during construction, the general contractor and any subcontractors shall adhere to Landlord's rules and regulations regarding construction activities as the same may be established by Landlord from time to time. Upon completion of the Leasehold Improvements, the general contractor shall provide Landlord with as-built drawings, operating manuals and lien waivers with respect to the same.

**CORPORATE PLACE I
STANDARD FORM
OFFICE LEASE AGREEMENT**

EXHIBIT B-1
BASE BUILDING/LEASEHOLD IMPROVEMENTS DELINEATION and BUILDING STANDARD SPECIFICATIONS FOR LEASEHOLD IMPROVEMENTS

The following delineation is intended to clarify the definition of "Base Building" and "Base Building Work" along with "Leasehold Improvement" and "Leasehold Improvement Work".

	Base Building Work	Leasehold Improvement Work
ARCHITECTURAL		
Sealed Concrete Floors in Mech/Elec/Tel/Jan Rooms	X	
Gypsum Board (taped and spackled):		
sPerimeter Drywall		X
sColumn Wrap		X
sCore Wrap	X	
sCorridor and ½ of Demising Partitions	X (multi-tenant floors only)	X (full floor tenant)
sPartitions in Tenant Areas		X
Toilet rooms (all finishes)	X	
MEP rooms (all finishes)	X	
Exit Stairs (all finishes)	X	
Janitor Closets (all finishes)	X	
Main Lobby (all finishes)	X	
Typical Elevator Lobby (all finishes)	X (multi-tenant floors)	X (full floor tenant)
Painting/Wallcovering in Tenant Area		X
Ceiling Grid in Tenant Area	X	
Ceiling Tile Stocked on Floor	X	
Install Ceiling Tile in Tenant Area		X
Floor Covering in Tenant Area		X
Horizontal Mini-blinds at Perimeter Windows	X	
Doors and Hardware:		
sCore	X	
sTenant Area		X
Millwork		X
Appliances		X
ADA Code Requirements:		
sSite, Building Entries and Main Lobby	X	
sTenant Areas		X

	Base Building Work	Leasehold Improvement Work
ELECTRICAL/TELECOMMUNICATIONS		
Main Electric Service to Building	X	
Electrical Service to Floor Closets	X	
Distribution/Connections to Tenant Improvements		X
Lighting:		
sCore Bathrooms and Closets	X	
sFire Stairways	X	
sMain Lobby	X	
sTypical Floor Lobbies	X	X
	(multi-tenant floors)	(full floor tenant)
sTenant Light Fixtures Stocked on Floor	X	
sWiring Light Fixtures in Tenant Area		X
Electrical Power:		
sCore (as required by Code)	X	
sTenant Area		X
Fire Alarm System (per Code):		
sMain Fire Alarm Control Panel	X	
sAnnunciator Panel	X	
sStrobes/Horns in Core Area	X	
sStrobes/Horns in Tenant Area		X
Exit Lighting:		
sCore Areas	X	
sTenant Areas		X
Telephone/Data Distribution:		
sIncoming Telephone/Data Service to Main Telephone Room	X	
sTenant Telephone/Data Service		X
sVertical Riser (sleeves only)	X	
sGrounding System	X	
sHorizontal Distribution		X

MECHANICAL		
Main Air Handling Units	X	
Perimeter & Interior Zone VAV Boxes (provided at a density of 1/750 sf)	X	
Electrical Heat at Perimeter VAV Boxes	X	
Control Wiring & Thermostats for VAV Boxes	X	
Ductwork/Distribution:		
sSupply/Return Trunk Ducts	X	
sDuctwork to Shell Building VAV Boxes	X	
sDuct/Flex Run-Outs		X
sDiffusers		X
Supplemental A/C Units		X

MECHANICAL (CONT'D)

	Base Building Work	Leasehold Improvement Work
Exhaust/Ventilation:		
sCore Rooms	X	
sToilet Rooms	X	
sElevator Shafts	X	
sStairs	X	
sSpecial Tenant Requirements		X

FIRE PROTECTION/SPRINKLERS

Sprinkler System:		
sVertical Standpipes	X	
sHorizontal Main Loop Per Floor	X	
sMain Flow and Tamper Switches	X	
sBranches, Drops and Heads:		
Ø For Shell Construction	X	
Ø Per Tenant Partition Layout		X
Fire Extinguisher/Cabinets:		
sCore Area (as required by Code)	X	
sTenant Area		X

PLUMBING

Core Bathrooms (complete with all Code required plumbing and fixtures for the Base Building work)	X	
Wet Stacks (2 per floor)	X	
Electric Water coolers (per Code)	X	
Janitor's Sink	X	
Plumbing For All Tenant Work		X

SECURITY ACCESS CONTROL

After Hours Access Control:		
sExterior Entry Doors to Building	X	
sTenant Areas		X

**BUILDING STANDARD SPECIFICATIONS
FOR LEASEHOLD IMPROVEMENTS**

This summary is intended to describe in general terms the Landlord's Building Standard Specifications for the construction of Leasehold Improvements. This summary is not intended to be used for bidding and construction. Refer to the companion document 'Building Standard Specifications Manual for Tenant Improvements' dated February 3, 2004 r.2 for procedures, design criteria and detailed construction specifications.

Partitions Drywall on metal studs carried to the underside of ceiling grid. Demising partitions are carried to the underside of the structural deck. Partitions around conference rooms, kitchens, lunchrooms and copy rooms receive sound attenuating insulation.

Doors & Frames Primary entrance to the Premises from a multi-tenant corridor is Landlord's standard 'Typical Recessed Tenant Suite Entry' design. Entrance Door standard is a 3' x 8' flush solid-core stained wood door set in a satin aluminum frame with an integral sidelight. Hardware is a mortised, satin chrome finish lever lockset and a satin chrome plated closer. Interior Door standard is a 3' x 7' flush solid-core stained wood veneer door set in a painted hollow metal frame. Hardware is a cylindrical, satin chrome finish lever latchset.

Wall Finish All walls are painted with primer plus two coats of eggshell latex paint, one color throughout. At Tenant's option, other finishes such as accent paint, vinyl wallcovering and fabric wallcovering may be used in the reception area, conference rooms and private offices.

Ceilings 2' x 4' Celotex "Baroque Customline" acoustic ceiling tile for all areas within the Premises. First floor ceiling height is 9'-0" above finished floor. Second Floor ceiling height is 9'-0" AFF. At Tenant's option, drywall bulkheads and soffits may be incorporated in the design of the Premises.

Flooring 26 oz. patterned level-loop nylon carpet, equal to "Bar None" by Designweave for all areas within the Premises. At Tenant's option, 30 oz. nylon solid color cut-pile carpet, equal to "Windswept Esq." by Designweave in conference rooms and private offices. Tenant to select one color from standard binder options. In lieu of carpet, kitchens, lunchrooms, storage rooms and utility areas are to receive vinyl composition tile. 4" high charcoal gray vinyl cove base installed throughout the Premises.

Kitchens At Tenant's option, kitchen/coffee areas may be incorporated in the design of the Premises. Standard is flush plastic laminate faced upper and lower cabinets with plastic laminate countertop, sink, plumbing and electrical connections for Tenant supplied appliances.

Mechanical A complete heating and cooling system including ductwork, VAV boxes, perimeter supply diffusers, interior supply diffusers and return air grilles. Computerized DDC temperature controls are linked to electronic thermostats located within the Premises. Kitchens and lunchrooms have an exhaust fan ducted to the roof.

Fire Sprinklers Sprinkler heads are chrome recessed pendant style.

General Office Lighting 2' x 4' 18-cell high-efficiency parabolic fluorescent light fixtures throughout the Premises. At Tenant's option other specialty light fixtures may be incorporated in the design of the Premises, including fluorescent downlights and fluorescent wallwashers.

Switches and Receptacles Ivory single pole toggle switch with stainless steel cover plate for all lighting circuits. Ivory 120-volt duplex receptacle with stainless steel cover plate for all convenience circuits.

Communications Ring and pull string from telephone/data jack locations to the ceiling plenum. Tenant shall be responsible for all telephone and data wiring to the switch/router within the Premises and to the telephone/data service provider interface in the Main Electric Room.

**CORPORATE PLACE I
STANDARD FORM
OFFICE LEASE AGREEMENT**

EXHIBIT B-2
TIME SCHEDULE FOR CONSTRUCTION

**CORPORATE PLACE I
STANDARD FORM
OFFICE LEASE AGREEMENT**

**EXHIBIT C
RULES & REGULATIONS TO LEASE**

1. The Common Areas shall not be obstructed or encumbered by any tenant or used for any purpose other than ingress and egress to and from its premises, and no tenant shall permit any of its employees, agents, licensees or invitees to congregate or loiter in any of the Common Areas.
2. No tenant shall invite to, or permit to visit, its premises persons in such numbers or under such conditions as may interfere with the use and enjoyment by others of the Common Areas.
3. Fire exits and stairways are for emergency use only, and they shall not be used for any other purposes by any tenant, or the employees, agents, licensees or invitees of any tenant.
4. Landlord reserves the right to control and operate, and to restrict and regulate the use of, the Common Areas in such manner as it deems best for the benefit of the tenants generally, including the right to allocate certain elevators (in elevator-service buildings) for delivery service, and the right to designate which Building entrances shall be used by persons making deliveries in the Building.
5. No doormat of any kind whatsoever shall be placed or left in any public hall or outside any entry door of any premises.
6. No awnings or other projections shall be attached to the outside walls of the Building.
7. No curtains, blinds, shades or screens shall be attached to or hung in, or used in connection with, any window or door of any tenant's premises, without the consent of Landlord. Such curtains, blinds, shades or screens must be of a quality, type, design and color, and attached in the manner, approved by Landlord. In order that the Building can and will maintain a uniform appearance to those persons outside of the Building, each tenant occupying the perimeter areas of the Building shall (i) use only building standard lighting in areas where lighting is visible from the outside of the Building and (ii) use only building standard blinds in window areas which are visible from the outside of the Building. **[SEE RIDER]**
8. No sign, insignia, advertisement, lettering, notice or other object shall be exhibited, inscribed, painted or affixed by any tenant on any part of the exterior or interior of any tenant's premises or the Building or on doors, corridor walls, the Building directory or in the elevator cabs without the prior approval of Landlord as to size, color, style, content and location and tenant shall obtain all necessary approvals and permits from governmental or quasi-governmental authorities in connection with such signs. Such signs shall, at the expense of each tenant, be inscribed, painted or affixed by sign-makers approved by Landlord. In the event of the violation of the foregoing by any tenant, Landlord may remove such signs without any liability, and may charge the expense incurred in such removal and subsequent surface restoration to the tenant or tenants violating this Rule. **[SEE RIDER]**
9. No bicycles, vehicles, animals (except seeing eye dogs) fish or birds of any kind shall be brought into, or kept in or about any premises within the Building.

10. No noise, including, but not limited to, music, the playing of musical instruments, recordings, radio or television, which, in the judgment of Landlord, might disturb other tenants in the Building, shall be made or permitted by any tenant. Nothing shall be done or permitted by any tenant which would impair or interfere with the use or enjoyment by any other tenant or any other space in the Building. **[SEE RIDER]**

11. Nothing shall be done or permitted in the tenant's premises, and nothing shall be brought into, or kept in or about the premises, which would impair or interfere with any of the HVAC, plumbing, electrical, structural components of the Building or the services of the Building or the proper and economic heating, cleaning or other services of the Building or the premises, nor shall there be installed by any tenant any ventilating, air-conditioning, electrical or other equipment of any kind which, in the judgment of Landlord, might cause any such impairment or interference. No tenant, nor the employees, agents, licensees or invitees of any tenant, shall at any time bring or keep upon the premises any flammable, combustible or explosive fluid, chemical or substance. **[SEE RIDER]**

12. No additional locks or bolts of any kind shall be placed upon any of the doors or windows by any tenant, nor shall any changes be made in locks or the mechanism thereof. Duplicate keys for the premises and lavatories shall be procured only from Landlord, and Landlord may make a reasonable charge for the same. Tenant shall not permit any duplicate keys to be made. Each tenant shall, upon the expiration or sooner termination of the Lease of which these Rules and Regulations are a part, turn over to Landlord all keys to stores, offices and lavatories, either furnished to, or otherwise procured by, such tenant, and in the event of the loss of any keys furnished by Landlord, such tenant shall pay to Landlord the cost of replacement locks.

13. All removals, or the carrying in or out of any safes, freight, furniture, packages, boxes, crates or any other object or matter of any description shall take place only during such hours and in such elevators as Landlord may from time to time determine, which may involve overtime work for Landlord's employees. Tenant shall reimburse Landlord for extra costs incurred by Landlord including reserving the right to inspect all objects and matter to be brought into the Building and to exclude from the Building all objects and matter which violate any of these Rules and Regulations or the Lease of which these Rules and Regulations are a part. Landlord may require any person leaving the Building with any package or other object or matter to submit a pass, listing such package or object or matter, from the tenant from whose premises the package or object or matter is being removed, but the establishment and enforcement of such requirement shall not impose any responsibility on Landlord for the protection of any tenant against the removal of property from the premises of such tenant. Landlord shall in no way be liable to any tenant for damages or loss arising from the admission, exclusion or ejection of any person to or from the premises or the Building under the provisions of these Rules and Regulations. **[SEE RIDER]**

14. No tenant shall use or occupy, or permit any portion of its premises to be used or occupied, as an office for a public stenographer or public typist, or for the possession, storage, manufacture or sale of narcotics or similar dangerous substances or as a barber, beauty or manicure shop, telephone or telegraph agency, telephone or secretarial service, messenger service, wholesale or discount shop for sale of merchandise, retail service shop, labor union, classroom, company engaged in the business of renting office or desk space, or as a hiring or employment agency, or as a storage area for goods, wares or merchandise, except for usual storage of supplies to be used by the tenant in the conduct of its business. No tenant shall engage or pay any employee on its premises, except those actually working for such tenant on the premises, nor advertise for laborers giving an address at the Building. Except as specifically approved by Landlord in writing, no tenant shall use its premises or any part

thereof, or permit its premises or any part thereof to be used, as a restaurant, shop, booth or other stand, or for the conduct of any business or occupation which predominantly involves direct patronage of the general public, or for manufacturing, or for the sale at auction of merchandise, goods or property of any kind.

15. Landlord shall have the right to prohibit any advertising or identifying sign for or by any tenant which, in the judgment of Landlord, tends to impair the appearance or reputation of the Building or the desirability of the Building as a building for offices, and upon written notice from Landlord such tenant shall refrain from and discontinue such advertising or identifying sign. **[SEE RIDER]**

16. Each tenant, before closing and leaving its premises at any time, shall see that all lights, typewriters, copying machines and other electrical equipment are turned off. All entrance doors in its premises shall be kept securely locked by each tenant when its premises are not in use. Entrance doors shall not be left open at any time.

17. No tenant's premises shall be used for lodging or sleeping, for the preparation of foods or for any illegal purpose.

18. The requirements of tenants will be attended to only upon application at the office of the Building, if any, or otherwise at the offices of Landlord or of Landlord's managing agent of the Center. Employees of Landlord shall not perform any work or do anything outside of their regular duties, unless under special instructions from Landlord.

19. Canvassing, soliciting, peddling and panhandling in the Building are prohibited and each tenant shall cooperate to prevent the same.

20. There shall not be used in any space, or in the Common Areas of the Building, either by any tenant or by others, in the moving, delivery or receipt of safes, freight, furniture, packages, boxes, crates, paper, office material or any other matter or thing, any hand trucks except those equipped with rubber tires, side guards and such other safeguards as Landlord shall require.

21. No tenant shall cause or permit any odors of cooking or other processes, or any unusual or objectionable odors, to emanate from its premises which would annoy other tenants or create a public or private nuisance. No cooking shall be done in a tenant's premises except as is expressly permitted in the Lease of which these Rules and Regulations are a part, or otherwise consented to in writing by the Landlord. **[SEE RIDER]**

22. All paneling, door, trim or other wood products not considered furniture shall be treated with fire-retardant materials. Before installation of any such materials, certification of the materials' fire-retardant characteristics shall be submitted to and approved by Landlord, and all such materials shall be installed in a manner approved by Landlord.

23. Whenever any tenant shall submit to Landlord any plan, agreement or other document for the consent or approval of Landlord, such tenant shall pay to Landlord, on demand, a processing fee in the amount of the reasonable fees for the review thereof, including the services of any architect, engineer or attorney employed by Landlord to review such plan, agreement or document. **[SEE RIDER]**

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

25. No contract of any kind with any supplier of towels, water, ice, toilet articles, waxing, rug shampooing, venetian blind washing, furniture polishing, lamp servicing, cleaning of electrical fixtures, removal of waste papers, rubbish or garbage, or other like service shall be entered into by any tenant, nor shall any vending machine of any kind be installed in the Building or on or about the Center without the prior written consent of the Landlord. **[SEE RIDER]**

26. When electric wiring or data or telecommunications cabling of any kind is introduced, it must be connected as directed by Landlord, and no stringing or cutting of wires will be allowed, except with the prior written consent of Landlord, and shall be done only by contractors approved by Landlord. The number and locations of telephones, telecommunication instruments, electric appliances, call boxes, etc., shall be subject to Landlord's approval. No wires shall be run in any part of the Building except by or under the direction of the Landlord.

27. No tenant shall lay linoleum or other similar floor covering so that the same shall be in direct contact with the floor of the premises; and if linoleum or other similar floor covering is desired to be used, an interlining of builder's deadening felt shall be first affixed to the floor by a paste or other material, the use of cement or other similar adhesive material being expressly prohibited.

28. To the extent that janitorial services are provided by Landlord, Tenant shall not employ any person or persons other than Landlord's janitors for the purpose of cleaning its premises, without prior written consent of Landlord. Landlord shall not be responsible to any tenant for any loss of property from its premises however occurring, or for any damage done to the effects of any tenant by such janitors or any of its employees, or by any other person or any other cause. Any janitor's service furnished by Landlord does not include the beating or cleaning of carpets or rugs. **[SEE RIDER]**

29. Landlord hereby reserves to itself any and all rights not granted to tenant hereunder, including, but not limited to, the following rights which are reserved to Landlord for its purposes in operating the Building: (i) the exclusive right to use of the name of the Building for all purposes, except that a tenant may use the name as its business address and for no other purposes; (ii) the right to change the name or address of the Building, without incurring any liability to any tenant for so doing; (iii) the right to install and maintain a sign or signs on the exterior of the Building; (iv) the exclusive right to use or dispose of the use of the roof of the Building; (v) the right to limit the space on the directory of the Building to be allotted to a tenant; and (vi) the right to grant anyone the right to conduct any particular business or undertaking in the Building. **[SEE RIDER]**

30. Tenant and its employees shall park their cars only in those paved portions of the Common Areas as designated by Landlord. In no event shall Tenant, its officers, employees or agents park in the spaces designated as "No Parking Zone" or "Visitor and Handicap Parking Zone" on Exhibit A-3. Any vehicle parked in any other location on the Center or within public road rights-of-way may be towed without notice at the expense of the tenant responsible therefor.

31. Tenant shall observe, and shall cause its employees and invitees to observe, all applicable governmental ordinances regarding the use of tobacco products in and around the Building and within the Center; and Tenant shall observe, and shall cause its employees and invitees to observe, all other restrictions or limitations on the use of lighted tobacco products within the Center as may be prescribed

by Landlord from time to time. No smoking shall be permitted at any time in any area designated as a "No Smoking Zone" on Exhibit A-3.

32. Landlord shall have the right to close and securely lock the Building during generally accepted holidays and during such other times as Landlord may deem advisable for the security of the Building and its tenants; except in the case of such holidays, or an emergency, Landlord shall give Tenant twenty-four (24) hours notice before so closing and securely locking the Building, and Landlord shall make a reasonable effort to assure access to the Leased Premises by Tenant.

33. All chairs in carpeted areas shall have carpet shields or other similar devices to protect the carpeting.

34. All glass, locks and trimming, in or about the doors and windows of the premises and all electric fixtures on the premises which belong to the Building shall be kept whole, and whenever broken by tenant or such tenant's employees, agents, guests, invitees or licensees, such tenant shall immediately notify Landlord of the breakage. This breakage shall be repaired by Landlord at the tenant's expense or may be repaired by such tenant at tenant's expense at the option of the Landlord.

35. Landlord reserves the right to rescind, alter, waive or add, any rule or regulation at any time prescribed for the Building when, in the judgment of Landlord, Landlord deems it necessary or desirable for the reputation, safety, character, security, care, appearance or interests of the Building, or the preservation of good order therein, or the operation or maintenance of the Building, or the equipment thereof, or the comfort of tenants or others in the Building. No rescission, alteration, waiver or addition of any rule or regulation in respect of one tenant shall operate as a rescission, alteration or waiver in respect of any other tenant. **[SEE RIDER]**

36. Any breach by Tenant of any of the foregoing Rules and Regulations, or any other rules or regulations contained in the Lease or hereafter promulgated by Landlord pursuant to its reserved powers contained in the Lease, if not remediated by Tenant within five (5) days following written notice by Landlord, will result in the imposition of a penalty for breach in the amount of Twenty-Five Dollars (\$25.00) for each day of infraction, accounting from the date of Landlord's notice until remediation of the breach. The penalties imposed by this section shall be in addition to all other rights and remedies inuring to Landlord under the Lease in case of Tenant's breach, specifically including the right of self-help as therein set forth.

**CORPORATE PLACE I
STANDARD FORM
OFFICE LEASE AGREEMENT**

**EXHIBIT D
COMMENCEMENT DATE LETTER**

Date:

{TENANT}

Tenant Address

Re: Commencement Date Letter with respect to Lease dated as of {DATE} between CORPORATE PLACE I BUSINESS TRUST, as Landlord, and {TENANT}, as Tenant, for Premises (defined in the Lease) in CORPORATE PLACE I

Greetings:

This Commencement Date Letter is issued in accordance with Section 3 of the General Terms and Conditions to the above-referenced Lease.

Landlord certifies the Substantial Completion of all Leasehold Improvements required to be installed in the Premises, and tenders possession of the Premises to Tenant.

The Commencement Date of the Lease is {COMMENCEMENT DATE}.

The termination date of the Lease is {TERMINATION DATE}.

_____, as Managing Agent for Landlord

By:

**CORPORATE PLACE I
STANDARD FORM
OFFICE LEASE AGREEMENT**

GENERAL TERMS AND CONDITIONS TO LEASE

These are the General Terms and Conditions to Agreement of Lease and are attached to that CORPORATE PLACE I STANDARD FORM OFFICE LEASE AGREEMENT between NOTTINGHAM VILLAGE, INC., as Landlord, and the Tenant named therein.

1.	Lease of Premises.	2
2.	Quiet Possession.	2
3.	Term.	2
4.	Construction and Delivery of the Premises.	2
5.	Rent.	3
6.	Permitted Use; Compliance with Legal Requirements; Hazardous Materials.	4
7.	Transfer of Lease by Tenant.	6
8.	Abandonment of Premises or Tenant's Personal Property; Surrender of Premises.	8
9.	Repairs and Alterations.	9
10.	Common Areas.	12
11.	Operating Costs.	13
12.	Taxes.	14
13.	Services and Utilities.	15
14.	Indemnifications and Waiver of Claims.	17
15.	Insurance.	18
16.	Casualty and Condemnation.	19
17.	Signs.	20
18.	Right of Entry for Inspection, Exhibition, Repair.	21
19.	Subordination and Attornment.	21
20.	Modifications to Lease; Rights of Superior Mortgagee, Superior Lessor.	22
21.	Defaults by the Tenant.	22
22.	Miscellaneous Provisions.	26
23.	Definitions.	29

1. Lease of Premises.

Landlord agrees to lease the Premises, located in the Building within the Center, to the Tenant and Tenant agrees to rent and accept the same from the Landlord, subject to these General Terms and Conditions and the provisions of the Exhibits and any Rider and Addenda to the Lease. Upon request by Tenant made following Substantial Completion of the Leasehold Improvements and prior to the Commencement Date, the exact rentable square footage of the Premises will be determined by the measurement of the Premises by the space planner and/or architect responsible for the preparation of the Final Plans and Specifications. Such measurement shall be in accordance with the standards and definitions established by the BOMA Method, American National Standard ANSI/BOMA Z65.1-1996, as amended, and shall be binding upon the parties. If such measurement discloses that the Rentable Area of the Premises is other than as specified in Lease Section 1 then the Rent and Tenant's Proportionate Share shall be adjusted accordingly. **[SEE RIDER]**

2. Quiet Possession.

Following the Commencement Date Tenant shall peaceably and quietly have, hold and enjoy the Premises without hindrance, ejection or molestation by Landlord or any person lawfully claiming through or under Landlord. This covenant is subject to the provisions of this Lease and to any Superior Lessor and any Superior Mortgage and shall apply if and so long as Tenant pays all Rent due hereunder, performs and observes the other terms and covenants to be performed and kept by it as provided in this Lease, and complies with Legal Requirements. This covenant shall be construed as a covenant running with the land, and is not a personal covenant of Landlord, except to the extent of Landlord's interest in this Lease and only so long as such interest shall continue, and thereafter this covenant shall be binding only upon subsequent successors in interest of Landlord's interest in this Lease, to the extent of their respective interests, as and when they shall acquire the same, and so long as they shall retain such interest. **[SEE RIDER]**

3. Term.

The Term of this Lease shall commence upon the Commencement Date and shall end on the last day of the last calendar month of the Term (unless sooner terminated pursuant to the provisions of this Lease). The Commencement Date shall be conclusively confirmed by Landlord to Tenant in writing by delivery of a Commencement Date Letter in the form of **Exhibit D**. Beginning with the complete execution of this Lease, but prior to the Commencement Date, Tenant shall be subject to all of the terms and provisions of this Lease excepting only those requiring the payment of Rent and respecting possession, occupancy, care and maintenance of the Premises. If Tenant is afforded possession, use or occupancy of the Premises prior to the Commencement Date then Tenant shall be subject to all of the terms and provisions of this Lease excepting only those requiring the payment of Rent. **[SEE RIDER]**

4. Construction and Delivery of the Premises.

4.1. Completion of Leasehold Improvements; Delivery. Prior to the Commencement Date Landlord shall complete Leasehold Improvements to the extent provided in **Exhibit B**. Otherwise, the Premises are leased to Tenant in "As-Is" condition and without any obligation of Landlord to construct improvements or perform any other work in the Premises. **[SEE RIDER]**

4.2. Acceptance of Premises.By its acceptance of keys to the Premises, or by opening for business or otherwise occupying the Premises, Tenant shall be deemed to have accepted the Premises, to have acknowledged that they are in the condition called for hereunder and to have agreed that the obligations of Landlord imposed for the delivery of the Premises have been fully performed, subject to the completion of so-called "punch-list" items agreed to in writing by the parties as of the Commencement Date. **[SEE RIDER]**

5. Rent.

Tenant covenants and agrees to pay to Landlord during the Term, as Rent for the Premises, the aggregate of all Basic Rent and Additional Rent due hereunder, as provided in this Section.

5.1. Basic Rent.The Basic Rent shall be payable in equal Monthly Installments of Basic Rent in advance on the first day of each full calendar month during the Term, without any deduction or setoff whatsoever, and without demand. Tenant shall pay the Advance Rent to Landlord concurrently with the signing of this Lease. The first monthly payment due following the Commencement Date shall include any prorated Basic Rent for the period from the Commencement Date to the first day of the first full calendar month. **[SEE RIDER]**

5.2. Basic Rent Adjustment10.2.**Basic Rent Adjustment".**Commencing with the second Lease Year and continuing each Lease Year thereafter for the remainder of the Term, the Basic Rent shall be increased by an amount equal to the product of the Basic Rent Adjustment multiplied by the Basic Rent paid by Tenant during the Lease Year preceding each annual increase. The Basic Rent Adjustment shall apply during the original Term and any extended or renewal term of this Lease unless otherwise expressly provided in any Attachment, or amendment to this Lease.

5.3. Additional Rent.Tenant shall pay all elements of Additional Rent due under this Lease at the times and in the manner prescribed below.

5.4. Late Charge For Failure to Pay Rent and Additional Rent.All sums payable as Basic Rent or Additional Rent shall be paid by Tenant to Landlord's Rental Payment Address, or at such other address as Landlord may from time to time designate by Notice given to Tenant care of Tenant's Notice Address. If any check tendered by Tenant in payment of Rent is dishonored upon presentment for payment, then Landlord, in addition to all other rights and remedies contained in this Lease, may assess a dishonor charge of Fifty Dollars (\$50.00); and Landlord shall thereafter have the right to insist that all of Tenant's further payments be made by certified check. If Tenant fails to pay any Basic Rent or any Additional Rent within ten (10) days of the time it is due and payable (including deemed failure to pay due to dishonor of Tenant's check upon presentation for payment), then Landlord, in addition to all other rights and remedies contained in this Lease, may assess a late charge against Tenant in the amount of Five Hundred Dollars (\$500.00). Additionally, if Tenant fails to pay any Basic Rent or any Additional Rent when due and payable, then such unpaid amounts shall bear interest from the due date thereof to the date of payment at the Reimbursement Rate together with Landlord's Fees and Costs incurred in collecting any delinquent Rent due hereunder. **[SEE RIDER]**

5.5. All Charges Constitute Rent.Every amount payable by Tenant to or on behalf of Landlord under this Lease, whether or not expressly denominated as Basic Rent or Additional Rent, and including all Fees and Costs, shall constitute and shall be referred to as "Rent" for the purposes of this Lease as well as Section 502(b)(6) of the Bankruptcy Code, 11 U.S.C. § 502(b)(6).

5.6. Adjustment of Proportionate Share. If Landlord elects to alter the Rentable Area of the Center (as, for example, by constructing one or more additional buildings within the Center, or reconfiguring Common Areas into Rentable Area, or reconfiguring Rentable Area into Common Area, or removing all or part of any building from the Center), then Landlord shall adjust Tenant's Proportionate Share. Appropriate proration shall be made for any partial period of a Lease Year resulting from such adjustment. [SEE RIDER]

5.7. Deposit. The Deposit shall be held by Landlord as security for the performance of Tenant's obligations under this Lease. It may not be considered a measure of liquidated damages. Landlord may apply all or any part of the Deposit in total or partial satisfaction of any default by Tenant. The application of all or any part of the Deposit to any obligation or default of Tenant under this Lease shall not deprive Landlord of any other rights or remedies Landlord may have, nor shall such application by Landlord constitute a waiver by Landlord. If all or any part of the Deposit is applied to an obligation of Tenant under this Agreement then Landlord shall have the right to call upon Tenant to restore the Deposit to its original amount in cash by giving notice to Tenant, in which case Tenant shall immediately restore the Deposit. The Deposit shall be held by Landlord without liability for interest; Landlord shall be entitled to the full use of the Deposit and shall not be required to keep it in a segregated account or escrow. If Landlord conveys its interest under this Lease, the Deposit, to the extent not previously applied to the cure of a Tenant Default, will be turned over by Landlord to Landlord's grantee or transferee, and upon any such delivery of the Deposit the Landlord herein named shall be released of any and all liability with respect to the Deposit, its application and return, and Tenant agrees to look solely to such grantee or transferee. This provision shall also apply to subsequent grantees and transferees. Landlord will return the balance of the Deposit not previously applied as provided herein, within thirty (30) days after expiration of the Term. [SEE RIDER]

6. Permitted Use; Compliance with Legal Requirements; Hazardous Materials.

6.1. Permitted Use. The Premises shall be used and occupied for the Permitted Use, and otherwise consistent with the use and occupancy of leasehold space in a first-class office building, and for no other use or purpose. Tenant shall not commit or suffer to be committed any waste upon the Premises or any nuisance or other act or thing which may disturb the quiet enjoyment of any other tenant in the Building, or in the Center, or which may disturb the quiet enjoyment of any person outside the Building or in the Center in contravention of such person's legal rights, or which will subject Landlord to any liability for injury to persons or damages to property. Furthermore, except as specifically and expressly described within the definition of the Permitted Use, no use of the Premises shall be made or be permitted to be made that shall result in any use of the Premises deemed by Landlord to be improper, unlawful or objectionable, specifically including the sale, storage or preparation of food, alcoholic beverages or materials generating an odor on the Premises, or any other use generating noises or vibrations that may disturb the Landlord or other tenants of the Center. Tenant will not do or suffer to be done, or keep or suffer to be kept, anything in, upon or about the Premises which will violate Landlord's policies of hazard or liability insurance or which will prevent Landlord from procuring such policies in companies acceptable to Landlord, or which will cause the rate of fire or other insurance on the Premises or on other property of Landlord or others within the Property to be increased beyond the rates otherwise in effect.

6.2. Acceptability of the Premises for Permitted Use. By its entry into this Lease, Tenant acknowledges to Landlord that Tenant has satisfied itself that the Premises can be used by Tenant for the Permitted Use in accordance with Legal Requirements and that the Premises will be acceptable to Tenant for the Permitted Use pursuant to this Lease. Tenant agrees that Landlord has made no express or implied warranty, representation or covenant to or with Tenant with respect to these matters. Landlord makes no representation that any license, permit or approval of any Appropriate Authority will be granted for Tenant's use at the Premises, or, if granted, will be continued in effect or renewed, and any failure to obtain such license or licenses, permit or permits, or any revocation thereof or failure to renew the same, shall not release the Tenant from its obligations under this Lease Agreement.

6.3. Compliance with Rules, Ordinances, Etc. Tenant shall, throughout the Term, at Tenant's sole cost and expense, promptly comply with the provisions of the Rules and Regulations and all Legal Requirements. **[SEE RIDER]**

6.4. Hazardous Material. [SEE RIDER]

6.4.1 Tenant's Agreements. Tenant warrants and agrees that Tenant shall not cause or permit any Hazardous Material to be brought upon, kept or used in or about the Premises by Tenant, its agents, employees, contractors or invitees, without the prior written consent of Landlord (which Landlord shall not unreasonably withhold as long as Tenant demonstrates to Landlord's reasonable satisfaction that such Hazardous Material is necessary or useful to Tenant's business and will be used, kept and stored in a manner that complies with all Environmental Laws regulating any such Hazardous Material so brought upon or used or kept in or about the Premises). If Tenant breaches the obligations stated in the preceding sentence then Tenant shall indemnify, defend and hold Landlord harmless from any and all claims, judgments, damages, penalties, fines, costs, liabilities or losses which arise during or after the Term as a result of such contamination. This indemnification of Landlord by Tenant includes, without limitation, costs incurred in connection with any investigation of site conditions or any cleanup, remedial, removal or restoration work required by any Appropriate Authority because of Hazardous Material present in the soil or ground water on or under the Premises or the Center generally. Without limiting the foregoing, if the presence of any Hazardous Material on the Premises caused or permitted by Tenant results in any contamination of the Premises or the Center generally, Tenant shall promptly take all actions at its sole expense as are necessary to return the Premises to the condition existing prior to the introduction of any such Hazardous Material to the Premises; provided that Landlord's approval of such actions shall first be obtained, which approval shall not be unreasonably withheld so long as such actions would not potentially have any material adverse long-term or short-term effect on the Premises or the Center generally. It shall not be unreasonable for Landlord to withhold its consent to any proposed Transfer otherwise permitted pursuant to Section 7 of the Lease if (i) the proposed Transferee's anticipated use of the Premises involves the generation, storage, use, treatment or disposal of Hazardous Material; (ii) the proposed Transferee has been required by any prior landlord, lender or governmental authority to take remedial action in connection with Hazardous Material contaminating a property if the contamination resulted from such Transferee's actions or use of the property in question; or (iii) the proposed Transferee is subject to an enforcement order issued by any Appropriate Authority in connection with the use, disposal or storage of a Hazardous Material. **[SEE RIDER]**

6.4.2 Annual Disclosure. At the commencement of this Lease and thereafter, on request by Landlord, Tenant shall disclose to Landlord the names and amounts of all Hazardous Materials, or any combination thereof, which were stored, used, or disposed of on the Premises, or which Tenant intends to store, use, or dispose of on the Premises.

7. Transfer of Lease by Tenant.

7.1. Transfer. No Transfer shall be permitted of this Lease without the prior written consent of Landlord in each instance first obtained. Any consent given to any one Transfer shall not constitute a consent to any subsequent Transfer. Any attempted Transfer without Landlord's consent shall be null and void and shall not confer any rights upon any purported Transferee. No Transfer, regardless of whether Landlord's consent has been granted or withheld, shall be deemed to release Tenant from any of its obligations hereunder or to alter, impair or release the obligations of any person guaranteeing the obligations of Tenant hereunder. Landlord agrees that its consent to a Transfer will not be unreasonably withheld, conditioned or delayed. Landlord will give Tenant prompt Notice of any denial of a request for Transfer approval, stating the reason or reasons for such denial. **[SEE RIDER]**

7.2. Transfer Approval Conditions. The parties agree that Landlord may reasonably withhold its consent to a proposed Transfer unless all of the following conditions are satisfied. The following list of conditions is non-exclusive.

7.2.1 Tenant shall submit to Landlord (i) in writing, the name and address of the proposed Transferee, a reasonably detailed statement of the proposed Transferee's business, and reasonably detailed information as to the character, reputation and business experience of the proposed Transferee, as well as reasonably detailed financial references and information concerning the financial condition of the proposed Transferee (including, at Tenant's expense, a current Dun & Bradstreet, TRW, Equifax or other similar report and a financial statement certified as being true and correct by the chief financial executive of the proposed Transferee); (ii) a fully executed copy of the proposed Transfer document, in Landlord's standard form or in form and content reasonably acceptable to Landlord, the effective date of which shall be at least thirty (30) days after the date on which Tenant shall have furnished Landlord with all of the information required pursuant to (i) above and which shall be conditioned on Landlord's consent thereto; and (iii) an agreement in form and substance satisfactory to Landlord by Tenant to indemnify Landlord against liability resulting from any claim made against Landlord by the proposed Transferee or by any broker claiming a commission in connection with the proposed Transfer. Tenant's written request for consent to Transfer will be accompanied by a nonrefundable Transfer Review Fee of \$1,000.00, which is imposed in order to reimburse Landlord for all of its internal costs and expenses incurred with respect to Landlord's review of the request for the Transfer (and not intended as consideration for the consent to Transfer, it being understood that such payment won't obligate the Landlord to consent to any requested Transfer).

7.2.2 No Default on Tenant's part can exist at the time of the consent request and at the effective Transfer date;

7.2.3 Any Transfer will be upon and subject to all terms and conditions of this Lease, including those regarding the Permitted Use of the Premises;

7.2.4 Any assignment must specifically state (and, if it does not, it will be deemed to specifically state) that the assignee assumes and agrees to be bound by all terms and conditions of this Lease, and any sublease must specifically state (and, if it does not, it will be deemed to specifically state) that at Landlord's election the subtenant will attorn to Landlord and recognize Landlord as Tenant's successor under the sublease for the balance of the sublease term if this Lease is surrendered by Tenant or terminated by reason of Tenant's default;

7.2.5 Tenant will promptly reimburse Landlord for all Fees and Costs actually and reasonably incurred by Landlord in connection with the review and approval of the proposed Transfer and any Transfer instrument. [SEE RIDER]

7.2.6 No Transfer will be to a then-existing tenant or occupant of the Center. [SEE RIDER]

7.2.7 Upon request the assignee (in the case of a proposed assignment) or Tenant (in the case of a proposed subletting) will increase the original Deposit to such amount as Landlord may reasonably require (or if no Deposit was initially made then such party will post with Landlord such Deposit as Landlord may reasonably require); [SEE RIDER]

7.2.8 The Transfer must first be approved in writing by any Superior Mortgagee of Landlord having the right to approve it. [SEE RIDER]

7.2.9 The Transferee (i) is not a Federal, State or local governmental entity, or agency or instrumentality thereof; (ii) will not perform governmental or quasi-governmental functions or dispense medical, relief or social welfare services; and (iii) will not operate an employment service, a messenger or an answering service, or any business that in Landlord's opinion is unsuitable for the then tenant mix and character of the Center.

7.2.10 The Transfer will not result in the subletting, or subletting and assignment, of the Premises for occupancy by more than two (2) sublessees or assignees. [SEE RIDER]

7.3. Corporate, Partnership Transfers.

7.3.1 If Tenant is a corporation and if at any time during the Term of this Lease any part or all of the corporate shares of Tenant, or of a parent corporation of which the Tenant is a direct or indirect subsidiary, shall be transferred by sale, assignment, bequest, inheritance, operation of law, or other disposition so as to result in a change in the present effective voting control of Tenant or of such parent corporation by the person or persons owning or controlling a majority of the shares of Tenant or of such parent corporation on the date of this Lease then Tenant shall promptly notify Landlord in writing of such change, and such change in voting control shall constitute a Transfer of this Lease for all purposes of this Section; provided, however, that this provision shall not apply if, as of the Commencement Date, over fifty percent (50%) of the voting power of the Tenant corporation or of such parent corporation is held by fifty (50) or more unrelated shareholders or distributed to such number of unrelated shareholders in a public distribution of securities. [SEE RIDER]

7.3.2 Tenant may Transfer this Lease, at any time during the Term of this Lease, to any parent, subsidiary or affiliate corporation of Tenant or to the surviving corporation in connection with a merger, consolidation or acquisition between Tenant and any of its subsidiaries or any other corporation, or in connection with the sale of all or substantially all of the property and assets of the Tenant, upon prior Notice to Landlord but without Landlord's prior written consent, provided, in the case of any assignment, (i) the net worth of the assignee corporation shall be reasonably satisfactory to Landlord; (ii) such assignee continues to operate the business conducted in the Premises for the Permitted Use and in the same manner as Tenant and pursuant to all of the provisions of this Lease; (iii) such assignee corporation shall assume in writing in a form reasonably satisfactory to Landlord all of Tenant's obligations hereunder; (iv) Landlord shall be furnished with a copy of such assignment within ten (10) days prior to the effective date of the proposed assignment or other transfer thereof; and (v) Tenant to which the

Premises were initially leased shall continue to remain liable on this Lease for the performance of all terms including, but not limited to, payment of all rentals and other sums due under this Lease. **[SEE RIDER]**

7.3.3 If Tenant is a partnership, limited liability company or other legal entity and if at any time during the Term of this Lease any person or entity, which at the Commencement Date, owns a general partner's, manager's or controlling member's interest, ceases to own such general partner's, manager's or controlling member's interest, then such cessation of ownership shall constitute a Transfer of this Lease for all purposes of this Section, and Tenant shall promptly notify Landlord in writing of such change.

7.4. Request For Transfer. Tenant's notice and request for Landlord's consent to Transfer shall also be deemed to constitute Tenant's offer to reconvey to Landlord, as of the proposed effective date of the Transfer, that portion of the Premises which is the subject of the proposed Transfer, which offer shall contain an undertaking by Tenant to accept, as full and adequate consideration for the reconveyance, Landlord's release of Tenant from all future Rent and other obligations under this Lease with respect to the Premises or the portion thereof so reconveyed. Landlord, in the sole and unfettered exercise of its discretion, shall accept or reject the offered reconveyance within thirty (30) days of the offer, and, if Landlord accepts, the reconveyance shall be evidenced by an agreement in form and substance acceptable to Landlord. If Landlord fails to accept or reject the offer within the thirty (30) day period then Landlord shall be deemed to have rejected the offer of reconveyance, but no such rejection shall be deemed to be a consent to the requested Transfer. This provision shall not apply in the case of a proposed Transfer covered by Section 7.3.2. **[SEE RIDER]**

7.5. Excess Rent. In the case of any Transfer made without Landlord's prior written consent Landlord may nevertheless collect Rent from the Transferee and apply the net amount collected to the Rent herein reserved. The acceptance by Landlord of the payment of Rent following any Transfer not expressly consented to by Landlord pursuant to this Section shall not be deemed to be a consent by Landlord to such Transfer nor shall the same be deemed to be a waiver of any right or remedy of Landlord hereunder, nor constitute a release of Tenant or any guarantor of Tenant's obligations from the further performance by Tenant and such guarantor of the terms and provisions of this Lease and any such guaranty. Furthermore, under any and all circumstances, in the case of any Transfer, Tenant shall pay to Landlord monthly, as Additional Rent, the 50% of the excess of the consideration received or to be received during such month for such Transfer (whether or not denominated as rent) over the Rent reserved for such month in this Lease applicable to such portion of the Premises so Transferred. **[SEE RIDER]**

8. Abandonment of Premises or Tenant's Personal Property; Surrender of Premises.

8.1. Abandonment. Tenant shall not vacate or abandon the Premises at any time during the Term of this Lease. If Tenant does vacate or abandon the Premises or is dispossessed by process of law then any of Tenant's Personal Property left on the Premises may, at the option of the Landlord, be deemed to have been abandoned by Tenant, in which case the provisions of Subsection 8.4 shall apply. **[SEE RIDER]**

8.2. Surrender. Unless sooner terminated, this Lease shall expire absolutely upon the expiration of the Term without the necessity of any notice or other action from or by either party. At the expiration or earlier termination of the Term of this Lease, Tenant shall peaceably surrender the Premises in broom clean condition and good order and repair and otherwise in the same condition as the Premises

were upon the Commencement Date, except (i) ordinary wear and tear, (ii) to the extent that the Premises is not required to be repaired or maintained by Tenant and (iii) damage by Casualty. Tenant shall surrender to Landlord all keys for the Premises to Landlord's Notice Address and shall notify Landlord in writing of all combinations or codes for any other locks, vaults or alarm systems, if any, installed in the Premises. Landlord shall inspect the Premises to determine whether they are returned in the condition called for under this Section. Tenant shall be afforded a reasonable opportunity to be present at such inspection. Tenant's obligations to observe and perform the covenants set forth in this Subsection shall survive the expiration or earlier termination of this Lease. **[SEE RIDER]**

8.3. Removal of Cabling, Alterations. Unless Landlord otherwise specifically agrees in writing at or prior to installation, all data and communications cabling and equipment installed in Premises or otherwise in the Building, and which was installed (either as Leasehold Improvements or Alterations) specifically to serve the Tenant in its use of the Premises, shall be removed by Tenant upon the termination of the Lease, at Tenant's sole cost and expense. Tenant shall repair any damage to the Premises or the Building caused by the removal of such cabling and equipment and shall restore the Premises and Building to substantially the same condition as existed prior to the installation of such cabling and equipment. If Landlord intends to elect to require that any other Alterations proposed to be made by Tenant to the Premises be removed at the termination of this Lease, then Landlord shall so indicate to Tenant at the time Landlord gives its consent to the construction or installation of such Alterations; otherwise, such Alterations shall be permitted to remain in the Premises and not be removed as of the termination of this Lease. If Landlord elects to require that other Alterations made by Tenant to the Premises be removed at the termination of this Lease, then Tenant hereby agrees to cause the same to be removed at its sole cost and expense. If Tenant fails to remove any of the same, then Landlord may cause them to be removed at Tenant's expense, and Tenant hereby agrees to reimburse Landlord for all Fees and Costs which Landlord incurs due to Tenant's failure to remove the same. Alternatively, Landlord may elect that all or any of the cabling and equipment or other Alterations shall remain at the termination of this Lease and not be removed. **[SEE RIDER]**

8.4. Removal of Tenant's Personal Property, Trade Fixtures. At the expiration or earlier termination of the Term of this Lease, Tenant shall immediately remove all of Tenant's Personal Property from the Premises and, failing to do so, Landlord at its option may either: (i) cause Tenant's Personal Property to be removed at Tenant's risk and expense (both as to loss and damage) in which case Tenant hereby agrees to pay all Fees and Costs incurred by Landlord, including sums paid to store the property elsewhere, together with the costs of any repairs to the Premises caused by the removal of Tenant's Personal Property; and (ii) upon five (5) days Notice to Tenant, which the parties agree is commercially reasonable, sell at public or private sale any or all of such Tenant's Personal Property, whether exempt or not from sale under execution or attachment (such property being deemed charged with a lien in favor of Landlord for all sums due hereunder), or (iii) at Landlord's option, title shall pass to Landlord. **[SEE RIDER]**

9. Repairs and Alterations.

9.1. Repairs to be made by Landlord. Landlord shall keep the Center and the Building, and all machinery, equipment, fixtures and systems of every kind attached to, or used in connection with the operation of, the Building, including all electrical, heating, mechanical, sanitary, sprinkler, utility, power, plumbing, cleaning, refrigeration, ventilating, air-conditioning and elevator systems and equipment (excluding, however, lines, improvements, systems and machinery for water, gas, steam, electricity and data and communications services owned and maintained by any public utility company,

governmental agency or body or other public or private service provider) in good order and repair consistent with the operation of the Center and the Building as a first-class office building. Landlord, at its cost and expense, shall make all repairs and replacements necessary to comply with its obligations set forth in the immediately preceding sentence, except as otherwise provided in Subsections 9.2, 9.3, 9.5 and 14.5. There shall be no abatement in Rent due and payable hereunder and no liability on the part of Landlord by reason of any inconvenience, annoyance or injury arising from Landlord's making reasonable repairs, additions or improvements to the Building in accordance with its obligations hereunder. Landlord shall have no obligation hereunder to make repairs to Tenant's Alterations or to Tenant's Personal Property. **[SEE RIDER]**

9.2. Repairs to be made by Tenant. All repairs to the Premises, or to any Alterations, installations, equipment or facilities located therein, other than those repairs required to be made by Landlord pursuant to Subsections 9.1 or 16.1, including Alterations required by Legal Requirements (but subject to the provisions of Subsection 9.5) shall be made by Tenant at its expense and in a professional manner.

9.3. Damage to Premises, Building, Center. Except as, and to the extent, otherwise provided in Subsection 14.5, Tenant will be liable for the cost and expense of the repair of any damage to the Premises, however caused, and regardless of fault (unless caused or created by Landlord, its agents, employees or contractors); Landlord shall make such repairs at the cost of Tenant, which Tenant shall pay promptly upon receipt of an invoice, as Additional Rent. Tenant shall also reimburse Landlord, upon demand (as Additional Rent), for the cost of the repair of any damage to or dangerous condition caused or created elsewhere in the Center, if caused or created by Tenant, its employees, agents or contractors. If Tenant fails to commence such repair or remediation within five (5) days after Landlord's notice to do so, or if Landlord elects to undertake such repair or remediation for the account of Tenant, then Tenant agrees to pay to Landlord promptly upon Landlord's demand, as Additional Rent. Tenant's obligations for Additional Rent hereunder shall accrue interest thereon at the Reimbursement Rate until paid; and its payment and performance obligations hereunder shall survive the termination of this Lease. Tenant's obligations under this Section do not apply in the case of remediation following a Casualty. **[SEE RIDER]**

9.4. Alterations by Tenant.

9.4.1 Tenant may make Alterations to the Premises consisting solely of decorations, painting, plastering or carpeting, without Landlord's written consent, but Tenant shall be required to give Landlord at least ten (10) days prior Notice thereof. Tenant shall be required to obtain the prior written approval of Landlord for any other Alterations. Landlord will not unreasonably withhold, condition or delay its consent to Tenant's request if all of the following conditions are satisfied: (i) the proposed Alterations are to be located wholly within the Premises and are not visible from the exterior of the Premises or the Building; (ii) the proposed Alterations will not decrease the value of the Building or Center; (iii) the proposed Alterations will not affect the structural integrity of the Building; (iv) the proposed Alterations do not require modification to, or affect the operation of any part of, the HVAC, plumbing, electricity, fire suppression or water and sewer systems service of the Building or Center. In all other cases, Tenant shall be required to obtain the prior written approval of Landlord before making Alterations, which approval may be withheld in Landlord's sole discretion.

9.4.2 If Landlord's consent is required for the making of an Alteration then Tenant's request for consent will be accompanied by reasonably complete plans and specifications for the proposed Alterations. If such approval is granted, Tenant shall cause the Alterations described in such plans and

specifications to be performed, at its expense, promptly, efficiently, competently and in a good and workmanlike manner by duly qualified and licensed persons or entities, without interference with or disruption to the operations of tenants or other occupants of the Building or the Center. Alterations shall only be made after Tenant has obtained any necessary permits from governmental authorities for the Alterations. Tenant shall notify Landlord of the date on which work on Alterations is scheduled to begin and shall arrange for periodic inspections by Landlord of the job progress to insure compliance with the approved plans and specifications. All such work shall comply with all Legal Requirements and shall be performed by contractors who are approved by Landlord and who carry the insurance coverage required in Section 15. Landlord shall have the right to require Tenant, or Tenant's contractor, to furnish bond in an amount equal to the estimated cost of construction, as well as further assurances against mechanics' liens including, but not limited to, lien waivers and releases from all contractors, subcontractors, and suppliers. **[SEE RIDER]**

9.4.3 Landlord may elect that any Alterations be performed by Landlord or by contractors engaged by and under the direction of Landlord, in which case such Alterations shall nevertheless be made at Tenant's sole cost, payable by Tenant as Additional Rent; and such cost shall include a supervisory fee of fifteen percent (15%) of the total cost of the work. If Tenant makes any Alterations without Landlord's prior consent then, in addition to Landlord's other remedies, Landlord may correct or remove such Alterations and Tenant shall, on demand, pay the cost thereof (plus fifteen percent (15%) of such cost as a supervisory fee) as Additional Rent. If any mechanic's lien is filed against the Premises or the Building or the Center for work or materials furnished to Tenant (other than by Landlord) the lien shall be discharged by Tenant within ten (10) days thereafter, solely at Tenant's expense, by either paying off or bonding the lien. Should Tenant fail to discharge any lien within ten (10) days of its filing, then, in addition to Landlord's other remedies, Landlord shall have the right, but not the obligation, to discharge said lien at Tenant's expense, in which case Tenant shall reimburse Landlord for the same upon demand, as Additional Rental, together with interest accounting from the date of demand until payment is made. **[SEE RIDER]**

9.5. Alterations to Comply with Legal Requirements.

9.5.1 If any Alterations are required to be made to the Premises, the Building or the Center due to Legal Requirements because the same were in actual violation of any Legal Requirements on the Commencement Date, or if, as a result of Landlord undertaking any Alterations elsewhere in the Center, Alterations are required to be made to the Premises, the Building or the Center due to Legal Requirements, then Landlord shall make such Alterations at its sole cost and expense (and such expenses shall not be included within Operating Costs or charged as Additional Rent to Tenant); and Landlord shall take all reasonable steps to minimize disruption to Tenant while making such Alterations.

9.5.2 Subject to Landlord's obligations set forth in the previous Subsection and in the following Subsection, if any Alterations are required to be made to the Premises, the Building or the Center due to a change in, or change in the interpretation of, or more stringent enforcement of, Legal Requirements occurring on or after the Commencement Date (and not in connection with Alterations elsewhere in the Center undertaken by Landlord), then Landlord shall make such Alterations as aforesaid, provided that the cost of such Alterations shall be amortized over their useful life and a ratable portion of such cost shall be included within the definition of Operating Costs in each Lease Year until such cost is fully amortized. **[SEE RIDER]**

9.5.3 If (i) any Alterations are required to be made to the Premises or to all or any part of the Center other than the Premises due to Legal Requirements and as a consequence of any Alterations

made by Tenant within the Premises, or (ii) any Alterations are required to be made to all or any part of the Center, including the Premises, at any time during the Term pursuant to any Legal Requirements relating to accessibility by persons with disabilities or otherwise pursuant to the ADA (collectively, the "Accessibility Alterations"), because the Premises, as used by Tenant, is deemed to be a "place of public accommodation" under the ADA, then all such required Alterations shall be made by Tenant at its sole cost and expense unless Landlord otherwise agrees; and, if Landlord elects to make such Alterations, then such Alterations shall be at Tenant's sole cost and expense, and payable by Tenant as Additional Rent; and such cost shall include a supervisory fee of fifteen percent (15%) of the total cost of the work. **[SEE RIDER]**

9.5.4 Within ten (10) days after receipt, Tenant shall advise Landlord in writing, and provide Landlord with a copy of (as applicable), any notices alleging violation of Legal Requirements relating to any portion of the Center or of the Premises; any claims made or threatened in writing regarding noncompliance with Legal Requirements and relating to any portion of the Center or of the Premises; or any governmental or regulatory actions or investigations instituted or threatened regarding noncompliance with the ADA and relating to any portion of the Center or the Premises.

10. Common Areas.

10.1. Use of Common Areas. Landlord grants to Tenant and its agents, employees and invitees, a non-exclusive license to use the Common Areas in the Center in common with others during the Term, subject to the exclusive control and management thereof at all times by Landlord or others and subject, further, to the rights of Landlord set forth elsewhere in this Section. **[SEE RIDER]**

10.2. Management and Operation of Common Areas. The Common Areas will be operated and maintained in a manner deemed by Landlord to be reasonable and appropriate and in the best interests of the Center generally. Landlord will have the right (i) to establish, modify and enforce rules and regulations with respect to the Common Areas; (ii) to enter into, modify and terminate easements and other agreements pertaining to the use and maintenance of the Common Areas; (iii) to implement a parking management plan; (iv) to close all or any portion of the Common Areas to such extent as may, in the opinion of Landlord, be necessary to prevent a dedication thereof or the accrual of any rights to any person or to the public therein; (v) to close temporarily any or all portions of the Common Areas; and (vi) to do and perform such other acts in and to said areas and improvements as, in the exercise of good business judgment, Landlord shall determine to be advisable. **[SEE RIDER]**

10.3. Changes and Additions to the Center. Landlord reserves the right at any time and from time to time to (i) make or permit changes or revisions in the plan for the Center, including additions to, subtractions from, rearrangements of, alterations, modifications of, or supplements to, the building areas, walkways, driveways, parking areas, or other Common Areas; (ii) construct other buildings or improvements on the Center (including any portion of the Common Areas) and make alterations thereof or additions thereto and build additional stories on or in any such building(s) and build extensions adjoining same; and (iii) make or permit changes or revisions to the Center, including additions thereto, and to convey portions of the Center (including any portion of the Common Areas) to others for the purpose of constructing thereon other buildings or improvements, including additions thereto and alterations thereof; provided however that Landlord shall not unreasonably impair or impede access to the Premises by Tenant, its employees and invitees. Any diminution or shutting off of light, air or view by any structure which may be erected on lands adjacent to or near the Building shall in no way affect this Lease or impose any liability on Landlord. **[SEE RIDER]**

10.4. Roof and Walls; Excavations. Landlord shall have the exclusive right to use all or any part of the roof of the Premises for any purpose; to erect additional stories or other structures over all or any part of the Premises; to erect in connection with the construction thereof temporary scaffolds and other aids to construction on the exterior of the Premises, provided that access to the Premises shall not be denied or materially impeded; and to install, maintain, use, repair and replace within the Premises pipes, ducts, conduits, wires and all other mechanical equipment serving other parts of the Building, the same to be in locations within the Premises as will not unreasonably deny or adversely affect Tenant's use thereof. Landlord may make any use it desires of the side or rear walls of the Premises, provided that such use shall not encroach upon the interior of the Premises. If an excavation shall be made upon land adjacent to the Premises, or shall be authorized to be made, Tenant shall afford to the person causing or authorized to cause such excavation, license to enter the Premises for the purpose of doing such work as Landlord shall deem necessary to preserve the wall or the Landlord's Building of which the Premises form a part from injury or damage and to support the same by proper foundations, without any claim for damages or indemnification against Landlord, for diminution or abatement of rent. **[SEE RIDER]**

11. Operating Costs.

11.1. Tenant's Proportionate Share of Increased Operating Costs. If Operating Costs during any whole or partial Operating Year exceed the Base Operating Costs then Tenant shall pay to Landlord, as Additional Rent, Tenant's Proportionate Share of increased Operating Costs. Such Proportionate Share shall be paid by Tenant in monthly installments in such amounts as are estimated and billed by Landlord at the beginning of each Operating Year. Each installment payment in respect of Operating Costs shall be due on the first day of each calendar month or otherwise as indicated by Landlord's statement. At any time during an Operating Year Landlord may re-estimate Tenant's Proportionate Share of Operating Costs and adjust Tenant's monthly installments payable during such Operating Year to reflect more accurately Tenant's Proportionate Share of Operating Costs. **[SEE RIDER]**

11.2. Expense Statement; Accounting. Promptly following the close of each Operating Year Landlord shall deliver to Tenant a statement of Operating Costs (the "Expense Statement") for such Operating Year and the monthly installments paid or payable shall be adjusted between Landlord and Tenant, and Tenant shall pay Landlord or Landlord shall credit Tenant's account (or, if such adjustment is at the end of the Term, Landlord shall pay Tenant), as the case may be, within fifteen (15) days of receipt of such statement, the amount of any excess or deficiency in Tenant's Proportionate Share of Operating Costs paid by Tenant to Landlord during such Operating Year. **[SEE RIDER]**

11.3. Tenant Right to Audit. Following receipt of an Expense Statement Tenant shall have the right to conduct a reasonable review of Landlord's records relating to Operating Costs for the Operating Year just ended, and to which the Expense Statement relates, provided that Tenant strictly complies with the provisions of this Subsection. No review shall be permitted at any time in which a Default exists under this Lease (including a Default arising by virtue of Tenant's failure to pay any sum deemed Additional Rent, regardless of dispute as to the propriety Landlord's claim for payment). If a Default occurs at any time during the pendency of a review of records then the review right shall immediately cease, and the matters set forth in the Expense Statement under review shall be conclusively deemed correct. No subtenant shall have the right to conduct any such review; and no assignee of Tenant shall have the right to conduct any review with respect to a period antedating the assignment. Tenant shall exercise its right upon not less than fifteen (15) days' prior Notice, given at any time within sixty (60) days following Tenant's receipt of an Expense Statement (time being of the essence). Any such review

shall be conducted by Tenant or by an independent certified public accountant of Tenant's choosing that is not being compensated by Tenant on a contingency fee basis. If Tenant employs such a third party reviewer then as a condition precedent to such review Tenant shall deliver to Landlord a copy of Tenant's written agreement with such accountant which shall include provisions which state that (i) Landlord is an intended third-party beneficiary of the agreement, (ii) the accountant will not in any manner solicit or agree to represent any other tenant of the Center with respect to a review of Landlord's accounting records at the Center, and (iii) the accountant will maintain in strict confidence any and all information obtained in connection with the review and will not disclose the fact of the review or any results of it to any person or entity other than to the Tenant. Any such review shall be conducted at Landlord's office at the Center or at Landlord's principal offices, or at such other location as Landlord may reasonably designate. Landlord will provide Tenant with reasonable accommodation for the review and reasonable use of available office equipment, but may make a reasonable charge for Tenant's telephone calls and photocopies. Tenant shall deliver to Landlord a copy of the results of any such review within fifteen (15) days following its completion or receipt by Tenant and will maintain in strict confidence any and all information obtained in connection with the review and will not disclose the fact of the review or any results of it to any person or entity. A dispute over the Expense Statement or any error by Landlord in interpreting or applying the provisions of this Lease respecting Operating Costs or in calculating the amounts in the Expense Statement shall not be a breach of this Lease by Landlord, and even if any legal proceeding over the Expense Statement is resolved against Landlord this Lease shall remain in full force and effect and Landlord shall not be liable for any consequential damages. Pending the determination of any such dispute Tenant shall pay amounts billed with respect to such Expense Statement as Additional Rent, without prejudice to Tenant's position, and subject to rebate of any amounts subsequently found to have been charged to Tenant in error. If the dispute shall be determined in Tenant's favor then Landlord shall promptly pay to Tenant the amount of Tenant's overpayment of Rent resulting from compliance with the Expense Statement together with interest from the time of such overpayment at the Reimbursement Rate, together with all of Tenant's attorney fees, costs and expenses incurred in contesting the Expense Statement. **[SEE RIDER]**

12. Taxes.

12.1. Tenant's Proportionate Share of Increased Taxes. Landlord shall pay all Taxes levied upon or assessed against the land and improvements comprising the Center and the appurtenances thereto during the Term of this Lease, in the first instance. If Taxes during any whole or partial Tax Year exceed the Base Taxes then Tenant shall pay to Landlord, as Additional Rent, Tenant's Proportionate Share of increased Taxes. **[SEE RIDER]**

12.2. Payment of Proportionate Share of Taxes. Tenant's Proportionate Share of Taxes shall be paid by Tenant, at Landlord's election (i) in advance, in equal monthly installments in such amounts as are estimated and billed for each Tax Year by Landlord at the commencement of the Term and at the beginning of each successive Tax Year during the Term, each such installment being due on the first day of each calendar month or (ii) in lump sum, following Landlord's receipt of the tax bill for the Tax Year in question, and calculation of Tenant's Proportionate Share with respect thereto. If Landlord has elected that Tenant pay its Proportionate Share of Taxes in installments, in advance, then, at any time during a Tax Year, Landlord may re-estimate Tenant's Proportionate Share of Taxes and thereafter adjust Tenant's monthly installments payable during the Tax Year to reflect more accurately Tenant's Proportionate Share of Taxes. Promptly following Landlord's receipt of tax bills for each Tax Year Landlord will notify Tenant of the amount of Taxes for the Tax Year in question and the amount of Tenant's Proportionate Share thereof. Any overpayment or deficiency in Tenant's payment of its Proportionate Share of Taxes for each Tax Year shall be adjusted between Landlord and Tenant; Tenant shall pay Landlord or Landlord shall credit to Tenant's account (or, if such adjustment is at the end of the Term, Landlord shall pay Tenant), as the case may be, within fifteen (15) days of the aforesaid notice to Tenant, such amount necessary to effect such adjustment. Landlord's failure to provide such notice within the time prescribed above shall not relieve Tenant of any of its obligations hereunder. **[SEE RIDER]**

12.3. Taxes on Rent. In addition to Tenant's Proportionate Share of Taxes, Tenant shall pay to the appropriate agency any sales, excise and other tax (not including, however, Landlord's income taxes) levied, imposed or assessed by the State of Maryland or any political subdivision thereof or other taxing authority upon any Rent payable hereunder. Tenant shall also pay, prior to the time the same shall become delinquent or payable with penalty, all taxes imposed on its inventory, furniture, trade fixtures, apparatus, equipment, Leasehold Improvements installed by Tenant or by Landlord on behalf of Tenant (except to the extent such Leasehold Improvements or Alterations shall be covered by Taxes referred to in Subsection 12.1 hereof), and any other property of Tenant. **[SEE RIDER]**

13. Services and Utilities. [SEE RIDER]

13.1. Provision of Services and Utilities to Premises. During the Term Landlord shall provide the following facilities and services to Tenant as part of Operating Costs (except as otherwise provided herein): **[SEE RIDER]**

13.1.1 Elevator. At least one elevator subject to call at all times, including Sundays and holidays, in elevator-serviced buildings. The foregoing notwithstanding, if only one (1) elevator serves the Building, Landlord shall have the right to remove it from service for the performance of repairs, maintenance or testing or due to an emergency. **[SEE RIDER]**

13.1.2 Utilities. During Building operating hours, as determined and published by Landlord from time to time, reasonable amounts of natural gas for gas-serviced buildings, electric current for lighting, small items of office equipment, subject to the provisions of Section 13.3 and central heating and air conditioning during the seasons of the year when these services are normally and usually furnished, and within the temperature ranges of six degrees Fahrenheit plus or minus the dialed or regulated temperature on interior thermostats, and otherwise in such amounts normally or usually furnished in comparable office buildings in the locale of the Center. Landlord shall provide the aforesaid services at other times and on Sundays and holidays ("after-hours service") at Tenant's expense, provided Tenant gives Landlord notice by 1:00 p.m. on weekdays for after-hours service on the next weekday, by 1:00 p.m. the day before a holiday for service on a holiday, and by 1:00 p.m. on Friday for after-hours service on Saturday or service on Sunday. Such after-hours service shall be charged to Tenant at rates to

be determined by Landlord, which rates shall be given to Tenant on request. Landlord reserves the right to adjust from time to time, in its sole discretion, the rate at which such services shall be provided; Tenant shall pay for such service, as Additional Rent, promptly upon receipt of an invoice with respect thereto. **[SEE RIDER]**

13.1.3 Cleaning.Cleaning in Landlord's standard manner Monday through Friday exclusive of legal holidays. **[SEE RIDER]**

13.1.4 Lighting.Replacement of light tubes or bulbs for building standard light fixtures. All light tube or bulb replacements for special non-standard lighting fixtures shall be furnished and installed by Landlord at Tenant's expense.

13.1.5 Lavatories.Rest room facilities and necessary lavatory supplies, including hot and cold running water at the points of supply, as provided for general use of all tenants in the Building.

13.1.6 Common Area Maintenance.Routine maintenance, painting, and electric lighting service for all Common Areas of the Building in such manner as Landlord deems reasonable. **[SEE RIDER]**

13.1.7 Signage. Suite entry and Building directory signage in accordance with Landlord's Building standard specifications.

13.2. Interruption of Service.Any failure by Landlord to furnish the foregoing services, resulting from circumstances beyond Landlord's reasonable control or from interruption of such services due to repairs or maintenance, shall not render Landlord liable in any respect for damages to either person or property, nor be construed as an eviction of Tenant, nor cause an abatement of Rent hereunder, nor relieve Tenant from any of its obligations hereunder. If any public utility or governmental body shall require Landlord or Tenant to restrict the consumption of any utility or reduce any service for the Premises or the Center then Landlord and Tenant shall comply with such requirements, whether or not the utilities and services referred to in this Section are thereby reduced or otherwise affected, without any liability on the part of Landlord to Tenant or any other person or any reduction or adjustment in Rent payable hereunder. Landlord and its agents shall be permitted reasonable access to the Premises for the purpose of installing and servicing systems within the Premises deemed necessary by Landlord to provide the services and utilities referred to in this Section to Tenant and other tenants in the Building. **[SEE RIDER]**

13.3. Tenant's Consumption of Electricity.Tenant covenants that, unless permitted pursuant to the terms of this Section, it shall not consume more electrical current than the amount considered by Landlord to be reasonable for standard office usage within the Premises ("Base Current"). Landlord shall be under no obligation to furnish electrical energy other than the Base Current, and Tenant shall not install or use on the Premises any electrical equipment, appliance or machine requiring more electrical energy than the Base Current, unless the installation and use of such additional electrical equipment, appliance or machine has been approved by Landlord pursuant to terms and conditions set forth in a separate agreement, which approval may be conditioned upon the payment by Tenant, as Additional Rent, of the cost of the additional electrical energy and modifications to the Building electrical system required for the operation of such electrical equipment, appliance or machine.

14. Indemnifications and Waiver of Claims.

14.1. Indemnity by Tenant.To the maximum extent permitted by law, but subject to the provisions of Subsection 14.5, Tenant indemnifies Landlord, any Superior Lessor and any Superior Mortgagee, and agrees to save them harmless and, at the option of any of them, defend them from and against any and all claims, actions, damages, liabilities and expenses (including attorneys' and other professional fees) judgments, settlement payments, and fines paid, incurred or suffered by any of them in connection with loss of life or personal injury, or damage to property or to the environment, suffered by third parties, or in connection with any accident, injury or damages whatever in the Premises, and arising from or out of the conduct or management of the Premises or of any business therein, or any work or thing whatsoever done, or any condition created in or about the Premises during the Term of this Lease or during the period of time, if any, prior to the Commencement Date that Tenant may have been given access to the Premises. **[SEE RIDER]**

14.2. Indemnity by Landlord.To the maximum extent permitted by law, but subject to the provisions of Subsection 14.5, Landlord indemnifies Tenant and agrees to save it harmless from and against any and all claims, actions, damages, liabilities and expenses (including attorneys' and other professional fees) judgments, settlement payments, and fines paid, incurred or suffered by any of them in connection with loss of life or personal injury, or damage to property suffered by third parties arising from or out of the use of any portion of the Common Areas by Landlord, occasioned wholly or in part by any act or omission of Landlord, its officers, agents, contractors or employees. **[SEE RIDER]**

14.3. Survival of Indemnities.Landlord's and Tenant's obligations pursuant to Subsections 14.1 and 14.2 shall survive any termination of this Lease with respect to any act, omission or occurrence which took place prior to such termination.

14.4. Limitation on Landlord's Liability for Loss, Damage and Injury.To the maximum extent permitted by law, Tenant shall occupy and use the Premises, the Building and the Common Areas at Tenant's own risk. All property of Tenant shall be and remain at the sole risk of Tenant. Tenant hereby expressly agrees that Landlord and its agents, servants and employees shall not be liable or responsible for any damage or injury to the person or property of Tenant directly or indirectly caused by any source, circumstance or cause whatsoever. The foregoing waiver and release is intended by Landlord and Tenant to be absolute and unconditional, and without exception, and to supersede any specific repair obligation imposed by Landlord hereunder; provided that such waiver and release shall not apply to the omission, fault, negligence, or other misconduct of Landlord except to the extent such omission, fault, negligence or other misconduct is waived by Tenant after the occurrence or is waived pursuant to Tenant's policies of fire insurance with standard broad form coverage indorsements, which waiver Tenant is obligated to obtain and shall be liable for failure to obtain. No representation, guaranty, assurance or warranty is made or given by Landlord that the communications or security systems, devices or procedures used, if any, will be effective to prevent injury to Tenant or any other person or damage to, or loss (by theft or otherwise) of any of Tenant's Personal Property or of the property of any other person, and Landlord reserves the right to discontinue or modify at any time such communications or security systems, devices or procedures without liability to Tenant. **[SEE RIDER]**

14.5. Waiver of Right of Recovery.Except as provided in Subsection 6.4, neither party, nor its officers, directors, employees, agents or invitees, nor, in case of Tenant, its subtenants, shall be liable to the other party or to any insurance company (by way of subrogation or otherwise) insuring the other party for any loss or damage to any building, structure or other tangible property, when such loss is caused by any of the perils which are or could be insured against under a standard policy of full

replacement cost insurance for fire, theft and all risk coverage, or losses under workers' compensation laws and benefits, even though such loss or damage might have been occasioned by the negligence of such party, its agents or employees (this clause shall not apply, however, to any damage caused by intentionally wrongful actions or omissions); provided, however, that if, by reason of the foregoing waiver, either party shall be unable to obtain any such insurance, such waiver shall be deemed not to have been made by such party and, provided, further, that if either party shall be unable to obtain any such insurance without the payment of an additional premium therefor, then, unless the party claiming the benefit of such waiver shall agree to pay such party for the cost of such additional premium within thirty (30) days after notice setting forth such requirement and the amount of the additional premium, such waiver shall be of no force and effect between such party and such claiming party. Each party shall use reasonable efforts to obtain such insurance from a company that does not charge an additional premium or, if that is not possible, one that charges the lowest additional premium. Each party shall give the other party notice at any time when it is unable to obtain insurance with such a waiver of subrogation without the payment of an additional premium and the foregoing waiver shall be effective until thirty (30) days after notice is given. Each party represents that its current insurance policies allow such waiver. The provisions of this Section shall not limit the indemnification for liability to third parties pursuant to Subsections 14.1 and 14.2.

15. Insurance.

15.1. Tenant's Insurance. Tenant, at its expense, shall obtain and maintain in effect as long as this Lease remains in effect and during such other time as Tenant occupies the Premises or any part thereof, insurance policies providing at least the following coverage:

15.1.1 commercial general liability insurance written on an occurrence basis with respect to the Premises and the business operated by Tenant and any subtenants, concessionaires or licensees of Tenant, to afford insurance against personal injury, death and property damage, and including insurance against assumed or contractual liability under this Lease, specifically including the liability of Tenant arising out of the indemnities provided in Subsection 14.1, with minimum combined single limits of Two Million Dollars (\$2,000,000) per occurrence and in the aggregate,

15.1.2 all-risk property and casualty insurance, including theft coverage, written at full replacement cost value and with full replacement cost endorsement, covering all of Tenant's Personal Property and Tenant's interest in all Alterations installed in the Premises by or on behalf of Tenant (other than the Leasehold Improvements constructed by Landlord as provided in Section 4 of this Lease); and **[SEE RIDER]**

15.1.3 comprehensive boiler and machinery equipment insurance, including electrical apparatus, if applicable; and,

15.1.4 if and to the extent required by law, workers' compensation or similar insurance in form and amounts required by law.

15.2. Tenant's Contractor's Insurance. Tenant shall require any contractor of Tenant performing work on or about the Premises to carry and maintain, at no expense to Landlord:

15.2.1 commercial general liability insurance written on an occurrence basis with respect to the Premises and the business operated by Tenant and any subtenants, concessionaires or licensees of Tenant, to afford insurance against personal injury, death and property damage, and including

insurance against assumed or contractual liability under this Lease, with minimum combined single limits of Two Million Dollars (\$2,000,000) per occurrence and in the aggregate;

15.2.2 comprehensive automobile liability insurance with limits for each occurrence of not less than One Million Dollars (\$1,000,000) with respect to personal injury or death and Five Hundred Thousand Dollars (\$500,000) with respect to property damage; and

15.2.3 workers' compensation or similar insurance in form and amounts required by law.

15.3. Policy Requirements. The company or companies writing any insurance which Tenant or Tenant's contractor is required to carry and maintain or cause to be carried or maintained pursuant to Subsections 15.1 and 15.2 shall be licensed to do business in the State of Maryland and have an A. M. Best rating of at least A/VIII. The form of such insurance shall at all times be subject to Landlord's approval. Public liability policies shall name Landlord and/or its designee(s) as additional insured, shall be primary and non-contributory, and shall also contain a provision by which the insurer agrees that such policy shall not be canceled, materially changed or not renewed without at least thirty (30) days advance notice to Landlord, at Landlord's Notice Address, by certified mail, return receipt requested, or to its designee. Each such policy, or a certificate thereof, shall be deposited with Landlord by Tenant promptly upon commencement of Tenant's obligation to procure the same.

15.4. Tenant's Failure to Insure. If Tenant fails to obtain insurance as required under this Section then Landlord may, but shall not be obligated to, obtain such insurance, and in such event, Tenant agrees to pay, as Additional Rent, the premium for such insurance upon demand by Landlord.

15.5. Landlord's Insurance Coverage. During each Operating Year Landlord shall maintain in force, under one or more policies, property insurance coverage with respect to the Building and the Center generally, including, without limitation, commercial general liability insurance, insurance against fire, all-risk coverage including earthquake and flood, theft or other casualties and such other liability and property insurance coverage deemed appropriate by Landlord with such coverage limits, deductible amounts and companies as Landlord may determine.

16. Casualty and Condemnation.

16.1. Landlord's Obligation to Repair and Reconstruct. If the Premises shall be damaged by a Casualty but the Premises shall not be thereby rendered wholly or partially untenantable, then Landlord shall promptly cause such damage to be repaired and there shall be no abatement of Rent. If, as the result of such Casualty, the Premises shall be rendered wholly or partially untenantable, then, subject to the provisions of Subsection 16.2, Landlord shall cause such damage to be repaired and all Rent shall be abated proportionately as to the portion of the Premises rendered untenantable during the period of such untenantability. All such repairs shall be made at the expense of Landlord, but Landlord shall not be required to perform any work within the Premises beyond that described and constructed by Landlord prior to the Commencement Date as Leasehold Improvements. Landlord shall not be liable for interruption to Tenant's business or for damage to or replacement or repair of Tenant's Personal Property or to any Alterations, all of which damage, replacement or repair shall be undertaken and completed by Tenant promptly.

16.2. Landlord's, Tenant's Options to Terminate Lease.

16.2.1 If the Premises are (a) rendered wholly untenantable, or (b) damaged as a result of any cause which is not covered by Landlord's insurance, or if the Building is damaged to the extent of fifty percent (50%) or more of the Rentable Area of the Premises, or if, for reasons beyond Landlord's control or by virtue of the terms of any financing of the Building, sufficient insurance proceeds are not available for the reconstruction or restoration of the Building or Premises, then, in any such events, Landlord may elect to terminate this Lease by giving to Tenant notice of such election within ninety (90) days after the occurrence of such event, or after the insufficiency of such proceeds becomes known to Landlord, whichever is applicable. If such notice is given, the rights and obligations of the parties shall cease as of the date set forth in such notice, and the Basic Rent and Additional Rent (other than any Additional Rent due Landlord either by reason of Tenant's failure to perform any of its obligations hereunder or by reason of Landlord's having provided Tenant with additional services hereunder) shall be adjusted as of the date of such termination. **[SEE RIDER]**

16.2.2 If, within the 90 day period set forth above, Landlord shall not have made an election to rebuild or to terminate this Lease as provided in the preceding paragraph, then Tenant may elect to terminate this Lease by giving to Landlord notice of such election within thirty (30) days following the expiration of such ninety (90) period. If the Premises have not been fully restored within 180 days following the occurrence of a Casualty then Tenant may elect to terminate this Lease by giving to Landlord notice of such election within thirty (30) days following the expiration of such 180 day period. In either case, if such notice is given, the rights and obligations of the parties shall cease as of the date set forth in such notice, and the Basic Rent and Additional Rent (other than any Additional Rent due Landlord either by reason of Tenant's failure to perform any of its obligations hereunder or by reason of Landlord's having provided Tenant with additional services hereunder) shall be adjusted as of the date of such termination. **[SEE RIDER]**

16.3. Insurance Proceeds. If neither party elects to terminate this Lease pursuant to Subsection 16.2, Landlord shall, subject to the prior rights of any Superior Mortgagee or Superior Lessor, disburse and apply any insurance proceeds received by Landlord to the restoration and rebuilding of the Building in accordance with Subsection 16.1 hereof. All insurance proceeds payable with respect to the Premises (excluding proceeds payable to Tenant pursuant to Subsection 15.1), shall belong to and shall be payable to Landlord.

16.4. Condemnation. If the whole or any part of the Premises is taken under the power of eminent domain then this Lease shall terminate as to the part so taken on the date Tenant is required to yield possession thereof to the condemning authority. Landlord shall make necessary repairs and alterations to restore the part not taken to useful condition and the Basic Rent shall be reduced proportionately as to the portion of the Premises so taken. If the amount of the Premises so taken substantially impairs the usefulness of the Premises for the Permitted Use, then either party may terminate this Lease as of the date when Tenant is required to yield possession. All compensation awarded for any taking of the fee and the leasehold shall belong to and be the property of Landlord; provided, however, that Tenant, and not Landlord, shall be entitled to any portion of the award which does not serve to reduce Landlord's award and is made directly to Tenant in reimbursement for Tenant's cost of removal of its stock, trade fixtures, moving and relocation costs.

17. Signs.

Tenant shall neither erect, maintain or replace any sign within the Premises visible from outside the Building, nor erect or maintain any sign upon the exterior of the Building or anywhere else upon the Center, without first obtaining Landlord's written approval as to the size, design, location, type of

composition or material and lighting thereof. Design shall be in accordance with the guidelines established by Landlord from time to time and all applicable laws and regulations. Any such sign shall be inscribed, painted or affixed by Landlord, or a company approved by Landlord, but the entire cost thereof shall be borne by Tenant. Tenant shall maintain any such sign or signs in good condition and repair at all times, and pay any taxes imposed thereon. During the six (6) month period preceding the expiration date of the Term, Landlord may place upon the Premises a FOR RENT sign. **[SEE RIDER]**

18. Right of Entry for Inspection, Exhibition, Repair.

Landlord and its representatives shall have the right at all reasonable times during normal business hours with prior Notice to enter the Premises for the purposes of inspecting them and exhibiting them for sale, lease or financing; and Landlord shall not be liable in any manner for any entry into the Premises for such purposes. If Landlord's inspection discloses a violation of the provisions of this Lease then all Fees and Costs incurred by Landlord in connection with the inspection shall be due and payable by Tenant to Landlord, as Additional Rent, on demand by Landlord. Landlord reserves and shall at all times have the right to re-enter the Premises upon 24 hours prior notice to Tenant (except in an emergency) to maintain, repair and replace the Premises and any portion of the Building of which the Premises are a part, without abatement of Rent. Landlord may for the purpose of such work erect, use and maintain scaffolding, pipes, conduits and other necessary structures in and through the Premises where reasonably required by the character of the work to be performed, provided that entrance to the Premises shall not be blocked. Tenant waives any claim for any injury or inconvenience to or interference with Tenant's business, any loss of occupancy or quiet enjoyment of the Premises and any other loss occasioned by any such maintenance, repair or replacement work. **[SEE RIDER]**

19. Subordination and Attornment. This Lease and all rights of Tenant hereunder are and shall be subject and subordinate in all respects to all Superior Leases and Superior Mortgages, including each advance made or to be made under any Superior Mortgage and all renewals, modifications, replacements, supplements, substitutions and extensions of the Superior Lease and the Superior Mortgage and all spreaders and consolidations of the Superior Mortgage. The provisions of this Section shall be self-operative and no further instrument of subordination shall be required. In confirmation of such subordination, Tenant shall promptly execute and deliver, at its own cost and expense, any instrument, in recordable form if requested, that Landlord, the Superior Lessor or the Superior Mortgagee may reasonably request to evidence such subordination. The Superior Mortgagee may elect that this Lease shall have priority over its Superior Mortgage and, upon notification by the Superior Mortgagee to Tenant, this Lease shall be deemed to have priority over such Superior Mortgage, whether this Lease is dated prior to or subsequent to the date of such Superior Mortgage. If, at any time prior to the termination of this Lease, the Superior Lessor or the Superior Mortgagee or any person, or the Superior Lessor's or Superior Mortgagee's or such person's successors or assigns (the Superior Lessor, Superior Mortgagee and any such person or successor or assign being herein collectively referred to as "Successor Landlord") shall succeed to the rights of Landlord under this Lease through possession or foreclosure or delivery of a new lease or deed or otherwise, Tenant agrees, at the election and upon request of any such Successor Landlord, to fully and completely attorn to and recognize any such Successor Landlord, as Tenant's landlord under this Lease upon the then-executory terms of this Lease; provided such Successor Landlord shall agree in writing to accept Tenant's attornment. The foregoing provisions of this Section shall: (i) inure to the benefit of any such Successor Landlord; (ii) apply notwithstanding that, as a matter of law, this Lease may terminate upon the termination of the Superior Lease; (iii) be self-operative upon any such demand; and (iv) require no further instrument to give effect to said provisions. Tenant, however, upon demand of any such Successor Landlord agrees to execute, from time to time, instruments to evidence and

confirm the foregoing provisions of this Section, satisfactory to any such Successor Landlord, acknowledging such attornment and setting forth the terms and conditions, of its tenancy. Upon such attornment this Lease shall continue in full force and effect as a direct lease between such Successor Landlord and Tenant upon all of the then-executory terms of this Lease except that such Successor Landlord shall not be: (i) liable for any previous act or omission or negligence of Landlord under this Lease; (ii) subject to any counterclaim, defense or offset, not expressly provided for in this Lease and asserted with reasonable promptness, which theretofore shall have accrued to Tenant against Landlord; (iii) obligated to perform any Leasehold Improvements or other work with respect to the Premises; (iv) bound by any previous modification or amendment of this Lease or by any previous prepayment of more than one month's Rent, unless such modification or prepayment shall have been approved in writing by the Superior Lessor or the Superior Mortgagee through or by reason of which the Successor Landlord shall have succeeded to the rights of Landlord under this Lease; (v) obligated to repair the Premises or the Building or any part thereof, in the event of total or substantial total damage beyond such repair as can reasonably be accomplished from the net proceeds of insurance actually made available to Successor Landlord; or (vi) obligated to repair the Premises or the Building or any part thereof, in the event of partial condemnation beyond such repair as can reasonably be accomplished from the net proceeds of any award actually made available to Successor Landlord, as consequential damages allocable to the part of the Premises or the Building not taken. Nothing contained in this Section shall be construed to impair any right otherwise exercisable by any such owner, holder or lessee. [SEE RIDER]

20. Modifications to Lease; Rights of Superior Mortgagee, Superior Lessor.

If, in connection with the obtaining, continuing or renewing of financing for which the Building, the Center or the interest of the lessee under the Superior Lease represents collateral, in whole or in part, a savings or commercial bank or trust company, insurance company, savings and loan association, a welfare, pension or retirement fund or system or any other lender shall be or be willing to become the Superior Mortgagee and shall request reasonable modifications of this Lease as a condition of such financing, Tenant will not unreasonably withhold its consent thereto, provided that such modifications do not materially and adversely either increase the obligations of Tenant hereunder or affect the rights of Tenant under this Lease. If any act or omission by Landlord would give Tenant the right, immediately or after lapse of time, to cancel or terminate this Lease or to claim a partial or total eviction, Tenant will not exercise any such right until: (i) it has given Notice of such act or omission to each Superior Mortgagee and each Superior Lessor, whose name and address shall have previously been furnished to Tenant; and (ii) a reasonable period for remedying such act or omission shall have elapsed following such giving of Notice and following the time when such Superior Mortgagee or Superior Lessor shall have become entitled under such Superior Mortgage or Superior Lease, as the case may be, to remedy the same (which shall in no event be less than the period to which Landlord would be entitled under this Lease to effect such remedy) provided such Superior Mortgagee or Superior Lessor shall, with reasonable diligence, give Tenant notice of intention to, and commence and continue to, remedy such act or omission or to cause the same to be remedied. [SEE RIDER]

21. Defaults by the Tenant.

21.1. Events of Default Defined. Each of the following shall be deemed an "Event of Default" under this Lease:

21.1.1 The failure by Tenant to pay Basic Rent, Additional Rent, or any other sum required to be paid under the terms of this Lease, when and as due hereunder which remains unpaid more than five (5) days following Notice;

21.1.2 The failure by Tenant to perform or observe any other term, covenant, agreement or condition of this Lease on the part of Tenant to be performed, for a period of fifteen (15) days following Notice; [SEE RIDER]

21.1.3 Tenant or any guarantor of any of Tenant's obligations hereunder shall make or deliver to Landlord any financial report or statement, certificate, representation or warranty (including, without limitation, any representation or warranty made by Tenant herein) which proves to have been false or misleading in any material respect as of the time at which the facts therein set forth were stated or certified, or if any such financial report or statement has omitted any material contingent or unliquidated liability or claim against Tenant or any such guarantor of any of Tenant's obligations hereunder;

21.1.4 Tenant or any guarantor of any of Tenant's obligations hereunder shall cease doing business as a going concern, make an assignment for the benefit of creditors, generally not pay its debts as they become due or admit in writing its inability to pay its debts when they become due, be adjudicated an insolvent, file a petition seeking for itself any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar arrangement under any present or future statute, law, rule or regulation, or file an answer admitting the material allegations of a petition filed against it in any such proceeding, or consent to the filing of such a petition or acquiesce in the appointment of a trustee, receiver, custodian or other similar official for it of all or any substantial part of its assets or properties, or take any action looking to its dissolution or liquidation; file a voluntary or involuntary petition proposing the adjudication of Tenant or any guarantor of Tenant's obligations hereunder as a debtor under the Bankruptcy Code, or the reorganization of Tenant or any such guarantor under the Bankruptcy Code, unless such a petition is filed by a party other than Tenant or any such guarantor and is withdrawn or dismissed within sixty (60) days after the date of filing;

21.1.5 A Transfer in violation of the prohibition contained in Section 7;

21.1.6 The vacating or abandonment of the Premises by Tenant at any time during the term of this Lease, or the suspension of business by Tenant at the Premises for more than fifteen (15) consecutive days; [SEE RIDER]

21.1.7 The failure of Tenant to vacate the Premises upon the expiration of the Term, or earlier termination thereof pursuant to other provisions of this Lease.

21.2. Landlord's Remedies for Default. Upon the occurrence of an Event of Default, Landlord shall have the right, at its election, immediately upon such Event of Default or at any time thereafter and while any such Event of Default shall continue, to exercise one or more of the following remedies. [SEE RIDER]

21.2.1 Landlord may terminate this Lease, as well as all right, title and interest of Tenant hereunder, by giving Notice of Landlord's intention to terminate this Lease on the date of such given notice or on any later date specified therein, whereupon, on the date specified in such notice, Tenant's right to possession of the Premises shall cease and this Lease shall thereupon be terminated, except as to Tenant's liability for damages as hereafter set forth, as if the expiration of the term fixed in such notice were the end of the Term originally set forth in this Lease.

21.2.2 Landlord may re-enter the Premises, with or without legal process and using such force for such purposes as may be reasonably necessary, without being liable for prosecution thereof, and without being deemed guilty of any manner of trespass, and without prejudice to any remedies for arrears

of Rent or preceding breach of covenants or conditions and, upon such reentry, Landlord may remove any and all of Tenant's property at the Premises; [SEE RIDER]

21.2.3 Landlord may exercise any other remedy available to it at law, in equity, by statute or otherwise; and, for such purposes, Landlord shall be entitled to the benefit of all provisions of applicable city or county ordinances and public local laws and of the public general laws of the State of Maryland dealing with the speedy recovery of lands and tenements held over by tenants or proceedings in forcible entry and detainer;

21.2.4 In addition to any other rights it may have in law or equity, Landlord shall be entitled (but shall not be obligated) to cure such Default, in which case Tenant shall reimburse Landlord for any Fees and Costs incurred in curing such Default, plus interest thereon at the Reimbursement Rate, all of which shall be payable by Tenant upon demand by Landlord.

21.3. Landlord's Right to Re-let Premises. Upon any entry or re-entry by Landlord, with or without legal process, Landlord shall also have the right (but not the obligation) to re-let all or any part of the Premises, from time to time, at the risk and expense of Tenant. No re-entry by Landlord with or without a declaration of termination shall be deemed to be an acceptance or a surrender of this Lease or as a release of Tenant's liability for damages under the provisions of this Section. Landlord shall have the right to let or re-let the Premises for a longer or shorter term than that remaining after Tenant's default, to lease more or less area than that contained in the Premises, to lease the Premises together with other premises or property owned or controlled by Landlord, and to change the character or use of the Premises. Landlord shall be entitled to deduct from any amounts received from any such letting or re-letting all Fees and Costs incurred in connection with Tenant's default. No entry or re-entry by Landlord, whether resulting from summary proceedings or otherwise, nor any letting or re-letting shall absolve or discharge Tenant from liability hereunder. Tenant's liability hereunder, even if there be no letting or re-letting, shall survive the issuance of any dispossession warrant, order of court terminating this Lease or any other termination based upon Tenant's default. The words "enter", "re-enter", and "re-entry" as used in this Section and elsewhere in this Lease are not restricted to their technical legal meanings.

21.4. Damages. Tenant further agrees (i) notwithstanding re-entry by Landlord with or without termination pursuant to the provisions of the previous Subsection, or (ii) if this Lease is otherwise terminated by reason of Tenant's Default, or (iii) if Landlord retakes possession with or without process of law, or re-enters with or without a declaration of termination or (iv) if Landlord following any of the foregoing events, elects to let or re-let the Premises as provided in the previous Subsection, then Tenant shall, nevertheless, in each instance, be and remain obligated to, and shall pay to Landlord as damages, upon demand, all Fees and Costs incurred in connection with Tenant's breach of this Lease, plus, at the election of the Landlord, either:

21.4.1 Liquidated damages determined as of the date of termination of the Lease, in an amount equal to the excess, if any, of the sum of the aggregate Basic Rent and the aggregate Additional Rent which would have been paid over the remaining Term had this Lease not been terminated, discounted to present worth, over the then-current rental value of the Premises, for such remaining Term, as determined by Landlord, discounted to present worth, and in determining such liquidated damages, the Additional Rent for each year of such remaining Term shall be assumed to equal the Additional Rent payable for the Lease Year immediately preceding the Lease Year in which the default occurs, annualized in the event that such preceding Lease Year is less than twelve (12) months, and in determining present worth, a discount rate equal to one percentage point above the discount rate then in effect at the Federal Reserve Bank in Baltimore shall be used; or

21.4.2 Damages (payable in monthly installments, in advance, on the first day of each calendar month following such termination and continuing until the date originally fixed herein for the expiration of the Term of this Lease) in amounts equal to the sum of (i) an amount equal to the installment of Basic Rent which would have been payable by Tenant for such calendar month had this Lease not been terminated plus (ii) an amount equal to one-twelfth (1/12) of the total Additional Rent payable for the Lease Year immediately preceding the Lease Year in which the default occurred, annualized to the extent that such preceding Lease Year is less than twelve (12) months, minus the Rent, if any, collected by Landlord in respect to such calendar month pursuant either to re-leasing the Premises or portion thereof or from any existing subleases permitted under the terms of this Lease (after deduction from such Rent of the sum of Landlord's costs and expenses as set forth in Subsection). Landlord shall be entitled immediately to bring a separate suit, action or proceeding to collect any amount due from Tenant under this Subsection for any calendar month and any such suit, action, or proceeding shall not prejudice in any way the right of Landlord to collect such amount due on account of any subsequent calendar month by similar proceeding.

21.5. Rent During Holdover. If Tenant fails to vacate the Premises at any time after termination of this Lease, then Landlord shall be entitled to the benefit of all summary proceedings to recover possession of the Premises at the end of the Term, as if statutory notice had been given. If Tenant remains in possession of the Premises after the expiration of the Term, such action shall not renew the Lease by operation of law and nothing herein shall be deemed as a consent by Landlord to Tenant's remaining in the Premises. If Tenant fails to vacate the Premises as required, Landlord may consider Tenant as either (i) a "Tenant-at-Will" liable for the payment of double the Basic Rent payable at the end of the Term or (ii) as a "Tenant-Holding-Over" liable for an amount equal to the actual damages incurred by Landlord as a result of Tenant's holding over, including, without limitation, all incidental, prospective and consequential damages and Fees and Costs, but in no event shall such amount be less than the amounts of (a) double the Basic Rent payable at the end of the Term and (b) the Additional Rent reserved hereunder applicable to the period of the holdover. In either event, all other covenants of this Lease shall remain in full force and effect. **[SEE RIDER]**

21.6. No Implied Waiver of Landlord's Rights. The failure of Landlord to insist in any one or more instances upon the performance of any of the covenants or conditions of this Lease, or to exercise any right or privilege herein conferred shall not be construed as thereafter waiving or relinquishing Landlord's right to the performance of any such covenants, conditions, rights or privileges, and the same shall continue and remain in full force and effect, and the waiver of one default or right shall not constitute waiver of any other default, and the receipt of any Rent by Landlord from Tenant or any assignee or subtenant of Tenant, whether the same be Rent that originally was reserved or that which may become payable under any covenants herein contained, or of any portion thereof, shall not operate as a waiver of Landlord's right to enforce the payment of the Rent or of any of the other obligations of this Lease by such remedies as may be appropriate, and shall not waive or avoid Landlord's right at any time thereafter to elect to terminate this Lease, on account of such assignment, sub-letting, transferring of this Lease or any other breach of any covenant or condition herein contained, unless evidenced by Landlord's written waiver thereof. The acceptance of Rent or any other consideration by Landlord at any time shall not be deemed an accord and satisfaction, and Landlord shall have absolute discretion to apply same against any sum for any period or reason due hereunder without the same constituting a release of any other sums remaining due and unpaid. **[SEE RIDER]**

21.7. Waiver of Jury Trial. LANDLORD AND TENANT HEREBY JOINTLY AND SEVERALLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY LANDLORD

OR TENANT ON ANY MATTERS WHATSOEVER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS LEASE, THE RELATIONSHIP OF LANDLORD AND TENANT, TENANT'S USE OR OCCUPANCY OF THE PREMISES AND/OR ANY CLAIM OF INJURY OR DAMAGE. THIS WAIVER CONSTITUTES A WAIVER OF TRIAL BY JURY OF ALL CLAIMS AGAINST ALL PARTIES TO SUCH ACTIONS OR PROCEEDINGS, INCLUDING CLAIMS AGAINST PARTIES OTHER THAN LANDLORD OR TENANT. Landlord and Tenant make this waiver knowingly, willingly and voluntarily. Each party represents that no representations of fact or opinion have been made by any individual to induce this mutual waiver of trial by jury or to in any way modify or nullify its effect. If landlord commences any summary proceeding for nonpayment of Rent or for possession of the Premises Tenant will not interpose and hereby waives any counterclaim of whatever nature or description in any such proceeding. Tenant further waives the right to remove said summary proceeding to any other court or to consolidate said summary proceeding with any other action, whether brought prior or subsequent to such summary proceeding. This shall not, however, be construed as a waiver of Tenant's right to assert such claims in any separate action or actions brought by Tenant.

22. Miscellaneous Provisions.

22.1. The Landlord. As used herein, the term "Landlord" means the Landlord originally so named as well as its successors and assigns, and any other subsequent owner of the leasehold estate or reversion in the Center, as well as the heirs, personal representatives, successors and assigns of any such subsequent owner, each of whom shall have the same rights, remedies, powers, authorities and privileges as he would have had if he had originally signed this Lease as Landlord, but any such person, whether or not named herein, shall have no liability hereunder after he shall cease to hold the title to or a leasehold interest in the said real estate, except for obligations which may have theretofore accrued. Neither Landlord nor any principal of Landlord, whether disclosed or undisclosed, shall have any personal liability with respect to this Lease, the Premises and the Center. After Tenant has accepted and taken occupancy of the Premises, Tenant shall look only to Landlord's estate and property in the Center (or the proceeds thereof) for the satisfaction of Tenant's remedies for the collection of a judgment (or other judicial process) requiring the payment of money by Landlord in the event of any default by Landlord hereunder, and no other property or assets of Landlord or its partners or principals, disclosed or undisclosed shall be subject to levy, execution or other enforcement procedure for the satisfaction of Tenant's remedies under or with respect to this Lease, the relationship of Landlord and Tenant hereunder or Tenant's use or occupancy of the Premises. **[SEE RIDER]**

22.2. The Tenant.

22.2.1 As used herein, the term "Tenant" means the Tenant named in this Lease as well as its heirs, personal representatives, successors and assigns, each of which shall be under the same obligations, liabilities, and disabilities and have only such rights, privileges and powers as it would have possessed had it originally signed this Lease as Tenant. However, no such rights, privileges or powers shall inure to the benefit of any assignee of Tenant, immediate or removed, unless the assignment to such assignee shall have been consented to in writing by the Landlord, as aforesaid. Any person or entity to which this Lease is assigned pursuant to the provisions of the Bankruptcy Code, shall be deemed without further act or deed to have assumed all of the obligations arising under this Lease on and after the date of such assignment. Any such Assignee shall upon demand execute and deliver unto Landlord an instrument confirming such assumption. **[SEE RIDER]**

22.2.2 If two or more individuals, corporations, partnerships or other business associations (or any combination of two or more thereof) shall sign this Lease as Tenant, the liability of each such individual corporation, partnership or other business association to pay Rent and perform all

other obligations hereunder shall be deemed to be joint and several. In like manner, if the Tenant named in this Lease shall be a partnership or other business association, the members of which are, by virtue of statute or general law, subject to personal liability, the liability of each such member shall be joint and several.

22.2.3 If Tenant is a corporation, general partnership, limited partnership or limited liability company, each person executing this Lease on behalf of Tenant, whether as officer, partner, manager or the like, jointly and severally covenants and warrants that Tenant has the requisite organizational approval to enter into and execute this Lease Agreement and that, on request such person shall be bound to provide to Landlord a copy of an appropriate organizational directive authorizing the execution of this Lease Agreement and authorizing the individual executing this Lease Agreement to execute said Agreement on behalf of and in the name of the Tenant.

22.3. Tenant's Certificate. Tenant agrees at any time, and from time to time, within ten (10) days after Landlord's written request, to execute, acknowledge and deliver to Landlord a written instrument in recordable form certifying or stating: (i) that this Lease is unmodified and in full force and effect (or if there shall then have been modifications, that the same is in full force and effect as so modified, and setting forth such modifications); (ii) that the Premises have been completed by Landlord in accordance with Section 4 hereof (or if not so completed, stating the respects in which not completed); (iii) that Tenant has accepted possession of the Premises, the date upon which the Term has commenced and the date of the expiration of the Term of this Lease; (iv) the dates to which Rent and other charges have been paid in advance, if any; (v) whether or not, to the best knowledge of the signer of such certificate, Landlord is then in default in the performance of any covenant, agreement or condition contained in this Lease and, if so, specifying in detail each such default of which the signer may have knowledge; (vi) as to any other matters as may be reasonably so requested; and (vii) that it is understood that such instrument may be relied upon by any prospective purchaser, mortgagee, assignee or lessee of Landlord's interest in this Lease, in the Center, or any portion or part thereof. **[SEE RIDER]**

22.4. Consent to Requests. If Tenant requests Landlord's consent on any matter as to which Landlord's consent is required to be obtained under this Lease, and Landlord fails or refuses to give such consent, then Tenant shall not be entitled to any damages for Landlord's withholding of its consent, it being intended that the sole and exclusive remedy for a wrongful withholding of consent shall be an expedited arbitration of the dispute in the following manner. The Tenant may initiate the arbitration within ten (10) days after receiving Landlord's notice of denial of consent, by sending Landlord notice of Tenant's demand for arbitration of the matter, referencing this Section. Tenant's notice shall also name Tenant's proposed arbitrator, who shall be an attorney licensed to practice law in the State of Maryland whose practice is primarily real estate sales and leasing transactions. Within five (5) days following receipt of Tenant's nomination Landlord shall send a responsive notice accepting Tenant's nominee, or rejecting such nominee and proposing an alternate arbitrator for Tenant's approval. If Landlord fails to respond within such time then Tenant's nominee shall be deemed approved. If any alternate nominee proposed by Landlord is in turn rejected by Tenant, so that the parties cannot agree upon an arbitrator within five (5) days after Landlord's response, then the arbitrator shall be appointed, at the request of either party, by the chief judge of the third judicial circuit of Maryland. A prerequisite for such appointment shall be the arbitrator's commitment to consider the matter and render a determination within thirty (30) days of the date of the selection of the arbitrator. The jurisdiction of the arbitrator in any such proceeding shall be limited to rendering a determination as to whether the withholding was reasonable or unreasonable, and such determination shall be final and binding upon the parties. Each party shall submit its position to the arbitrator, and the losing party shall pay all of the costs of the arbitration and the

reasonable attorneys' fees and costs incurred by the prevailing party in connection with the arbitration. Except as otherwise provided herein, the procedures for the arbitration shall be in accordance with the rules of the American Arbitration Association. [SEE RIDER]

22.5. Relocation. Landlord reserves the right at its option and at Landlord's sole cost and expense (including all moving expenses of Tenant) to relocate the Premises hereby leased to another area within the Center, provided such new location shall be comparable to the Premises hereby leased and provided Landlord gives Tenant thirty (30) days' prior Notice of such relocation. [SEE RIDER]

22.6. Unavoidable Delays. Other than Tenant's obligation to pay Rent or any other payment to cure a Default and except as otherwise provided in this Lease, either party shall be excused for the period of any delay in the performance of any obligation when the delay is due to Unavoidable Delays. Neither party shall be entitled to rely upon this Section unless it shall give to the other party notice of the existence of the Unavoidable Delay within five (5) days after the commencement of the Unavoidable Delay.

22.7. Brokerage. Tenant warrants that it has had no dealings with any broker or agent in connection with this Lease other than the Named Broker, whose commission Landlord covenants and agrees to pay in the amount agreed between Landlord and such broker or brokers. Tenant covenants to pay, hold harmless and indemnify Landlord from and against any and all costs, expense or liability for any compensation, commissions or charges claimed by any broker other than those stated above or any other agent with respect to this Lease or the negotiation thereof. [SEE RIDER]

22.8. Entire Agreement. The Lease, including these General Terms and Conditions to Agreement of Lease, and any and all Exhibits and Riders hereto, as well as any other schedules or attachments hereto, set forth all the promises, agreements, conditions and understandings between Landlord and Tenant with respect to the Premises, and there are no promises, agreements, conditions or understandings, either oral or written, between them other than are herein set forth. No subsequent alteration, amendment, change or addition to this Lease shall be binding upon Landlord or Tenant unless reduced to writing and signed and delivered by each of them.

22.9. Effect of Delivery. Landlord has delivered a copy of this Lease to Tenant for Tenant's review only, and the delivery does not constitute an irrevocable offer to Tenant or an option to lease. Because the Premises are on the open market and are presently being shown, this Lease should be treated as a revocable offer, with the Premises being subject to prior lease, and such offer is subject to withdrawal or non-acceptance by Landlord or to other use of the Premises at any time and without notice. This Lease shall not be valid or binding unless and until signed by Tenant, delivered to Landlord, and accepted and signed by Landlord.

22.10. Delay in Delivery of Premises; Rule Against Perpetuities. To avoid application of the Rule Against Perpetuities, if the Commencement Date has not occurred within one (1) year following the date of this Lease for any reason other than the default of either party hereto then, unless the parties otherwise agree in writing, this Lease shall terminate, in which case Landlord shall return any Deposit previously delivered by Tenant, and all rights and obligations of the parties with respect to this Lease shall terminate. Tenant shall have no rights or claims under this Lease at law except that Landlord shall return to Tenant promptly after any termination any Deposit previously tendered to Landlord.

22.11. Recording. Neither this Lease, nor any memorandum, affidavit, or other writing with respect thereto, shall be recorded by Tenant or by anyone acting through, under or on behalf of Tenant,

and the recording thereof in violation of this provision, shall (i) be deemed an Event of Default and, (ii) at Landlord's election, make this Lease null and void.

22.12. Time. Time is of the essence of this Lease.

23. Definitions.

In addition to the terms defined in the Lease, the following definitions shall apply in these General Terms and Conditions to Lease and in any Exhibits, Riders or other addenda to the Lease:

Additional Rent: All sums of money or charges required to be paid by Tenant under this Lease other than Basic Rent, whether or not such sums or charges are so designated.

Alterations: Any of the following, made or proposed to be made to the Premises or any other part of the Building or Center following the Commencement Date: (i) any alteration, modification, substitution or other change of any nature to the structural, mechanical, electrical, plumbing, HVAC and fire suppression systems within or serving the Premises or the Building; (ii) any renovations, improvements or other installations in, on or to any part of the Premises or Building or Center generally (including, without limitation, any alterations of the exterior of the Premises, signs, structural alterations, or any cutting or drilling into any part of the Premises or Building or Center or any securing of any fixture, apparatus, or equipment of any kind to any part of the Premises); (iii) any installation or modification of carpeting, walls, partitions, counters, doors, shelves, lighting fixtures, hardware, locks, ceiling, window and wall coverings within the Premises.

Appropriate Authorities: All Federal, state or county governmental officer, agency or department, having jurisdiction over the administration and enforcement of Legal Requirements, and also including any public or private authority which is required to issue any permits, licenses, consents, waivers or other approvals needed in connection with the construction, occupation or use of the Premises or the Center generally.

Casualty: Damage to all or any part of the Center, including the Building and the Premises, caused by fire, the elements, accident, act of God or the like.

Commencement Date: The date specified in Section 1 of the Lease, but if no date is specified there, then upon the date, following Substantial Completion of any Leasehold Improvements, on which Landlord tenders to Tenant the keys to the Premises or other indicia of possession with respect thereto, indicating that Tenant may enter into possession of the Premises for the Term, or otherwise tenders delivery of the Premises to Tenant, in writing.

Common Areas: Those areas and facilities which may be furnished by Landlord within the Center, for the general common use of tenants and other occupants of the Center, their officers, agents, employees and invitees, including (without limitation) all parking areas, access areas (other than public streets), employee parking areas, truckways, driveways, loading docks and areas, sidewalks, ramps, roofs, sprinkler systems, landscaped and planted areas, retaining walls, stairways, lighting systems and facilities, common utility and telecommunications facilities, drainage areas, roads, the common use elements of the Landlord's Building (including, without limitation, all stairs, landings, roofs, utility and mechanical rooms and equipment, service closets, corridors, elevators, lobbies, lavatories and other public areas of the Building and all other buildings located within the Center), and other similar areas, facilities or improvements.

Environmental Laws: The Clean Air Act, the Resource Conservation Recovery Act of 1976, the Hazardous Material Transportation Act, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Resource Conservation and Recovery Act, the Toxic Substances Control Act, the Occupational Safety and Health Act, the Consumer Product Safety Act, the Clean Water Act, the Federal Water Pollution Control Act, the National Environmental Policy Act, Md. *Nat. Res.* Code Ann., Title 8, and Md. *Env. Code Ann.*, Title 7, as each of the foregoing shall be amended from time to time, and any similar or successor laws, federal, state or local, or any rules or regulations promulgated thereunder.

Fees and Costs: Any and all advances, charges, costs or fees actually and reasonably incurred by Landlord in collecting any sums due from Tenant hereunder, or otherwise in preserving the rights of Landlord hereunder or in enforcing the rights and obligations of Landlord and Tenant hereunder, (and specifically including actual legal expenses and management fees reasonably incurred by Landlord hereunder).

Final Plans and Specifications: The Final Plans and Specifications prepared by a professional designer, interior designer, or architect, approved by Landlord in advance, for the layout of the Premises, including Leasehold Improvements, identifying the dimensioned location of all partitions, interior doors, lighting fixtures, lightpole switches, electrical outlets, telephone receptacles or systems, together with the specifications therefor and any other improvements Tenant desires to be made to the Premises prior to the Commencement Date.

Hazardous Materials: Asbestos; "oil, petroleum products and their by-products"; "hazardous substances"; "hazardous wastes" or "toxic substances", as those terms are used in Environmental Laws; or any substances or materials listed as hazardous or toxic by any Appropriate Authority.

Insurance Costs: For any Operating Year, Landlord's costs for maintaining, under one or more policies, property insurance coverage with respect to the Building and the Center generally, including, without limitation, commercial general liability insurance; insurance against fire and "all-risk" coverage, including earthquake and flood, theft or other casualties; insurance against loss of Rent and other income; workers' compensation insurance or similar insurance covering personnel; fidelity bonds for personnel; insurance against liability for defamation and claims of false arrest occurring on and about the Center; and such other insurance coverages deemed appropriate by Landlord with such coverage limits, deductible amounts and companies as Landlord may reasonably determine.

Lease Year: Generally a period of twelve (12) consecutive full calendar months except that (i) the first Lease Year shall begin on the Commencement Date and shall end on the last day of the twelfth full calendar month thereafter; (ii) each successive Lease Year shall commence upon the first day of the calendar month next following the end of the first Lease Year and shall consist of twelve (12) consecutive full calendar months and (iii) if the Term is not equally divisible into twelve-month segments, then the last Lease Year shall consist of the number of full calendar months, less than twelve, remaining in the Term after accounting for the first Lease Year and all previous twelve-month Lease Years.

Leasehold Improvements: Those improvements, if any, constructed or to be constructed by Landlord within the Premises for Tenant prior to the Commencement Date and as shown and described on **Exhibits B and B-1**.

Legal Requirements: (i) all laws, ordinances, notices, orders, rules, regulations and requirements of any and all Federal, state or municipal governments, and of the appropriate departments, commissions, boards and officers thereof which impose any duties on a party respecting the use, operation, care, repair, replacement or alteration of the Premises generally, and including but not limited to The Americans with Disabilities Act, 42 U.S.C. § 12101, *et. seq.*, and the ADA Disability Guidelines promulgated with respect thereto; (ii) all Environmental Laws; (iii) all zoning and other land use matters and utility availability regulations or directives; (iv) any direction of any public officer or officers, pursuant to law, which shall impose any duty upon Landlord or Tenant respecting the use, operation, care, repair, replacement or alteration of the Premises; and (v) all notices, orders, rules and regulations of the National Board of Fire Underwriters, or any other body now or hereafter constituted and exercising similar functions, relating to all or any part of the Premises, regardless of when they became effective; (v) all covenants, conditions, restrictions, reciprocal easement agreements and the like which are recorded among the land records of the jurisdiction in which the Center is located and which are applicable to the Center generally.

Notice: Any notice required or permitted to be given hereunder. All Notices shall be in writing and shall be conclusively presumed to have been received one (1) day after depositing into the United States mail, if delivery is by postage paid registered or certified mail, or by telecopier, or by FEDEX or other nationally recognized overnight courier service. Any notice in any other manner shall be deemed given when actually received. Any notice given by telecopier shall be promptly sent by first class mail, postage prepaid, as well. All notices to be sent to the Tenant shall be sent care of the Tenant's Notice Address. Notices to Landlord shall be delivered or addressed to Landlord's Notice Address, with a copy to any other persons designated by Landlord. Either party may, at any time, in the manner set forth for giving notices to the other, set forth a different address to which notices to it shall be delivered or sent. **[SEE RIDER]**

Operating Costs: In each Operating Year, all costs and expenses incurred by or on behalf of Landlord in operating, managing, insuring, securing and maintaining the Center (excepting Taxes), including, without limitation, all costs and expenses of operating, maintaining, repairing, lighting, signing, cleaning, painting, striping, policing and security of the Center (including cost of uniforms, equipment and employment taxes); electricity, gas, water, sewer and other utility charges of every type and nature, including costs of providing energy to light, heat, ventilate and air condition the Center and the maintenance and repair of equipment used for such purposes; costs and expenses of repairing and maintaining all mains and electrical conduits necessary to provide water, electricity, telephone and sewer service to the Center; roads and storm drainage facilities unless and until dedicated for public purposes; alarm and life safety systems; Insurance Costs; cost of cleaning all exterior glass; removal of water, snow, ice, litter and debris; regulation of traffic; costs and expenses of inspecting and depreciation of machinery and equipment used in the operation and maintenance of the Center and personal property taxes and other charges (including, but not limited to, leasing or rental costs) incurred in connection with such equipment; costs and expenses incurred in making any alterations to the Center required to be made pursuant to Legal Requirements, consistent with the provisions of Subsection 9.5; costs and expenses of maintenance and repair or replacement of roofs, awnings, paving, curbs, walkways, landscaping, drainage, pipes, ducts, conduits and similar items, signage for the Center, and lighting facilities; costs and expenses of planting, replanting and replacing flowers, shrubbery and planters; Landlord's share of expenses under any declaration, covenant, condition, restriction or other agreement recorded among the land records of the county in which the Center is located and applicable to the Center; wages, salaries or other compensation or benefits paid to any building manager or other non-executive employees below the grade of building manager, to the extent allocable to services rendered in connection with the operation or maintenance of

the Building; and administrative costs or management fees relating to operating and maintaining the Center. Any of the foregoing expenses required to be capitalized for federal income tax purposes shall be amortized on a straight-line basis over a period equal to the lesser of the useful life thereof for federal income tax purposes or ten years. The term "Operating Costs" shall not include costs or expenses or depreciation or amortization for capital repairs and capital replacements required to be made by Landlord pursuant to Subsection 9.5; debt service under any Superior Mortgage, or ground rent payments under any Superior Lease; leasing commissions; expenditures for which Landlord is reimbursed by any insurance carrier, or from any other source; or cost of repairs or replacements incurred by reason of Casualty or condemnation. **[SEE RIDER]**

Operating Year: Each successive calendar year or part thereof during the Term of this Lease or any renewal thereof, or, at Landlord's option, each successive fiscal year of Landlord or part thereof, during the Term.

Plans and Specifications: Any Preliminary Plans and Specifications or Final Plans and Specifications for the completion of Leasehold Improvements, so identified and attached hereto as or referenced in **Exhibit B**.

Ready for Occupancy: See Substantial Completion.

Reimbursement Rate: 18% per annum.

Rent: All Basic Rent and Additional Rent.

Rentable Area of the Center: The total rentable square footage of the Building and all other buildings located from time to time within the Center.

Substantial Completion/Ready for Occupancy: The substantial completion of any Leasehold Improvements to be performed by Landlord as required by this Lease (except for so-called punch list items), and the issuance of all required certificates of use and occupancy by Appropriate Authorities in accordance with Legal Requirements, so that the Premises are ready for Tenant to commence the installation of its trade fixtures, equipment and inventory, and so implicitly so certified to by the Landlord or its representative by the delivery of the Commencement Date Letter to Tenant.

Superior Lease; Superior Lessor: "Superior Lease" means all present and future ground leases, operating leases, superior leases, overriding leases and underlying leases and grants of term of the Center and the Building or any portion thereof; and "Superior Lessor" means the party then exercising the rights of landlord thereunder.

Superior Mortgage; Superior Mortgagee: "Superior Mortgage" means all mortgages and building loan agreements, including leasehold mortgages and spreader and consolidation agreements, which may now or hereafter affect the Center, the Building or the Premises, except that a mortgage on the Center only shall not be a Superior Mortgage so long as there is in effect a Superior Lease which is not subordinate to such mortgage; and "Superior Mortgagee" means the party then exercising the rights of mortgagee, beneficiary or secured party thereunder.

Taxes: (i) all real estate and other *ad valorem* taxes, including, without limitation, real estate rental, receipt or gross receipt tax or any other tax on Landlord (excluding Landlord's income

taxes), now or hereafter imposed by any Appropriate Authority and whether as a substitution for or in addition to the present method of real property taxation currently in use; (ii) charges or assessments imposed under the authority of any applicable parks and recreation association or the like, which appear on the Tax bill furnished by the Appropriate Authority; and (iii) Fees and Costs, if necessary, incurred in connection with any negotiation, contest or appeal pursued by Landlord in an effort to reduce Taxes, and (iv) any metropolitan district water and sewer charges and other governmental charges which customarily are part of the real estate tax bill issued by Appropriate Authorities charged with said responsibility.

Tax Year: The twelve (12) month period beginning July 1 of each year or such other twelve (12) month period (deemed to have 365 days) established as a real estate tax year by the taxing authorities having lawful jurisdiction over the Center.

Tenant's Personal Property: All equipment, machinery, furniture, furnishings and/or other property now or hereafter installed or placed in or on the Premises by and at the sole expense of Tenant with respect to which Tenant has not been granted any credit or allowance by Landlord and which (a) is not used, or was not procured for use, in connection with the operation, maintenance or protection of the Premises or the Building; (b) is removable without damage to the Premises or the Building, and (c) is not a replacement of any property of Landlord, whether such replacement is made at Tenant's expense or otherwise. Notwithstanding any other provision of this Lease, Tenant's Personal Property shall not include any Leasehold Improvements or Alterations, whether or not any of the same were installed at Tenant's expense. **[SEE RIDER]**

Tenant's Proportionate Share: A fraction, expressed as a percentage, the numerator of which is the Rentable Area of the Premises, and the denominator of which is the Rentable Area of the Center. **[SEE RIDER]**

Transfer; Transferee: (i) an assignment or other transfer, mortgage or other encumbrance of Tenant's interest in this Lease or any of its rights under it; (ii) a sublease of all or part of the Premises or the occupancy or use of any part of the Premises by any person other than Tenant; or (iii) an assignment or other transfer of Tenant's interest in this Lease by operation of law, including any levy or sale in execution of a judgment or any assignment or sale in bankruptcy, or insolvency, or the appointment of a receiver or trustee by any state or federal court; and a Transferee means any transferee, assignee, mortgagee, sublessee or occupant with respect to such a Transfer.

Unavoidable Delay: Any delay caused by fire, earthquake, or other acts of God, acts of the public enemy, riot, insurrection, governmental regulations, the sales of materials and supplies, or strikes directly affecting the work of construction or shortages of materials or labor resulting from governmental control or diversions.

**RIDER ATTACHED TO AND MADE PART OF THE
STANDARD FORM OFFICE LEASE AGREEMENT
Dated March 16, 2007
By and between
CORPORATE PLACE 1 BUSINESS TRUST ("Landlord")
and
COSTAR GROUP, INC. ("Tenant")**

This Rider to Lease is, or is intended to be, executed contemporaneously with the above-referenced Lease, to be attached thereto and to form an integral part thereof. The Landlord and the Tenant agree that the terms of the Lease shall be and are hereby amended, deleted or amended and restated as follows. In case of any conflict between the terms and conditions of the Lease and this Rider, the terms of this Rider shall control.

- 1. Lease of Premises; Contingency; Delivery.**Section 1 of the General Terms and Conditions to Lease is amended to provide that notwithstanding anything to the contrary set forth therein, provided Tenant delivers Preliminary Plans and Specifications to Landlord by February 23, 2007, and further provided that Final Plans and Specifications are completed by April 16, 2007, if the Commencement Date of the Term of the Lease shall not have occurred by September 1, 2007, for any reason other than Unavoidable Delay, delays attributable to long lead times for receipt of non-standard construction finishes or improvements selected by Tenant or items, or delays attributable to the action or inaction of Tenant, then Tenant shall be entitled to an abatement of Basic Rent, calculated on a per diem basis, for each day accounting from September 1, 2007, to and including the Commencement Date. Such abatement or Basic Rent credit shall be applied against Tenant's Basic Rent obligation as the same otherwise becomes due and payable.
 - 2. Tenant Reimbursement for Leasehold Improvements at Tyler Ridge.**Tyler Ridge Limited Partnership (an affiliate of Landlord) and Tenant are parties to a Lease dated September 28, 2006 (the "Tyler Ridge Lease"), for the rental to Tenant of a portion of the building located at 8013 Corporate Drive, Baltimore, Maryland 21236 and known as Tyler Ridge, such portion being designated as Suite I and consisting of 24,213 square feet of space (the "Tyler Ridge Premises"). In connection with the Tyler Ridge Lease, Tyler Ridge Limited Partnership performed certain leasehold improvements to the Tyler Ridge Premises in the amount of \$56,861.00 at Tenant's sole cost and expense. Provided this Lease is fully-executed and no Tenant Default exists under this Lease or the Tyler Ridge Lease, Landlord hereby agrees to cause such amount to be reimbursed to Tenant within thirty (30) days following the full execution hereof.
 - 3. Lease of Premises; Parking.**Section 1 of the General Terms and Conditions to Lease is further amended to provide that in addition to the lease of the Premises, Tenant shall also be entitled to the non-exclusive right, in common with other tenants and at no additional charge, to the use of non-reserved parking at the Center's parking lot at a ratio of 5.57 spaces/1,000 square feet of space leased by Tenant.
 - 4. Quiet Possession.**Section 2 of the General Terms and Conditions to Lease is deleted in its entirety and the following provision is substituted:
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Following the Commencement Date Tenant shall peaceably and quietly have, hold and enjoy the Premises without hindrance, ejection or molestation by Landlord or any person lawfully claiming through or under Landlord. This covenant is subject to the provisions of this Lease, the provisions of any SNDA (as defined in Section 19 of the Lease) obtained pursuant to Section 19 of the Lease and shall apply if and so long as Tenant pays all Rent due hereunder, performs and observes the other terms and covenants to be performed and kept by it as provided in this Lease, and complies with Legal Requirements. This covenant shall be construed as a covenant running with the land, and is not a personal covenant of Landlord, except to the extent of Landlord's interest in this Lease and only so long as such interest shall continue, and thereafter this covenant shall be binding only upon subsequent successors in interest of Landlord's interest in this Lease, to the extent of their respective interests, as and when they shall acquire the same, and so long as they shall retain such interest.

5. **Term.**Section 3 of the General Terms and Conditions to Lease is deleted in its entirety and the following provision is substituted:

The Term of this Lease shall commence upon the Commencement Date and shall end on the last day of the last calendar month of the Term (unless sooner terminated pursuant to the provisions of this Lease). Provided the Leasehold Improvements have been Substantially Completed, the Commencement Date shall be conclusively confirmed by Landlord to Tenant in writing by delivery of a Commencement Date Letter in the form of **Exhibit D**. Beginning with the complete execution of this Lease, but prior to the Commencement Date, Landlord and Tenant shall be subject to all of the terms and provisions of this Lease excepting only those requiring the payment of Rent and respecting possession, occupancy, care and maintenance of the Premises. Tenant shall be given access to the Premises thirty (30) days prior to the Commencement Date or as soon as practicable thereafter for purposes of installation of telephone systems, data information systems and other equipment. Such access shall occur during normal business hours and upon prior notice to Landlord. Upon such entry by Tenant to the Premises prior to the Commencement Date, Tenant shall be subject to all of the terms and provisions of this Lease excepting only those requiring the payment of Rent.

6. **Completion of Leasehold Improvements; Delivery.**Section 4.1 of the General Terms and Conditions to Lease is deleted in its entirety and the following provision is substituted:

Prior to the Commencement Date Landlord shall complete Leasehold Improvements to the extent provided in **Exhibit B**. Otherwise, the Premises are leased to Tenant in "As-Is" condition and without any obligation of Landlord to construct improvements or perform any other work in the Premises, except as expressly provided herein.

7. **Acceptance of Premises.**Section 4.2 of the General Terms and Conditions to Lease is deleted in its entirety and the following provision is substituted:

By its acceptance of keys to the Premises, or by opening for business or otherwise occupying the Premises, Tenant shall be deemed to have accepted the Premises, to have acknowledged that they are in the condition called for hereunder and to have agreed that the obligations of Landlord imposed for the delivery of the Premises have been fully performed, subject to the completion of so-called "punch-list" items agreed to in writing by the parties as of the Commencement Date (which "punch-list" items shall have been agreed upon by the parties pursuant to a walk-through of the Premises) as well as the correction of defects in the Leasehold

8. **Basic Rent.**Section 5.1 of the General Terms and Conditions to Lease is deleted in its entirety and the following provision is substituted:

The Basic Rent shall be payable in equal Monthly Installments of Basic Rent in advance on the first day of each full calendar month during the Term, without any deduction or setoff whatsoever (except as otherwise expressly provided in this Lease), and without demand. Tenant shall pay the Advance Rent to Landlord concurrently with the signing of this Lease. The payment of Basic Rent shall commence on the Commencement Date, provided however, if the Commencement Date has not occurred by September 1, 2007 because (a) Tenant failed to deliver the Preliminary Plans and Specifications to Landlord by February 23, 2007, (b) Final Plans and Specifications were not completed by April 16, 2007 due to the action or inaction of Tenant or (c) of any other delay in the planning or construction process that is a direct consequence of any action or inaction of Tenant, then Tenant's obligation to pay Basic Rent shall commence on September 1, 2007, notwithstanding that the Commencement Date shall not have occurred by such date. Notwithstanding anything to the contrary set forth herein or elsewhere in the Lease, Tenant's obligation to commence the payment of Rent shall be delayed on a day-for-day basis in the event of any delay attributable to Unavoidable Delay or unreasonable delay on the part of Landlord during the planning and construction process. If Tenant's obligation to pay Basic Rent occurs on a day other than the first day of a month, then the first monthly payment due shall include any prorated Basic Rent for the period from such date to the first day of the first full calendar month next following.

9. **Late Charge for Failure to Pay Rent and Additional Rent.**Section 5.4 of the General Terms and Conditions to Lease is deleted in its entirety and the following provision is substituted:

All sums payable as Basic Rent or Additional Rent shall be paid by Tenant to Landlord's Rental Payment Address, or at such other address as Landlord may from time to time designate by Notice given to Tenant care of Tenant's Notice Address. If any check tendered by Tenant in payment of Rent is dishonored upon presentment for payment, then Landlord, in addition to all other rights and remedies contained in this Lease, may assess a dishonor charge of Fifty Dollars (\$50.00); and Landlord shall thereafter have the right to insist that all of Tenant's further payments be made by certified check. If Tenant fails to pay any Basic Rent or any Additional Rent within five (5) days of the time it is due and payable (including deemed failure to pay due to dishonor of Tenant's check upon presentation for payment), then Landlord, in addition to all other rights and remedies contained in this Lease, may assess a late charge against Tenant in the amount of Five Hundred Dollars (\$500.00).

10. **Adjustment of Proportionate Share.**Section 5.6 of the General Terms and Conditions to Lease is deleted in its entirety and the following provision is substituted:

If Landlord elects to alter the Rentable Area of the Building (as, for example, reconfiguring Common Areas into Rentable Area, or reconfiguring Rentable Area into Common Area), then Landlord shall adjust Tenant's Proportionate Share. Appropriate proration shall be made for any partial period of a Lease Year resulting from such adjustment.

11. Deposit. Section 5.7 of the General Terms and Conditions to Lease is amended to provide that Tenant shall have the option to tender to Landlord, as its Deposit, an irrevocable clean letter of credit. If Tenant elects such option, then the following provisions shall apply:

5.7.1 Upon Tenant's execution of this Lease, Tenant shall tender to Landlord, as its Deposit, an irrevocable clean letter of credit in the form referred to in **Exhibit A** to this Rider and made a part hereof, issued by a national banking association and of Tenant's choosing, but in any event reasonably acceptable to Landlord, in the face amount of \$71,283.49 (the "Letter of Credit") which shall be held by the Landlord as security for the Tenant's performance hereunder. If the Letter of Credit expires prior to the date scheduled for termination of this Lease, then, not less than thirty (30) days prior to the expiration of the Letter of Credit, Tenant shall deliver to Landlord a renewal or replacement of the Letter of Credit having the effect of renewing the expiring Letter of Credit or replacing it with a new Letter of Credit on terms materially identical to those of the expiring Letter of Credit. If Tenant fails to deliver a renewal or replacement of the expiring Letter of Credit on or before such thirty (30) day period then, following fifteen (15) days notice to Tenant, tendered in accordance with this Lease, and Tenant's failure or refusal to deliver such renewal or replacement within such fifteen (15) day period, Landlord shall use commercially reasonable efforts to draw under the Letter of Credit for the full amount thereof for application as hereinafter provided. The proceeds of such draw shall, upon receipt, be held by Landlord to be applied as hereinafter provided. If Tenant fails to deliver a renewal or re-placement of the expiring Letter of Credit in the manner above set forth and if, as a result, Landlord draws under the Letter of Credit as above set forth and receives the proceeds thereof, as aforesaid, then Tenant's original failure to deliver a renewal or replacement of the expiring Letter of Credit shall not be deemed to be an Event of Default pursuant to Section 21 of this Lease. If (i) Landlord uses commercially reasonable efforts to draw under the Letter of Credit as herein provided and in such event the issuing bank refuses to honor the Letter of Credit, or (ii) Tenant fails to deliver a renewal or re-placement of the expiring Letter of Credit in the manner above set forth and if, as a result of such refusal or failure, the Letter of Credit expires prior to Landlord's draw thereunder then in either event, Tenant's original failure to deliver a renewal or replacement of the expiring Letter of Credit shall be deemed to be an Event of Default pursuant to Section 21 of this Lease; in addition to Landlord's other remedies for such default Landlord shall have the right, upon demand by Landlord, to require Tenant to forthwith deliver to Landlord a substitute or replacement for the Letter of Credit and, in addition, Tenant shall pay Landlord an amount equal to interest at the Default Rate on the principal amount of the Letter of Credit, accounting from the date of expiration thereof to and including the date on which a replacement to the Letter of Credit is delivered to Landlord.

5.7.2 In no instance shall the amount of the Deposit be considered a measure of liquidated damages. Landlord may apply all or any part of the Deposit in total or partial satisfaction of any default by Tenant. The application of all or any part of the Deposit to any obligation or default of Tenant under this Lease shall not deprive Landlord of any other rights or remedies Landlord may have, nor shall such application by Landlord constitute a waiver by Landlord. If all or any part of the Deposit is applied to an obligation of Tenant under this Lease then Landlord shall have the right to call upon Tenant to restore the Deposit to its original amount in cash or post a new Letter of Credit in the original amount pursuant to the terms hereof by giving notice to Tenant, in which case Tenant shall immediately restore the Deposit. The Deposit, if reduced to cash, shall be held by Landlord without liability for interest; Landlord shall be entitled to the full use of the Deposit as reduced to cash and shall not be required to keep it in a segregated account or escrow. It is understood and agreed that should Landlord convey its interest under this Lease, the Deposit may be turned over by Landlord to

Landlord's grantee or transferee, and upon any such delivery of the Deposit and assumption by such transferee of Landlord's obligations under this Lease with respect to the Deposit, Tenant hereby releases Landlord herein named of any and all liability with respect to the Deposit, its application and return, and Tenant agrees to look solely to such grantee or transferee. This provision shall also apply to subsequent grantees and transferees. Landlord will return the balance of the Deposit not previously applied as provided herein, within thirty (30) days after expiration of the Term.

5.7.3 Tenant's obligations to maintain the Letter of Credit as security for Tenant's obligations under this Lease shall extend until the end of the Term of this Lease so long as Tenant has not theretofore committed an Event of Default under this Lease which results in a written notice of Default from Landlord. If no such Notice of Default has issued prior to such time then, at any time following the end of the Term of this Lease, and so long as no Event of Default then exists, Landlord shall, upon request of Tenant, (a) return an unexpired Letter of Credit or (b) refund the Deposit as previously reduced to cash by Landlord following negotiation of the Letter of Credit.

12. Compliance with Rules, Ordinances, Etc.Section 6.3 of the General Terms and Conditions to Lease is deleted in its entirety and the following provision is substituted:

Tenant shall, throughout the Term, at Tenant's sole cost and expense, promptly comply with the provisions of the Rules and Regulations and all Legal Requirements, except as otherwise expressly provided herein, including Section 9.5 hereof.

13. Hazardous Materials; Landlord's Agreements.Section 6.4 of the General Terms and Conditions to Lease is amended to add the following provision:

6.4.3.

(a) Landlord hereby makes the following warranties to Tenant, each of which is made only to the best of Landlord's knowledge as of the date of this Lease: (i) Landlord has not placed or allowed to be placed on the Premises any Hazardous Materials or otherwise violated any Environmental Laws with respect to the Premises which violation remains unremedied; (ii) Landlord has received no notice of, nor does Landlord have any knowledge of placement of Hazardous Materials on the Premises by third parties; (iii) Landlord has made no environmental assessments, audits, tests or sampling to ascertain if the Premises was previously contaminated by Hazardous Materials or the existence of violation of Environmental Laws, nor does it have any knowledge of the existence of any such assessments, audits, tests or samplings; (iv) Landlord has neither filed or been required to file any reports respecting Hazardous Materials with any Appropriate Authority; (v) Landlord has received no notice from any Appropriate Authority respecting Hazardous Materials on the Premises.

(b) The provisions of this Paragraph (b) shall only apply if (i) it is determined at any time by a court of competent jurisdiction that the representations of Landlord contained in Paragraph (a) are not correct and that Landlord had actual knowledge of such incorrectness as of the date of this Lease; or (ii) Landlord, its agents, employees or contractors (but not tenants of Landlord or their agents, employees or contractors) violate any Environmental Laws with respect to the Premises. If this Paragraph (b) applies because of an occurrence described in the immediately preceding sentence, then the following shall apply: (1) Landlord shall be responsible for all costs incurred in complying with all Environmental Laws which relate to the occurrence in question and (2) Landlord shall indemnify, defend and hold Tenant harmless from

and against any and all claims, judgements, damages, penalties, fines, costs, liabilities or losses (including, without limitation, sums paid in settlement of claims, attorneys' fees, consultant fees and expert fees) which arise during or after the Term from or in connection with the Hazardous Materials and the occurrence in question except for Tenant's lost profits or damages or loss to Tenant's business.

14. Hazardous Material; Tenant's Agreements.Section 6.4.1 of the General Terms and Conditions to Lease is amended to provide that notwithstanding anything to the contrary set forth therein, Tenant may be permitted to allow ordinary amounts of everyday cleaning and office supplies as are sold over the counter and are deemed to be necessary or useful to Tenant's business or for the care and upkeep of the Premises to be brought upon, kept or used in or about the Premises provided they are used, kept and stored in a manner that complies with all Environmental Laws.

15. Transfer.Section 7.1 of the General Terms and Conditions to Lease is deleted in its entirety and the following provision is substituted:

Except as expressly provided in Subsection 7.3, no Transfer shall be permitted of this Lease without the prior written consent of Landlord in each instance first obtained. Any consent given to any one Transfer shall not constitute a consent to any subsequent Transfer. Any attempted Transfer without Landlord's consent shall be null and void and shall not confer any rights upon any purported Transferee. No Transfer, regardless of whether Landlord's consent has been granted or withheld, shall be deemed to release Tenant from any of its obligations hereunder or to alter, impair or release the obligations of any person guaranteeing the obligations of Tenant hereunder. Landlord agrees that its consent to a Transfer will not be unreasonably withheld, conditioned or delayed. Landlord will give Tenant prompt Notice of any denial of a request for Transfer approval, stating the reason or reasons for such denial.

16. Transfer Approval Conditions.Section 7.2.5 of the General Terms and Conditions to Lease is deleted in its entirety and the following provision is substituted:

Tenant will promptly reimburse Landlord for all Fees and Costs actually and reasonably incurred by Landlord in connection with the review and approval of the proposed Transfer and any Transfer instrument, in any event not to exceed the Transfer Review Fee per proposed Transfer.

17. Transfer Approval Conditions.Section 7.2.6 of the General Terms and Conditions to Lease is deleted in its entirety and the following provision is substituted:

No Transfer will be to a then-existing tenant or occupant of the Building if and so long as other space is then available for leasing by Landlord in the Building, which is of sufficient size to accommodate the proposed Transferee's need for space.

18. Transfer Approval Conditions.Section 7.2.7 of the General Terms and Conditions to Lease is deleted in its entirety and the following provision is substituted:

In the event that Landlord releases Tenant from its obligations under the Lease upon a Transfer, then upon request, the assignee (in the case of a proposed assignment) or Tenant (in the case of a proposed subletting) will increase the original Deposit to such amount as Landlord may reasonably require (or if no Deposit was initially made then such party will post with Landlord such Deposit as Landlord may reasonably require);

19. **Transfer Approval Conditions.**Without in any way limiting the provisions of Section 7.1, Section 7.2.8 of the General Terms and Conditions to Lease is deleted in its entirety.

20. **Transfer Approval Conditions.**Section 7.2.10 of the General Terms and Conditions to Lease is deleted in its entirety and the following provision is substituted:

The Transfer will not result in the subletting, or subletting and assignment, of the Premises for occupancy by more than three (3) sublessees or assignees at any one (1) time during the Term.

21. **Corporate, Partnership Transfers.**Section 7.3.1 of the General Terms and Conditions to Lease is clarified to provide that notwithstanding anything to the contrary set forth therein, Landlord's consent shall not be required for transfers of stock of Tenant which are traded through a national or regional exchange or over-the-counter, direct or indirect transfers of stock or equity interests to any entities that control Tenant or are controlled by or under common control with Tenant, direct or indirect transfers of stock or equity interests in connection with the sale of all or substantially all of the stock or equity interests of Tenant or the merger of Tenant into another entity, or sale of all or substantially all of the assets of Tenant, provided however, that Tenant shall give Notice to Landlord of any such Transfer.

22. **Corporate, Partnership Transfers.**Section 7.3.2 of the General Terms and Conditions to Lease is deleted in its entirety and the following provision is substituted:

Tenant may Transfer this Lease, at any time during the Term of this Lease, to any parent, subsidiary or affiliate corporation of Tenant or to the surviving corporation in connection with a merger, consolidation or acquisition between Tenant and any of its subsidiaries or any other corporation, or in connection with the sale of all or substantially all of the property and assets of the Tenant, upon prior Notice to Landlord but without Landlord's prior written consent, provided, in the case of any assignment, (i) in the event that Tenant is fully released from its obligations under the Lease, the net worth of the assignee corporation shall be reasonably satisfactory to Landlord; (ii) such assignee continues to operate the business conducted in the Premises for the Permitted Use and in the same manner as Tenant and pursuant to all of the provisions of this Lease; (iii) such assignee corporation shall assume in writing in a form reasonably satisfactory to Landlord all of Tenant's obligations hereunder; (iv) Landlord shall be furnished with a copy of such assignment within ten (10) days prior to the effective date of the proposed assignment or other transfer thereof; and (v) Tenant to which the Premises were initially leased shall continue to remain liable on this Lease for the performance of all terms including, but not limited to, payment of all rentals and other sums due under this Lease.

23. **Request for Transfer.**Section 7.4 of the General Terms and Conditions to Lease is deleted in its entirety and the following provision is substituted:

Tenant's notice of its intent to Transfer shall (in the event such Transfer consists of an assignment of all of Tenant's right, title and interest in and to this Lease) also be deemed to constitute Tenant's offer to reconvey to Landlord, as of the proposed effective date of the Transfer, that portion of the Premises which is the subject of the proposed Transfer, which offer shall contain an undertaking by Tenant to accept, as full and adequate consideration for the reconveyance, Landlord's release of Tenant from all future Rent and other obligations under this Lease with respect to the Premises or the portion thereof so reconveyed. Landlord, in the sole and unfettered exercise of its discretion, shall accept or reject the offered reconveyance within thirty (30) days of the offer, and, if Landlord accepts, the reconveyance shall be evidenced by an agreement in form and substance acceptable to Landlord. If Landlord fails to accept or reject the offer within the thirty (30) day period then Landlord shall be deemed to have rejected the

offer of reconveyance, but no such rejection shall be deemed to be a consent to the requested Transfer. This provision shall not apply in the case of a proposed Transfer covered by Section 7.3.2.

24. **Excess Rent.**Section 7.5 of the General Terms and Conditions to Lease is deleted in its entirety and the following provision is substituted:

In the case of any Transfer made without Landlord's prior written consent Landlord may nevertheless collect Rent from the Transferee and apply the net amount collected to the Rent herein reserved. The acceptance by Landlord of the payment of Rent following any Transfer not expressly consented to by Landlord pursuant to this Section shall not be deemed to be a consent by Landlord to such Transfer nor shall the same be deemed to be a waiver of any right or remedy of Landlord hereunder, nor constitute a release of Tenant or any guarantor of Tenant's obligations from the further performance by Tenant and such guarantor of the terms and provisions of this Lease and any such guaranty. Furthermore, under any and all circumstances, in the case of any Transfer, Tenant shall pay to Landlord monthly, as Additional Rent, the 50% of the excess of the consideration received or to be received less Tenant's actual and reasonable costs directly attributable to the Transfer during such month for such Transfer including commissions, allowances and attorneys' fees (whether or not denominated as rent) over the Rent reserved for such month in this Lease applicable to such portion of the Premises so Transferred.

25. **Abandonment.**Section 8.1 of the General Terms and Conditions to Lease is deleted in its entirety and the following provision is substituted:

Tenant shall not abandon the Premises at any time during the Term of this Lease. If Tenant does abandon the Premises or is dispossessed by process of law then any of Tenant's Personal Property left on the Premises may, at the option of the Landlord, be deemed to have been abandoned by Tenant, in which case the provisions of Subsection 8.4 shall apply. For purposes hereof, Tenant shall be deemed to have abandoned the Premises if Tenant has ceased to operate its business from the Premises, has removed or indicated the intent to remove Tenant's Personal Property from the Premises and fails or has failed to maintain the Premises as otherwise provided in this Lease.

26. **Surrender.**Section 8.2 of the General Terms and Conditions to Lease is deleted in its entirety and the following provision is substituted:

Unless sooner terminated, this Lease shall expire absolutely upon the expiration of the Term without the necessity of any notice or other action from or by either party. At the expiration or earlier termination of the Term of this Lease, Tenant shall peaceably surrender the Premises in broom clean condition and good order and repair and otherwise in the same condition as the Premises were upon the Commencement Date, except (i) ordinary wear and tear, (ii) to the extent that the Premises is not required to be repaired or maintained by Tenant, (iii) damage by Casualty and (iv) Alterations for which, upon Tenant's request for approval by Landlord of the same, Landlord did not indicate that Tenant would be required to remove such Alterations upon the termination or expiration of the Term. Tenant shall surrender to Landlord all keys for the Premises to Landlord's Notice Address and shall notify Landlord in writing of all combinations or codes for any other locks, vaults or alarm systems, if any, installed in the Premises. Landlord shall inspect the Premises to determine whether they are returned in the condition called for under this Section. Tenant shall be afforded a reasonable opportunity to be present at such

inspection. Tenant's obligations to observe and perform the covenants set forth in this Subsection shall survive the expiration or earlier termination of this Lease.

27. **Removal of Cabling, Alterations.**Section 8.3 of the General Terms and Conditions to Lease is amended to provide that with respect to Alterations other than data and communications cabling and equipment installed in the Premises or otherwise in the Building specifically to serve Tenant in its use of the Premises, notwithstanding anything to the contrary set forth therein, Tenant shall not be required to remove Alterations that are of an ordinary and customary nature with respect to commercial office space. The determination of whether any Alteration is ordinary and customary shall be made by Landlord in its reasonable judgment.
28. **Removal of Tenant's Personal Property, Trade Fixtures.**The reference to "five (5) days Notice to Tenant" in Section 8.4 of the General Terms and Conditions to Lease is deleted and substituted in lieu thereof with "ten (10) days Notice to Tenant."
29. **Repairs to be Made by Landlord.**Section 9.1 of the General Terms and Conditions to Lease is amended to provide that in performing such repairs, Landlord (i) shall not unreasonably impair or impede access to the Premises by Tenant, its employees and invitees, and (ii) shall use commercially reasonable efforts to minimize interruption to or interference with Tenant's business.
30. **Damage to Premises, Building, Center.**Section 9.3 of the General Terms and Conditions to Lease is deleted in its entirety and the following provision is substituted:

Except as, and to the extent, otherwise provided in Subsection 14.5, Tenant shall reimburse Landlord, upon demand (as Additional Rent), for the cost of the repair of any damage to or dangerous condition caused or created in the Center, if caused or created by Tenant, its employees, agents or contractors. If Tenant fails to commence such repair or remediation within ten (10) days after Landlord's notice to do so, or if Landlord elects to undertake such repair or remediation for the account of Tenant, then Tenant agrees to pay to Landlord promptly upon Landlord's demand, as Additional Rent. Tenant's obligations for Additional Rent hereunder shall accrue interest thereon at the Reimbursement Rate until paid; and its payment and performance obligations hereunder shall survive the termination of this Lease. Tenant's obligations under this Section do not apply in the case of remediation following a Casualty.

31. **Alterations by Tenant.**Section 9.4.2 of the General Terms and Conditions to Lease is deleted in its entirety and the following provision is substituted:

If Landlord's consent is required for the making of an Alteration then Tenant's request for consent will be accompanied by reasonably complete plans and specifications for the proposed Alterations. If such approval is granted, Tenant shall cause the Alterations described in such plans and specifications to be performed, at its expense, promptly, efficiently, competently and in a good and workmanlike manner by duly qualified and licensed persons or entities, without interference with or disruption to the operations of tenants or other occupants of the Building or the Center. Alterations shall only be made after Tenant has obtained any necessary permits from governmental authorities for the Alterations. Tenant shall notify Landlord of the date on which work on Alterations is scheduled to begin and shall arrange for periodic inspections by Landlord of the job progress to insure compliance with the approved plans and specifications. All such work shall comply with all Legal Requirements and shall be performed by contractors who are approved by Landlord (whose approval will not be unreasonably withheld) and who carry the insurance coverage required in Section 15. Landlord shall have the right to require

from Tenant, or Tenant's contractor, further assurances against mechanics' liens including, but not limited to, lien waivers and releases from all contractors, subcontractors, and suppliers.

32. Alterations by Tenant.Section 9.4.3 of the General Terms and Conditions to Lease is deleted in its entirety and the following provision is substituted:

Any Alterations shall be made at Tenant's sole cost, payable by Tenant as Additional Rent; and such cost shall include a supervisory fee of three percent (3%) of the total cost of the work for which Landlord shall oversee the construction of the Alterations to ensure (i) compliance with the rules and regulations set forth in the Lease and as established for the Building generally, (ii) that the construction does not interfere with other tenants' uses of their respective premises or the Common Areas of the Building and (iii) that the Alterations are in compliance with building standard qualities. Upon completion of the Alterations, the contractor shall provide Landlord with as-built drawings, operating manuals and lien waivers with respect to the same. If Tenant makes any Alterations in violation of Section 9, in addition to Landlord's other remedies, Landlord may correct or remove such Alterations and Tenant shall, on demand, pay the cost thereof (plus three percent (3%) of such cost as a supervisory fee) as Additional Rent. If any mechanic's lien is filed against the Premises or the Building or the Center for work or materials furnished to Tenant (other than by Landlord) the lien shall be discharged by Tenant within thirty (30) days thereafter, solely at Tenant's expense, by either paying off or bonding the lien. Should Tenant fail to discharge any lien within thirty (30) days of its filing, then, in addition to Landlord's other remedies, Landlord shall have the right, but not the obligation, to discharge said lien at Tenant's expense, in which case Tenant shall reimburse Landlord for the same upon demand, as Additional Rental, together with interest accounting from the date of demand until payment is made.

33. Alterations to Comply with Legal Requirements.Section 9.5.2 of the General Terms and Conditions to Lease is deleted in its entirety and the following provision is substituted:

Subject to Landlord's obligations set forth in the previous Subsection and in the following Subsection, if any Alterations are required to be made to the Premises, the Building or the Center due to a change in, or change in the interpretation of, or more stringent enforcement of, Legal Requirements occurring on or after the Commencement Date (and not in connection with Alterations elsewhere in the Center undertaken by Landlord), then Landlord shall make such Alterations as aforesaid, provided that the cost of such Alterations shall be amortized over their useful life (as determined in accordance with the Internal Revenue Code and generally accepted accounting principles) and a ratable portion of such cost shall be included within the definition of Operating Costs in each Lease Year until such cost is fully amortized.

34. Alterations to Comply with Legal Requirements. The reference to "a supervisory fee of fifteen percent (15%)" in Section 9.5.3 of the General Terms and Conditions to Lease is deleted and substituted in lieu thereof with "a supervisory fee of three percent (3%)."

35. Electrical Generator and Equipment.Section 10.1 of the General Terms and Conditions to Lease is amended to provide that during the Term of this Lease, and so long as Tenant is in possession of the Premises, and no Event of Default exists, Tenant shall have the right to install and maintain a back-up electrical power generator in a portion of the Common Area of the Center, which portion shall be approved by Landlord, to provide emergency, back-up electrical service to the Premises, including electrical conduits from Electrical Generator and Equipment to provide power to the interior of the Premises, and including a fuel source or supply to power such equipment, and padding and screening for the installation and location of such equipment (collectively, the "Electrical Generator Equipment"). The following provisions shall govern the specification, location, installation, use, maintenance, repair,

replacement and removal of the Electrical Generator Equipment.

35.1. All such installations shall be for the exclusive use of Tenant, solely for the provision of emergency back-up electrical current to support Tenant's operations in the Premises in the event of a temporary failure of utility-supplied electrical power to the Premises. Under no circumstances whatsoever shall Tenant sell, rent, assign, sublet, license or otherwise share the Electrical Generator Equipment with or to any other person or entity, except any permitted Transferee pursuant to Section 7.3 of the Lease.

35.2. Tenant will not make any installation of Electrical Generator Equipment on or in the Building or the Common Areas of the Center until Tenant shall have caused complete and detailed plans and specifications therefor to have been prepared, at Tenant's expense, by an architect, engineer, or other duly qualified person, shall have submitted same to Landlord for review by Landlord and Landlord's architects and engineers, and shall have obtained Landlord's written approval thereof which approval shall not be unreasonably withheld.

35.3. Without in any way limiting the exercise of Landlord's discretion in reviewing and approving Tenant's request, no Electrical Generator Equipment shall be permitted to be installed if the same: (i) exceeds an area of 10'W x 20'L x 10'H; (ii) in the reasonable opinion of Landlord or Landlord's architect or engineer, impairs the structural integrity of, or requires the installation of structural reinforcements to, the Building or any Common Areas, (iii) in the reasonable opinion of Landlord or Landlord's architect or engineer, is likely to interfere with existing Building systems; or (iv) is otherwise architecturally or aesthetically incompatible with the Building, or would violate applicable restrictive covenants or architectural controls with respect to the Building or the Center, due to the proposed Electrical Generator Equipment's design, height, bulk, shape, color scheme, finish, configuration, appearance, materials or proposed location.

35.4. Prior to the commencement of installation of any Electrical Generator Equipment Tenant shall obtain and exhibit to Landlord copies of all requisite approvals and licenses with respect thereto, local zoning and regulatory approval, building permits, and any architectural approvals required under restrictive covenants applicable to the Building and the Center. Landlord's approval of Tenant's plans and specifications for the Electrical Generator Equipment, if granted, shall not under any circumstances be deemed to imply that the same comply with, or are permitted to be installed under, any Federal, state or local laws or regulations, or private covenants, conditions and restrictions.

35.5. Any cabling to be installed from the Electrical Generator Equipment to the Premises shall be shielded to prevent interference with other Building cabling or communications systems, shall be properly identified and labeled at every access point within the Building, shall be coated to comply with all applicable electrical, fire and life safety codes, and shall be installed only through approved channeling and conduits and otherwise as approved by Landlord.

35.6. If all required approvals, licenses and permits are granted as provided above, then Tenant shall cause the work described in such plans and specifications to be performed, at its expense, promptly, efficiently, competently and in a good and workmanlike manner by duly qualified and licensed persons or entities, without interference with or disruption to the operations of tenants or other occupants of the Building or the Center or neighboring properties. All such work shall comply with the terms of Landlord's approval, as well as with all applicable codes, rules, regulations and ordinances and shall be performed by Landlord's contractor. Landlord shall receive a supervisory fee in the amount of three percent (3%) of the cost of the work performed hereunder, for which Landlord will oversee the construction performed by the contractor to ensure (i) compliance with the rules and regulations set forth in the Lease and as established for the Building and the Center generally, (ii) that the construction does not interfere with other tenants' uses of their respective premises or the Common Areas of the Building and (iii) that the construction of the Electrical Generator Equipment is in compliance with the specifications set forth herein and as

established by Landlord from time to time. Such supervisory fee shall be payable by Tenant as Additional Rent.

35.7. If Tenant is permitted to install the Electrical Generator Equipment following Landlord's approval, then Landlord shall notify Tenant of the date on which work is scheduled to begin. Landlord shall arrange for periodic inspections of the job progress to insure compliance with the approved plans and specifications. Landlord shall also have the right at any time before, during, or after the construction to require Tenant to furnish further assurances against mechanics' liens including, but not limited to, releases of liens signed by all contractors, subcontractors, and suppliers, and affidavits executed by the appropriate party, that all charges for labor and materials have been paid. Tenant shall promptly pay or bond off any lien filed against the Premises, the Building or the Center for any construction performed on behalf of Tenant.

35.8. From time to time during the Term, and only upon such reasonable prior notice and under such supervision as Landlord shall deem necessary or desirable to protect its interests, Tenant shall be permitted access to the Common Areas of the Center, as well as to necessary interior Building systems areas, for the purpose of performing necessary maintenance and repairs to the Electrical Generator Equipment. Tenant shall be responsible for scheduling inspections of the Electrical Generator Equipment, including without limitation, any fuel tank(s). Tenant shall provide written notice to Landlord of the times of such inspections which times shall, in any event, be agreeable to Landlord and Landlord shall supervise such inspections, in Landlord's discretion. Any substantial modification, alteration, substitution or addition to the Electrical Generator Equipment shall be subject to the approval provisions contained in the preceding paragraphs of this Section.

35.9. All Electrical Generation Equipment installed for Tenant shall be removed from the Building or Common Areas upon the termination of this Lease unless Landlord and Tenant otherwise agree. If Electrical Generation Equipment is to be removed at the termination of this Lease, then Tenant hereby agrees to cause the same to be removed and to restore such areas to the condition existing prior to installation of the Electrical Generator Equipment at its sole cost and expense unless Landlord determines to control the removal of some or all of the same, in which case such removal shall be at Tenant's cost and expense. If Tenant is required to perform such removal and fails to remove the same, then Landlord may cause them to be removed at Tenant's expense, and Tenant hereby agrees to reimburse Landlord for the cost of such removal, together with all and any damages which Landlord may suffer and sustain by reason of Tenant's failure to remove the same. Tenant's obligations to observe and perform the covenants set forth in this Subsection shall survive the expiration or earlier termination of this Lease.

35.10. Tenant agrees to pay Landlord, upon written demand, as Additional Rent, all costs incurred by Landlord in connection with any actual or proposed installation of Electrical Generator Equipment, including, without limitation, the costs of investigations by Landlord and Landlord's architects and engineers and other design professionals as to the acceptability of a proposed installation of Electrical Generator Equipment. Tenant acknowledges and agrees that the costs and expenses imposed and agreed to be paid by Tenant under this Subsection are agreed to be paid in consideration of the Landlord's processing of the Tenant's request, and that they are not intended as consideration for the consent to installation of Electrical Generator Equipment. Payment of such fees and costs shall under no circumstances obligate the Landlord to consent to any requested installation.

35.11. Tenant shall maintain all records for Electrical Generator Equipment, including without limitation, any fuel tank(s) and Tenant shall provide copies of such records to Landlord upon request therefor. Tenant shall (i) immediately report any fuel spill to Landlord and the Appropriate Authorities (ii) promptly report any notice of violation of Applicable Laws or Environmental Laws to Landlord and

shall remedy any of the foregoing at Tenant's sole cost and expense. Without limiting the foregoing, Tenant at all times comply with the provisions of Section 6.4 of the Lease.

35.12. The Electrical Generator Equipment shall have noise-abatement devices and shall only be run by Tenant in the event of a power failure or during scheduled maintenance and repairs occurring other than during standard hours of operation.

35.13. Additional general specifications of the Electrical Generator Equipment shall further be determined by Landlord at such time as Tenant provides Landlord notice of Tenant's intention to exercise its rights under this Section and provides Landlord with the initial plans and specifications for the construction of the Electrical Generator Equipment.

36. Management of Common Areas.Section 10.2 of the General Terms and Conditions to Lease is amended to provide that, without limiting any of Landlord's rights contained therein, Landlord shall operate and maintain the Common Areas of the Center in a manner consistent with a first class business park.

37. Changes and Additions to the Center.Section 10.3 of the General Terms and Conditions to Lease is amended to provide that in the course of making such changes or additions, Landlord shall use commercially reasonable efforts to minimize interruption to or interference with Tenant's business.

38. Roof and Walls; Excavation; Satellite Antenna.Section 10.4 of the General Terms and Conditions to Lease is amended to adding thereto the following provision:

38.1. During the Term of this Lease, and so long as Tenant is in possession of the Premises, and no Event of Default exists, Tenant shall be permitted to have access to the roof of Landlord's Building in order to install and maintain thereon one (1) pole antenna, one (1) parabolic microwave antenna and one (1) satellite dish, together with the right to install and maintain related cabling between such device and Tenant's Premises (all, collectively, the "Communications Equipment"), upon the following terms and conditions.

38.2. All such installations shall be for the exclusive use of Tenant, solely for the transmission and reception of radio signals (including audio, video, internet, data, telephone interactive communications, and similar services, commonly referred to as "Broadband Service") in the conduct of its business operations at the Premises for the Permitted Use. Under no circumstances whatsoever shall Tenant sell, rent, assign, sublet, license or otherwise share the Communications Equipment with or to any other person or entity, except to the extent actually and reasonably necessary to permit Tenant to conduct its business at the Premises for the Permitted Use.

38.3. Tenant will not make any installation of Communications Equipment on or in the Building until Tenant shall have caused complete and detailed plans and specifications therefor to have been prepared, at Tenant's expense, by an architect, engineer, or other duly qualified person, shall have submitted same to Landlord for review by Landlord and Landlord's architects and engineers, and shall have obtained Landlord's written approval thereof.

38.4. Without in any way limiting the exercise of Landlord's discretion in reviewing and approving Tenant's request, no Communications Equipment shall be permitted to be installed if the same: (i) exceeds 6 feet in height above the surface of the Building roof, (ii) weighs more than 300 pounds or otherwise overloads the roof structure, (iii) is not located within the roof screen (with respect to a satellite dish) (iv) in the reasonable opinion of Landlord or Landlord's architect or engineer, requires the installation of structural reinforcements to the Building, (v) in the reasonable opinion of Landlord or Landlord's architect or engineer, is likely to interfere with existing Building systems or with the transmission or

reception of radio signals by existing antennae on or in the Building or on or in adjacent properties; or (vi) is otherwise architecturally or aesthetically incompatible with the Building due to the proposed Communications Equipment's design, height, bulk, shape, color scheme, finish, configuration, appearance, materials or proposed location.

38.5. Prior to the commencement of installation of any Communications Equipment Tenant shall obtain and exhibit to Landlord copies of all requisite approvals and licenses with respect thereto, including FCC approvals for transmitting equipment, local zoning and regulatory approval, building permits, and any architectural approvals required under restrictive covenants applicable to the Building and the Center. Landlord's approval of Tenant's plans and specifications for the Communications Equipment, if granted, shall not under any circumstances be deemed to imply that the same comply with, or are permitted to be installed under, any Federal, state or local laws or regulations, or private covenants, conditions and restrictions.

38.6. Any cabling to be installed from the roof-mounted Communications Equipment to the Premises shall be shielded to prevent interference with other Building cabling or communications systems, shall be properly identified and labeled at every access point within the Building, shall be coated to comply with all applicable fire and life safety codes, and shall be installed only through approved channeling and communications closets or otherwise as approved by Landlord.

38.7. If all required approvals, licenses and permits are granted as provided above, then Tenant shall cause the work described in such plans and specifications to be performed, at its expense, promptly, efficiently, competently and in a good and workmanlike manner by duly qualified and licensed persons or entities, without interference with or disruption to the operations of tenants or other occupants of the Building or the Center or neighboring properties. All such work shall comply strictly with the terms of Landlord's approval, as well as with all applicable codes, rules, regulations and ordinances and shall be performed by Landlord's contractor or contractors who are approved by Landlord and who carry the insurance coverage required to be carried by Tenant's contractors as provided elsewhere in the Lease. Landlord shall receive a supervisory fee of three percent (3%) of the total cost of the work, for which Landlord will oversee the construction performed by the contractor to ensure (i) compliance with the rules and regulations set forth in the Lease and as established for the Building and the Center generally, (ii) that the construction does not interfere with other tenants' uses of their respective premises or the Common Areas of the Building and (iii) that the construction of the Communications Equipment is in compliance with the specifications set forth herein and as established by Landlord from time to time. Such supervisory fee shall be payable by Tenant as Additional Rent.

38.8. If Tenant is permitted to install the Communications Equipment following Landlord's approval, then Tenant shall notify Landlord of the date on which work is scheduled to begin and shall arrange for periodic inspections by Landlord of the job progress to insure compliance with the approved plans and specifications. Landlord shall also have the right at any time before, during, or after the construction to require Tenant to furnish further assurances against mechanics' liens including, but not limited to, releases of liens signed by all contractors, subcontractors, and suppliers, and affidavits executed by Tenant, Tenant's contractor, or architect, that all charges for labor and materials have been paid. Tenant shall promptly pay or bond off any lien filed against the Premises, the Building or the Center for any construction performed by or on behalf of Tenant.

38.9. From time to time during the Term, and only upon such reasonable prior notice and under such supervision as Landlord shall deem necessary or desirable to protect its interests, Tenant shall be permitted access to the roof and Common Areas of the Center, as well as to interior Building systems areas, for the purpose of performing necessary maintenance and repairs to the Communications Equipment. Any

substantial modification, alteration, substitution or addition to the Communications Equipment shall be subject to the approval provisions contained in the preceding paragraphs of this Section.

38.10. All Communications Equipment installed by or for Tenant shall be removed from the Building or Common Areas upon the termination of this Lease unless Landlord and Tenant otherwise agree. If Communications Equipment is to be removed at the termination of this Lease, then Tenant hereby agrees to cause the same to be removed at its sole cost and expense unless Landlord determines to control the removal of some or all of the same, in which case such removal shall be at Tenant's cost and expense. If Tenant is required to perform such removal and fails to remove the same, then Landlord may cause them to be removed at Tenant's expense, and Tenant hereby agrees to reimburse Landlord for the cost of such removal, together with all and any damages which Landlord may suffer and sustain by reason of Tenant's failure to remove the same. Tenant's obligations to observe and perform the covenants set forth in this Subsection shall survive the expiration or earlier termination of this Lease.

38.11. Tenant's agrees to pay Landlord, upon written demand, as Additional Rent, all costs incurred by Landlord in connection with any actual or proposed installation of Communications Equipment, including, without limitation, the costs of investigations by Landlord and Landlord's architects and engineers and other design professionals as to the acceptability of a proposed installation of Communications Equipment. Tenant acknowledges and agrees that the costs and expenses imposed and agreed to be paid by Tenant under this Subsection are agreed to be paid in consideration of the Landlord's processing of the Tenant's request, and that they are not intended as consideration for the consent to installation of Communications Equipment. Payment of such fees and costs shall under no circumstances obligate the Landlord to consent to any requested installation.

39. Tenant's Proportionate Share of Increased Operating Costs.Section 11.1 of the General Terms and Conditions to Lease is amended to provide that notwithstanding anything to the contrary set forth therein, Landlord shall not re-adjust Tenant's monthly installments of Operating Costs more than two (2) times per Operating Year.

40. Expense Statement; Accounting.The reference to "fifteen (15) days" in Section 11.2 of the General Terms and Conditions to Lease is deleted and substituted in lieu thereof with "thirty (30) days."

41. Tenant Right to Audit.Section 11.3 of the General Terms and Conditions to Lease is deleted in its entirety and the following provision is substituted:

Following receipt of an Expense Statement Tenant shall have the right to conduct a reasonable review of Landlord's records relating to Operating Costs for the Operating Year just ended, and to which the Expense Statement relates, provided that Tenant strictly complies with the provisions of this Subsection. No review shall be permitted at any time in which an Event of Default exists under this Lease (including an Event of Default arising by virtue of Tenant's failure to pay any sum deemed Additional Rent, regardless of dispute as to the propriety Landlord's claim for payment). If an Event of Default occurs at any time during the pendency of a review of records then the review right shall immediately cease, and the matters set forth in the Expense Statement under review shall be conclusively deemed correct, provided however, that if Tenant cures the Event of Default within ninety (90) days following Tenant's receipt of the Expense Statement, it may exercise the right contained in this Section upon five (5) days' prior Notice. No subtenant shall have the right to conduct any such review; and no assignee of Tenant (other than an assignee permitted pursuant to Subsection 7.3) shall have the right to conduct any review with respect to a period antedating the assignment. Tenant shall exercise its right upon not less than fifteen (15) days' prior Notice, given at any time within ninety (90) days following Tenant's receipt of an Expense Statement (time being of the essence). Any such

review shall be conducted by Tenant or by an independent certified public accountant of Tenant's choosing that is not being compensated by Tenant on a contingency fee basis. If Tenant employs such a third party reviewer then as a condition precedent to such review Tenant shall deliver to Landlord a copy of Tenant's written agreement with such accountant which shall include provisions which state that (i) Landlord is an intended third-party beneficiary of the agreement, (ii) the accountant will not in any manner solicit or agree to represent any other tenant of the Center with respect to a review of Landlord's accounting records at the Center, and (iii) the accountant will maintain in strict confidence, subject to any subpoena pursuant to any legal proceeding, any and all information obtained in connection with the review and will not disclose the fact of the review or any results of it to any person or entity other than the Tenant. Any such review shall be conducted at Landlord's office at the Center or at Landlord's principal offices, or at such other location as Landlord may reasonably designate. Landlord will provide Tenant with reasonable accommodation for the review and reasonable use of available office equipment (including, without limitation, telephones and copy machines), but may make a reasonable charge for Tenant's telephone calls and photocopies. Tenant shall deliver to Landlord a copy of the results of any such review within thirty (30) days following its completion or receipt by Tenant and will maintain in strict confidence any and all information obtained in connection with the review and will not disclose the fact of the review or any results of it to any person or entity other than Tenant's counsel and accountant, subject to any subpoena pursuant to any legal proceeding. The cost of the audit, including any copies made of any of Landlord's records, shall be borne by Tenant, provided that if it is determined as a result of such audit that Operating Costs as shown on such Expense Statement exceeded the actual Operating Costs for such Operating Year by more than five percent (5%), (i) Landlord shall reimburse Tenant for Tenant's actual and reasonable costs of performing the audit and (ii) Tenant shall, upon fifteen (15) days' written notice given at any time within ninety (90) days following Tenant's receipt of the audit results, be permitted to conduct an audit with respect to the two (2) Operating Years immediately preceding the Operating Year subject to the initial audit. A dispute over the Expense Statement or any error by Landlord in interpreting or applying the provisions of this Lease respecting Operating Costs or in calculating the amounts in the Expense Statement shall not be a breach of this Lease by Landlord, and even if any legal proceeding over the Expense Statement is resolved against Landlord this Lease shall remain in full force and effect and Landlord shall not be liable for any consequential damages. Pending the determination of any such dispute Tenant shall pay amounts billed with respect to such Expense Statement as Additional Rent, without prejudice to Tenant's position, and subject to rebate of any amounts subsequently found to have been charged to Tenant in error. If the dispute shall be determined in Tenant's favor then Landlord shall promptly pay to Tenant the amount of Tenant's overpayment of Rent resulting from compliance with the Expense Statement together with interest from the time of such overpayment at the Reimbursement Rate, together with all of Tenant's attorney fees, costs and expenses incurred in contesting the Expense Statement.

42. Tenant's Proportionate Share of Increased Taxes. Section 12.1 of the General Terms and Conditions to Lease is (i) clarified to provide that the Building is separately assessed and Tenant's Proportionate Share of Increased Taxes shall be based on such assessment and (ii) amended to provide that notwithstanding anything to the contrary set forth therein, Landlord shall not re-adjust Tenant's monthly installments of Taxes more than two (2) times in any Tax Year.

43. **Payment of Proportionate Share of Taxes.** Section 12.2 of the General Terms and Conditions to Lease is deleted in its entirety and the following provision is substituted:

Tenant's Proportionate Share of Taxes shall be paid by Tenant, at Landlord's election (i) in advance, in equal monthly installments in such amounts as are estimated and billed for each Tax Year by Landlord commencing July 1, 2008 and at the beginning of each successive Tax Year during the Term, each such installment being due on the first day of each calendar month or (ii) in lump sum, following Landlord's receipt of the tax bill for the Tax Year in question, and calculation of Tenant's Proportionate Share with respect thereto. If Landlord has elected that Tenant pay its Proportionate Share of Taxes in installments, in advance, then, at any time during a Tax Year, Landlord may re-estimate Tenant's Proportionate Share of Taxes and thereafter adjust Tenant's monthly installments payable during the Tax Year to reflect more accurately Tenant's Proportionate Share of Taxes. Promptly following Landlord's receipt of tax bills for each Tax Year Landlord will notify Tenant of the amount of Taxes for the Tax Year in question and the amount of Tenant's Proportionate Share thereof. Any overpayment or deficiency in Tenant's payment of its Proportionate Share of Taxes for each Tax Year shall be adjusted between Landlord and Tenant; Tenant shall pay Landlord or Landlord shall credit to Tenant's account (or, if such adjustment is at the end of the Term, Landlord shall pay Tenant), as the case may be, within thirty (30) days of the aforesaid notice to Tenant, such amount necessary to effect such adjustment. Landlord's failure to provide such notice within the time prescribed above shall not relieve Tenant of any of its obligations hereunder.

44. **Taxes on Rent.**Section 12.3 of the General Terms and Conditions to Lease is deleted in its entirety and the following provision is substituted:

In addition to Tenant's Proportionate Share of Taxes, Tenant shall pay to the appropriate agency any sales, excise and other tax (not including, however, Landlord's income taxes) levied, imposed or assessed by the State of Maryland or any political subdivision thereof or other taxing authority upon any Rent payable hereunder. Tenant shall also pay, prior to the time the same shall become delinquent or payable with penalty, all taxes imposed on its inventory, furniture, trade fixtures, apparatus, equipment, and any other property of Tenant.

45. **Elevator.**Section 13.1.1 of the General Terms and Conditions to Lease is deleted in its entirety and the following provision is substituted:

At least one elevator subject to call at all times, including Sundays and holidays, in elevator-serviced buildings.

46. **Utilities.**Section 13.1.2 of the General Terms and Conditions to Lease is amended to provide that as of the date hereof, (i) Landlord's standard hours of operation are 8:00 a.m. until 6:00 p.m. on Monday through Friday and 8:00 a.m. through 1:00 p.m. on Saturday, exclusive of holidays and (ii) after-hours service is available at the rate of \$75.00 per hour. Notwithstanding anything to the contrary set forth therein, (i) the utilities described in Section 13.1.2 shall be furnished in such amounts as are normally or usually furnished in comparable first class office buildings in the locale of the Center and (ii) any adjustment of after-hours service rates pursuant to this Section shall reflect Landlord's actual additional cost in providing such service.

47. **Cleaning.**With regard to Section 13.1.3 of the General Terms and Conditions to Lease, cleaning specifications are attached hereto as **Exhibit B**.

48. **Common Area Maintenance.**Section 13.1.6 is deleted in its entirety and the following provision is substituted:

Routine maintenance, painting, and electric lighting service for all Common Areas of the Building in such manner as Landlord deems reasonable and in any event is consistent with maintenance of a first class office building.

49. **Services and Utilities.**Section 13.1 of the General Terms and Conditions to Lease is amended to add the following section thereto:

13.1.8 Access. Tenant shall have 24-hour/day, 7 days/week, 365 days/year access to the Premises.

50. **Interruption of Service.**Section 13.2 of the General Terms and Conditions to Lease is amended to provide that if electricity, sewerage service, or water shall be unavailable to the Premises for a period of more than five (5) consecutive business days, due to Landlord's negligence, such that Tenant shall be unable to continue operations at the Premises, then Tenant shall be entitled, upon a judicial determination of Landlord's negligence, to an abatement of all rental attributable to the entire period of unavailability.

51. **Services and Utilities.** Section 13 of the General Terms and Conditions to Lease is amended to add the following section thereto:

13.4 Option to Submeter Electricity

13.4.1 Either in connection with the construction of the Leasehold Improvements described in Exhibit B, or at anytime thereafter during the Term, Tenant may elect to install a submeter exclusively for the Premises to measure Tenant's consumption of electricity (the "Electric Submeter"). Subject to Section 5 of Exhibit B and Section 9.4.1 of the General Terms and Conditions to Lease, the Electric Submeter shall be installed at Tenant's cost.

13.4.2 If the Electric Submeter is installed, then Tenant shall thereafter pay to Landlord the cost of electricity Tenant consumes as recorded by the Electric Submeter, and Basic Rent and Additional Rent shall be adjusted in accordance with subsections 13.4.3 and 13.4.4 below; provided, however, that in no event will Tenant be liable for any charges for electricity used in the Premises before the Commencement Date. Landlord shall bill Tenant periodically (but no more often than monthly) based upon such electric consumption. Tenant shall pay each invoice it receives from Landlord under this subsection within thirty (30) days after receipt.

13.4.3 Effective as of the date the Electric Submeter is installed and operating (the "Submeter Commencement Date"), Basic Rent shall be adjusted as follows. If the Submeter Commencement Date occurs before the Commencement Date or during the first Lease Year, then Sections 1.4 and 1.5 shall be amended and restated in their entirety as follows:

1.4 Basic Rent: The annual sum of \$695,331.50 payable in equal consecutive monthly installments of \$57,944.29 with respect to the first Lease Year of the Term, thereafter subject to the Basic Rent Adjustment as provided in Section 5.2 of the General Terms and Conditions to Lease.

1.5 Basic Rent Adjustment: For the second and each successive Lease Year, three percent (3.0%). Basic Rent shall be payable during the Term in accordance with the following schedule:

Lease Year	Annual Basic Rent	Monthly Installment
1	\$695,331.50	\$57,944.29
2	\$716,191.45	\$59,682.62
3	\$737,677.19	\$61,473.10
4	\$759,807.50	\$63,317.29
5	\$782,601.73	\$65,216.81

If the Submeter Commencement Date occurs after the first Lease Year, then (i) the Annual Basic Rent then in effect shall be adjusted to equal the Annual Basic Rent then in effect *minus* \$2.00 per square feet of the Premises (the "Reduced Basic Rent"), and monthly installments thereof shall be adjusted to equal 1/12th of the Reduced Basic Rent, and (ii) at the commencement of the next and each successive Lease Year following the Submeter Commencement Date, Reduced Basic Rent shall be increased by an amount equal to the product of the Basic Rent Adjustment multiplied by the Reduced Basic Rent payable by Tenant during the Lease Year preceding each annual increase, the intent being to give effect to the Basic Rent Adjustment provided in Section 1.5, but using the Reduced Basic Rent as the starting point. The Basic Rent Adjustment shall apply during the original Term and any extended or renewal term of this Lease unless otherwise expressly provided in any amendment to this Lease.

13.4.4 Effective as of the Submeter Commencement Date, Additional Rent shall be adjusted as follows: Base Operating Costs shall be reduced from \$5.60 per square feet of the Premises (\$181,109.60) to \$3.60 per square feet of the Premises (\$116,427.60). In addition, the definition of Operating Costs shall be amended to provided that Operating Costs shall not include any electric charges for any premises in the Building either leased or available for lease to tenants.

13.4.5 Promptly following the Submeter Commencement Date, the parties shall enter into an amendment to this Lease confirming the Submeter Commencement Date, and reflecting the changes in Basic Rent and Additional Rent provided herein.

52. Indemnity by Tenant. Section 14.1 of the General Terms and Conditions to Lease is deleted in its entirety and the following provision is substituted:

To the maximum extent permitted by law, but subject to the provisions of Subsection 14.5, Tenant indemnifies Landlord, any Superior Lessor and any Superior Mortgagee, and agrees to save them harmless and, at the option of any of them, defend them from and against any and all claims, actions, damages, liabilities and expenses (including attorneys' and other professional fees) judgments, settlement payments, and fines paid, incurred or suffered by any of them in connection with loss of life or personal injury, or damage to property or to the environment, suffered by third parties, or in connection with any accident, injury or damages whatever in the Premises, and arising from or out of the conduct or management of the Premises or of any business therein, or any work or thing whatsoever done, or any condition created in or about the Premises during the Term of this Lease or during the period of time, if any, prior to the

Commencement Date that Tenant may have been given access to the Premises, excepting, however, any such loss or damage occasioned by the negligence or willful misconduct of Landlord, Landlord's agents or contractors, or any Superior Lessor or Superior Mortgagee.

53. **Indemnity by Landlord.**Section 14.2 of the General Terms and Conditions to Lease is deleted in its entirety and the following provision is substituted:

To the maximum extent permitted by law, but subject to the provisions of Subsection 14.5, Landlord indemnifies Tenant and agrees to save it harmless from and against any and all claims, actions, damages, liabilities and expenses (including attorneys' and other professional fees) judgments, settlement payments, and fines paid, incurred or suffered by any of them in connection with loss of life or personal injury, or damage to property suffered by third parties arising from or out of the use of any portion of the Common Areas by Landlord, excepting, however, any such loss or damage occasioned by Tenant's negligence or willful misconduct.

54. **Limitation on Landlord's Liability for Loss, Damage and Injury.**Section 14.4 of the General Terms and Conditions to Lease is deleted in its entirety and the following provision is substituted:

Subject to the provisions of this Lease and to the maximum extent permitted by law, Tenant shall occupy and use the Premises, the Building and the Common Areas at Tenant's own risk. All property of Tenant shall be and remain at the sole risk of Tenant. Tenant hereby expressly agrees that Landlord and its agents, servants and employees shall not be liable or responsible for any damage or injury to the property of Tenant directly or indirectly caused by any source, circumstance or cause whatsoever. The foregoing waiver and release is intended by Landlord and Tenant to be absolute and unconditional, and without exception, and to supersede any specific repair obligation imposed by Landlord hereunder; provided that such waiver and release shall not apply to the omission, fault, negligence, or other misconduct of Landlord except to the extent such omission, fault, negligence or other misconduct is waived by Tenant after the occurrence or is waived pursuant to Tenant's policies of fire insurance with standard broad form coverage endorsements, which waiver Tenant is obligated to obtain and shall be liable for failure to obtain. No representation, guaranty, assurance or warranty is made or given by Landlord that the communications or security systems, devices or procedures used, if any, will be effective to prevent injury to Tenant or damage to, or loss (by theft or otherwise) of any of Tenant's Personal Property or of the property of any other person, and Landlord reserves the right to discontinue or modify at any time such communications or security systems, devices or procedures without liability to Tenant.

55. **Tenant's Insurance.**Section 15.1.2 of the General Terms and Conditions to Lease is deleted in its entirety and the following provision is substituted:

all-risk property and casualty insurance, including theft coverage, written at full replacement cost value and with full replacement cost endorsement covering Tenant's Personal Property, including Alterations and improvements made to the Premises at Tenant's sole cost and expense for which Tenant has not been granted any credit or allowance by Landlord (other than the Leasehold Improvements constructed by Landlord as provided in Section 4 of this Lease); and

56. **Landlord's, Tenant's Options to Terminate Lease.** Sections 16.2.1 and 16.2.2 are deleted in their entirety and the following provisions are substituted:

16.2.1 If the Premises are (a) rendered wholly untenantable, or (b) damaged as a result of any cause which is not covered by Landlord's insurance, or if the Building is damaged to the extent of fifty percent (50%) or more of the Rentable Area of the Premises, or if, for reasons beyond Landlord's control or by virtue of the terms of any financing of the Building, sufficient insurance proceeds are not available for the reconstruction or restoration of the Building or Premises, then, in any such events, Landlord may elect to terminate this Lease by giving to Tenant notice of such election within ninety (90) days after the occurrence of such event, or after the insufficiency of such proceeds becomes known to Landlord, whichever is applicable. If such notice is given, the rights and obligations of the parties shall cease as of the date set forth in such notice, and the Basic Rent and Additional Rent (other than any Additional Rent due Landlord either by reason of Tenant's failure to perform any of its obligations hereunder or by reason of Landlord's having provided Tenant with additional services hereunder, to the extent such costs have been incurred prior to the date of termination set forth in the notice) shall be adjusted as of the date of such termination.

16.2.2 If, within the 90 day period set forth above, Landlord shall not have made an election to rebuild or to terminate this Lease as provided in the preceding paragraph, then Tenant may elect to terminate this Lease by giving to Landlord notice of such election within thirty (30) days following the expiration of such ninety (90) period. If the Premises have not been fully restored within 180 days following the occurrence of a Casualty then Tenant may elect to terminate this Lease by giving to Landlord notice of such election within thirty (30) days following the expiration of such 180 day period. In either case, if such notice is given, the rights and obligations of the parties shall cease as of the date set forth in such notice, and the Basic Rent and Additional Rent (other than any Additional Rent due Landlord either by reason of Tenant's failure to perform any of its obligations hereunder or by reason of Landlord's having provided Tenant with additional services hereunder, to the extent such costs have been incurred prior to the date of termination set forth in the notice) shall be adjusted as of the date of such termination.

57. **Signs.** Section 17 of the General Terms and Conditions to Lease is amended to provide that notwithstanding anything to the contrary set forth therein, so long as Tenant is in actual occupancy of at least eighty percent (80%) of the Premises under this Lease, Tenant shall be permitted to have and maintain, at Tenant's sole expense, one (1) lighted sign on the exterior of the side of the Building facing Red Lobster/White Marsh Mall which signage shall be similar in style, location and size to the Comcast sign located on the adjacent building. Such signage shall be subject to Landlord's approval and signage criteria and, in addition, subject to approval under applicable covenants respecting architectural control within the White Marsh Business Community generally, and all applicable architectural control covenants to which the Center is subject, and further subject to the provisions of applicable zoning and sign ordinances. Except as provided in the preceding sentence, Tenant shall neither erect, maintain or replace any sign within the Premises visible from outside the Building, nor erect or maintain any sign upon the exterior of the Building or anywhere else upon the Center, without first obtaining Landlord's written approval as to the size, design, location, type of composition or material and lighting thereof. Design shall be in accordance with the guidelines established by Landlord from time to time and all applicable laws and regulations. Any such sign shall be inscribed, painted or affixed by Tenant or Tenant's vendor and the entire cost thereof shall be borne by Tenant. Tenant shall maintain such sign or signs in good condition and repair at all times, and pay any taxes imposed thereon. Further notwithstanding anything to the contrary set forth in such Section, provided Tenant has not exercised any renewal right inuring to Tenant under the terms of this Lease, then Landlord may place upon the Building a FOR RENT sign with

respect to the Premises during the six (6) month period preceding the expiration date of the Term.

58. Right of Entry for Inspection, Exhibition, Repair.Section 18 of the General Terms and Conditions to Lease is amended to provide that notwithstanding anything to the contrary set forth therein, Landlord shall provide Tenant with twenty-four (24) hours notice prior to entry by Landlord into the Premises, except in the event of emergency.

59. Subordination and Attornment.Section 19 of the General Terms and Conditions to Lease is amended to provide that this Lease shall be superior to the lien of any Superior Mortgage which may now or hereafter encumber or otherwise affect the Center or the Building; provided, however, that Tenant shall subordinate this Lease with respect to mortgages of deeds of trust encumbering the Building and created subsequent to the date of this Lease conditioned upon obtaining, from the mortgagees or beneficiaries with respect thereto, an agreement of subordination, attornment and nondisturbance in the Superior Mortgagee's usual and customary form (an "SNDA"), subject to the reasonable discussions between the affected parties, in favor of the Tenant such that, if any proceedings are brought for the foreclosure of any portion of the Building of which the Premises are a part, or if the power of sale under a mortgage or deed of trust is exercised or in the event of any other transfer in lieu thereof, then Tenant's occupancy of the Premises and its rights under this Lease shall not be disturbed and shall remain in full force and effect for the Term so long as Tenant performs and observes all of the terms, covenants and conditions of this Lease to be performed or observed by it and provided that Tenant agrees to attorn to the Superior Mortgagee or purchaser upon any such foreclosure, sale or transfer in lieu thereof (the Superior Mortgagee, any purchaser upon foreclosure, sale or transfer in lieu thereof and any such person or successor or assign being herein collectively referred to as "Successor Landlord") and recognize such Successor Landlord as the Landlord under this Lease and make all payments required hereunder to such Successor Landlord without deduction or set-off except as expressly permitted under this Lease. Landlord shall have no obligation to negotiate the form of any such SNDA if Tenant and any Successor Landlord disagree with respect to the form or content of a proposed agreement of nondisturbance but shall use best efforts to act as a liaison between Tenant and such Successor Landlord in the negotiation of such SNDA, provided, however, that Landlord shall not assume any further responsibilities or incur any liabilities in connection therewith. Any such SNDA procured shall provide that upon Tenant's attornment to any Successor Landlord, this Lease shall continue in full force and effect as a direct lease between such Successor Landlord upon all of the then executory terms of this Lease and Tenant's rights hereunder shall not be materially affected except that such Successor Landlord shall not be: (i) liable for any previous act or omission or negligence of Landlord under this Lease; (ii) subject to any counterclaim, defense or offset, not expressly provided for in this Lease and asserted with reasonable promptness, which theretofore shall have accrued to Tenant against Landlord; (iii) obligated to perform any Leasehold Improvements other than those described on Exhibit B or other work with respect to the Premises; (iv) bound by any previous modification or amendment of this Lease or by any previous prepayment of more than one month's Rent, unless such modification or prepayment shall have been approved in writing by the Successor Landlord through or by reason of which the Successor Landlord shall have succeeded to the rights of Landlord under this Lease; (v) obligated to repair the Premises or the Building or any part thereof, in the event of total or substantial total damage beyond such repair as can reasonably be accomplished from the net proceeds of insurance actually made available to Successor Landlord; or (vi) obligated to repair the Premises or the Building or any part thereof, in the event of partial condemnation beyond such repair as can reasonably be accomplished from the net proceeds of any award actually made available to Successor Landlord, as consequential damages allocable to the part of the Premises or the Building not taken. Nothing contained in this Section shall be construed to impair any right otherwise exercisable by any such owner, holder or lessee.

60. No Current Mortgages Affecting Building.Landlord represents that as of the date of this Lease, there are no mortgages or deeds of trust encumbering the Building.

61. **Modifications to Lease; Rights of Superior Mortgagee, Superior Lessor.**Section 20 of the General Terms and Conditions to Lease is deleted in its entirety.

62. **Events of Default Defined.**Section 21.1.2 of the General Terms and Conditions to Lease is deleted in its entirety and the following provision is substituted:

The failure by Tenant to perform or observe any other term, covenant, agreement or condition of this Lease on the part of Tenant to be performed, for a period of fifteen (15) days following Notice; unless the nature of the failure is such that (a) it cannot be cured within the fifteen (15) day period, (b) Tenant institutes corrective action within the fifteen (15) day period, and (c) Tenant diligently pursues such action until the failure is remedied, and, in any event, completes the cure within a period of an additional thirty (30) days;

63. **Events of Default Defined.**Section 21.1.6 of the General Terms and Conditions to Lease is deleted in its entirety and the following provision is substituted:

The abandonment of the Premises by Tenant at any time during the term of this Lease, or the suspension of business by Tenant at the Premises for more than fifteen (15) consecutive days (for purposes hereof, Tenant shall be deemed to have abandoned the Premises if Tenant has ceased to operate its business from the Premises, has removed or indicated the intent to remove Tenant's Personal Property from the Premises and fails or has failed to maintain the Premises as otherwise provided in this Lease);

64. **Landlord's Remedies for Default.**Section 21.2 of the General Terms and Conditions to Lease is amended to provide that notwithstanding anything to the contrary set forth therein, Landlord waives any right of distraint and any statutory lien it may have on any of Tenant's Personal Property located at the Premises.

65. **Landlord's Remedies for Default.**Section 21.2.2 of the General Terms and Conditions to Lease is deleted in its entirety and the following provision is substituted:

Landlord may re-enter the Premises, with legal process and using such force for such purposes as may be reasonably necessary, without being liable for prosecution thereof, and without being deemed guilty of any manner of trespass, and without prejudice to any remedies for arrears of Rent or preceding breach of covenants or conditions and, upon such reentry, Landlord may remove any and all of Tenant's property at the Premises;

66. **Damages.**Section 21.4 of the General Terms and Conditions to Lease is amended to provide that notwithstanding anything to the contrary set forth therein or elsewhere in the Lease, neither Landlord nor Tenant shall be liable to the other for any punitive damages.

67. **Rent During Holdover.**The references to "double the Basic Rent" set forth in Section 21.5 of the General Terms and Conditions to Lease are deleted and in lieu thereof substituted with "one hundred fifty percent (150%) of the Basic Rent."

68. **No Implied Waiver of Landlord's Rights.** Section 21.6 of the General Terms and Conditions to Lease is deleted in its entirety and the following provision is substituted:

The failure of Landlord or Tenant to insist in any one or more instances upon the performance of any of the covenants or conditions of this Lease, or to exercise any right or privilege herein conferred shall not be construed as thereafter waiving or relinquishing such party's right to the

performance of any such covenants, conditions, rights or privileges, and the same shall continue and remain in full force and effect, and the waiver of one default or right shall not constitute waiver of any other default. The receipt of any Rent by Landlord from Tenant or any assignee or subtenant of Tenant, whether the same be Rent that originally was reserved or that which may become payable under any covenants herein contained, or of any portion thereof, shall not operate as a waiver of Landlord's right to enforce the payment of the Rent or of any of the other obligations of this Lease by such remedies as may be appropriate, and shall not waive or avoid Landlord's right at any time thereafter to elect to terminate this Lease, on account of such assignment, sub-letting, transferring of this Lease or any other breach of any covenant or condition herein contained, unless evidenced by Landlord's written waiver thereof. The acceptance of Rent or any other consideration by Landlord at any time shall not be deemed an accord and satisfaction, and Landlord shall have absolute discretion to apply same against any sum for any period or reason due hereunder without the same constituting a release of any other sums remaining due and unpaid.

69. **The Landlord.**Section 22.1 of the General Terms and Conditions to Lease is deleted in its entirety and the following provision is substituted:

As used herein, the term "Landlord" means the Landlord originally so named as well as its successors and assigns, and any other subsequent owner of the leasehold estate or reversion in the Center, as well as the heirs, personal representatives, successors and assigns of any such subsequent owner, each of whom shall have the same rights, remedies, powers, authorities and privileges as he would have had if he had originally signed this Lease as Landlord, but any such person, whether or not named herein, shall have no liability hereunder after he shall cease to hold the title to or a leasehold interest in the said real estate, except for obligations which may have theretofore accrued. Neither Landlord nor any principal of Landlord, whether disclosed or undisclosed, shall have any personal liability with respect to this Lease, the Premises and the Center. After Tenant has accepted and taken occupancy of the Premises, Tenant shall look only to Landlord's estate and property in the Center (the proceeds thereof, or any insurance or condemnation proceeds to which Tenant otherwise is entitled under the terms of this Lease, subject to, however, the rights of any Superior Mortgagee or Superior Lessor) for the satisfaction of Tenant's remedies for the collection of a judgment (or other judicial process) requiring the payment of money by Landlord in the event of any default by Landlord hereunder, and no other property or assets of Landlord or its partners or principals, disclosed or undisclosed shall be subject to levy, execution or other enforcement procedure for the satisfaction of Tenant's remedies under or with respect to this Lease, the relationship of Landlord and Tenant hereunder or Tenant's use or occupancy of the Premises.

70. **The Tenant.**Section 22.2.1 of the General Terms and Conditions to Lease is deleted in its entirety and the following provision is substituted:

As used herein, the term "Tenant" means the Tenant named in this Lease as well as its heirs, personal representatives, successors and assigns, each of which shall be under the same obligations, liabilities, and disabilities and have only such rights, privileges and powers as it would have possessed had it originally signed this Lease as Tenant. However, no such rights, privileges or powers shall inure to the benefit of any assignee of Tenant, immediate or removed, unless the assignment to such assignee shall have been consented to in writing by the Landlord, as aforesaid, or such assignee is otherwise permitted pursuant to Section 7.3 hereof. Any person or entity to which this Lease is assigned pursuant to the provisions of the Bankruptcy Code, shall be deemed without further act or deed to have assumed all of the obligations arising

under this Lease on and after the date of such assignment. Any such Assignee shall upon demand execute and deliver unto Landlord an instrument confirming such assumption.

71. **Tenant's Certificate.**Section 22.3 of the General Terms and Conditions to Lease is deleted in its entirety and the following provision is substituted:

Tenant agrees at any time, and from time to time, within ten (10) business days after Landlord's written request, to execute, acknowledge and deliver to Landlord a written instrument in recordable form certifying or stating: (i) that this Lease is unmodified and in full force and effect (or if there shall then have been modifications, that the same is in full force and effect as so modified, and setting forth such modifications); (ii) that the Premises have been completed by Landlord in accordance with Section 4 hereof (or if not so completed, stating the respects in which not completed); (iii) that Tenant has accepted possession of the Premises, the date upon which the Term has commenced and the date of the expiration of the Term of this Lease; (iv) the dates to which Rent and other charges have been paid in advance, if any; (v) whether or not, to the best knowledge of Tenant, Landlord is then in default in the performance of any covenant, agreement or condition contained in this Lease and, if so, specifying in detail each such default of which Tenant may have knowledge; (vi) as to any other matters regarding the status of the Lease as may be reasonably so requested; and (vii) that it is understood that such instrument may be relied upon by any prospective purchaser, mortgagee, assignee or lessee of Landlord's interest in this Lease, in the Center, or any portion or part thereof.

72. **Consent to Requests.** Section 22.4 of the General Terms and Conditions to Lease is deleted in its entirety.

73. **Relocation.**Section 22.5 of the General Terms and Conditions to Lease is deleted in its entirety.

74. **Brokerage.**Section 22.7 of the General Terms and Conditions to Lease is deleted in its entirety and the following provision is substituted:

Landlord and Tenant warrant each to the other that it has had no dealings with any broker or agent in connection with this Lease other than the Named Broker and Nottingham Management Company, whose commissions Landlord covenants and agrees to pay in the amount agreed between Landlord and such broker or brokers. Each of the parties hereto covenants to pay, hold harmless and indemnify the other from and against any and all costs, expense or liability for any compensation, commissions or charges claimed by any broker other than those stated above or any other agent with respect to this Lease or the negotiation thereof.

75. **Definitions; Notice.**The definitional term for Notice in Section 23 of the General Terms and Conditions to Lease is deleted in its entirety and the following provision is substituted:

Any notice required or permitted to be given hereunder. All Notices shall be in writing and shall be conclusively presumed to have been received (a) if sent by United States mail, if delivery is by postage paid registered or certified mail, then when delivered (or when delivery is refused, as indicated on the receipt), or (b) if sent by FEDEX or other nationally recognized overnight courier service, receipt requested, then the next business day after being sent provided verification of actual delivery on such next business day is made by such courier service. Any notice in any other manner shall be deemed given when actually received or refused. Any notice given by telecopier shall be promptly sent by first class mail, postage prepaid, as well. All notices to be sent to the Tenant shall be sent care of the Tenant's Notice Address with a copy to any other person designated in writing by Tenant to Landlord. Notices to Landlord shall be delivered or addressed to Landlord's Notice Address, with a copy to any other persons

designated by Landlord. Either party may, at any time, in the manner set forth for giving notices to the other, set forth a different address to which notices to it shall be delivered or sent.

76. **Definitions; Operating Costs.** The definitional term for Operating Costs in Section 23 of the General Terms and Conditions to Lease is amended as follows:

Notwithstanding anything to the contrary set forth herein, the term "Operating Costs" shall not include costs or expenses or depreciation or amortization for capital repairs and capital replacements required to be made by Landlord pursuant to Subsection 9.5.1; debt service under any Superior Mortgage, or ground rent payments under any Superior Lease; leasing commissions; expenditures for which Landlord is reimbursed by any insurance carrier, or from any other source; or cost of repairs or replacements incurred by reason of Casualty or condemnation.

The following shall also be excluded from Operating Costs: (a) salaries or benefits for Landlord's executives and employees above the grade of property manager, and, for any employee who does not devote all of his time to the Building, the proportion of such employee's salary or benefits related to work not performed at the Building; (b) to the extent such costs constitute capital costs under generally accepted accounting principles, the cost of replacement of HVAC, mechanical, security, electrical, plumbing systems, or of any substantial component or part of such systems beyond the scope of routine maintenance and repair; resurfacing of the parking area or of the Building driveways or any other cost which is capital in nature, provided if Landlord shall purchase any item of capital equipment or make any capital expenditure which has the effect of reducing the expenses which would otherwise be included in Operating Costs, then the costs of such capital equipment or capital expenditure may be included in Operating Costs if amortized over the useful life of the item on straight-line basis, but only to the extent of the reduction in each escalation year or expenses which would otherwise be included in Operating Costs, until the savings or reductions in Operating Costs equal Landlord's costs for such capital expenditure. If Landlord shall lease any items of capital equipment which results in savings or reductions in Operating Costs for the escalation year in which they were incurred, but only to the extent of the reduction in each escalation year of expenses which would otherwise be included in Operating Costs; (c) expenditures for which Landlord is reimbursed by any insurance carrier, or from any other source; (d) cost of repairs or replacements incurred by reason of fire or other Casualty or condemnation; (e) advertising and promotional expenditures; (f) costs incurred in performing work or furnishing services for any tenant (including Tenant), whether at such Tenant's or Landlord's expense, to the extent that such work or service is in excess of any work or service that Landlord is obligated to furnish to Tenant at Landlord's expense; (g) depreciation, except as provided above; (h) bad debt loss, rent loss or reserves for either of them; (i) the cost of electricity furnished to any particular tenant and paid for by such tenant; (j) debt service under any Superior Mortgage, or ground rent payments under any Superior Lease, including points, commitment fees, broker's fees, legal fees and mortgage interest and amortization payments; (k) costs incurred in connection with the construction and initial development of the Building; (l) costs, expenses or expenditures relating to the duties, liabilities or obligations of other tenants in the Building; (m) any costs incurred by Landlord arising out of its failure to perform or breach of any of its covenants, agreements, representations, warranties, guarantees or indemnities made for the benefit of Tenant under this Lease; (n) Fees and Costs, space planner's fees, broker's commissions and other costs incurred by Landlord in connection with leasing space and negotiating leases with tenants of the Building, or legal fees in connection with disputes between Landlord and any tenant of the Building or between Landlord and any mortgagee; (o) lease payments for rented equipment, the cost of which equipment would constitute a capital

expenditure if the equipment were purchased; and any late fees, penalties, interest charges or similar fees incurred by Landlord; (p) costs of improving, altering, constructing or redecorating any space leased to tenants of the Building; (q) any cost representing an amount paid to a person, firm, corporation or other entity related to Landlord which is in excess of the amount which would have been paid in the absence of such relationship; (r) costs incurred by Landlord to remedy any defects in the design of or materials used in, or the defective installation of the structural steel framing, roof, foundation and underground utility lines forming a part of or servicing the Building; (s) costs associated with the operation of the business of the entity which constitutes Landlord as the same are distinguished from the costs of operation of the Building, including, without limitation, accounting and legal expenses, costs of selling, syndicating, financing, mortgaging or hypothecating Landlord's interest in the Building, costs of any disputes between Landlord and its employees, building managers or other tenants; or (t) Hazardous Materials remediation costs for which Landlord is responsible under this Lease.

77. **Definitions; Tenant's Personal Property.**The definitional term for Tenant's Personal Property in Section 23 of the General Terms and Conditions to Lease is deleted in its entirety and the following definition is substituted:

All equipment, machinery, furniture, furnishings and/or other property now or hereafter installed or placed in or on the Premises by and at the sole expense of Tenant and is removable without damage to the Premises or the Building. Notwithstanding any other provision of this Lease, Tenant's Personal Property shall not include any Leasehold Improvements or Alterations, whether or not any of the same were installed at Tenant's expense.

78. **Tenant's Proportionate Share.**The definitional term for Tenant's Proportionate Share in Section 23 of the General Terms and Conditions to Lease is deleted in its entirety and the following definition is substituted:

A fraction, expressed as a percentage, the numerator of which is the Rentable Area of the Premises, and the denominator of which is the Rentable Area of the Building. As of the date hereof, Tenant's Proportionate Share is 50.03%, subject to final measurement in accordance with Section 1 of the General Terms and Conditions to Lease.

79. **Exhibit C; Rules & Regulations to Lease.**Paragraph 7 of Exhibit C, Rules & Regulations to Lease is amended to provide that any approval of Landlord required therein shall not be unreasonably withheld.

80. **Exhibit C; Rules & Regulations to Lease.**Paragraph 8 of Exhibit C, Rules & Regulations to Lease is amended to provide that such rules and regulations shall be subject to Tenant's signage rights pursuant to Section 17 of the General Terms and Conditions to Lease, as amended herein.

81. **Exhibit C; Rules & Regulations to Lease.**Paragraph 10 of Exhibit C, Rules & Regulations to Lease is deleted in its entirety and the following paragraph is substituted:

No noise, including, but not limited to, music, the playing of musical instruments, recordings, radio or television, which, in the reasonable judgment of Landlord, might disturb other tenants in the Building, shall be made or permitted by any tenant. Without limiting any rights specifically granted to Tenant in the Lease, nothing shall be done or permitted by any tenant which would impair or interfere with the use or enjoyment by any other tenant or any other space in the Building.

82. **Exhibit C; Rules & Regulations to Lease.** Paragraph 11 of Exhibit C, Rules and Regulations to Lease is deleted in its entirety and the following paragraph is substituted:

Nothing shall be done or permitted in the tenant's premises, and nothing shall be brought into, or kept in or about the premises, which would impair or interfere with any of the HVAC, plumbing, electrical, structural components of the Building or the services of the Building or the proper and economic heating, cleaning or other services of the Building or the premises, nor shall there be installed by any tenant any ventilating, air-conditioning, electrical or other equipment of any kind which, in the judgment of Landlord, might cause any such impairment or interference. No tenant, nor the employees, agents, licensees or invitees of any tenant, shall at any time bring or keep upon the premises any flammable, combustible or explosive fluid, chemical or substance, except in compliance with Applicable Law and as otherwise provided in Section 6.4 of the Lease. Notwithstanding the foregoing, with Landlord's prior written consent, Tenant shall be permitted to install a supplemental HVAC unit in the Premises provided such installation is otherwise in accordance with Section 9.4 of the Lease.

83. **Exhibit C; Rules & Regulations to Lease.** Paragraph 13 of Exhibit C, Rules and Regulations to Lease, is deleted in its entirety and the following paragraph is substituted:

All removals, or the carrying in or out of any safes, freight, furniture, packages, boxes, crates or any other object or matter of any description shall take place only during such hours and in such elevators as Landlord may from time to time determine, which may involve overtime work for Landlord's employees. Tenant shall reimburse Landlord for extra costs incurred by Landlord including reserving the right to inspect all objects and matter to be brought into the Building and to exclude from the Building all objects and matter which violate any of these Rules and Regulations or the Lease of which these Rules and Regulations are a part. Landlord may require any person leaving the Building with any package or other object or matter to submit a pass, listing such package or object or matter, from the tenant from whose premises the package or object or matter is being removed, but the establishment and enforcement of such requirement shall not impose any responsibility on Landlord for the protection of any tenant against the removal of property from the premises of such tenant. Subject to Section 14 of the General Terms and Conditions to Lease, Landlord shall in no way be liable to any tenant for damages or loss arising from the admission, exclusion or ejection of any person to or from the Premises or the Building under the provisions of these Rules and Regulations.

84. **Exhibit C; Rules & Regulations to Lease.** Paragraph 15 of Exhibit C, Rules and Regulations to Lease, is deleted in its entirety and the following paragraph is substituted:

Subject to Tenant's signage rights pursuant to Section 17 of the General Terms and Conditions to Lease, as amended herein, Landlord shall have the right to prohibit any advertising on or in the Building or identifying sign for or by any tenant which, in the judgment of Landlord, tends to impair the appearance or reputation of the Building or the desirability of the Building as a building for offices, and upon written notice from Landlord such tenant shall refrain from and discontinue such advertising or identifying sign.

85. **Exhibit C; Rules & Regulations to Lease.** Paragraph 21 of Exhibit C, Rules & Regulations to Lease is deleted in its entirety and the following paragraph is substituted:

No tenant shall cause or permit any odors of cooking or other processes, or any unusual or objectionable odors, to emanate from its premises which would annoy other tenants or create a public or private nuisance. No cooking shall be done in a tenant's premises except for the

personal consumption of tenant's employees and as is expressly permitted in the Lease of which these Rules and Regulations are a part, or otherwise consented to in writing by the Landlord.

86. **Exhibit C; Rules & Regulations to Lease.** Paragraph 23 of Exhibit C, Rules & Regulations to Lease is deleted in its entirety.

87. **Exhibit C; Rules & Regulations to Lease.** Paragraph 25 of Exhibit C, Rules & Regulations to Lease is amended to provide that (i) Landlord's consent shall not be unreasonably withheld, conditioned or delayed and (ii) Landlord's prior written consent shall not be required in connection with the installation of a vending machine provided that such installation solely involves hook-up to an existing wall socket and such vending machine will be located within the Premises.

88. **Exhibit C; Rules & Regulations to Lease.** Paragraph 28 of Exhibit C, Rules & Regulations to Lease is deleted in its entirety and the following provision is substituted:

To the extent that janitorial services are provided by Landlord, Tenant shall not employ any person or persons other than Landlord's janitors for the purpose of cleaning its premises, without prior written consent of Landlord, which consent shall not be unreasonably withheld. Subject to Section 14 of the General Terms and Conditions to Lease, Landlord shall not be responsible to any tenant for any loss of property from its premises however occurring, or for any damage done to the effects of any tenant by such janitors or any of its employees, or by any other person or any other cause. Any janitor's service furnished by Landlord does not include the beating or cleaning of carpets or rugs.

89. **Exhibit C; Rules & Regulations to Lease.** Paragraph 29 of Exhibit C, Rules & Regulations to Lease is deleted in its entirety and the following provision is substituted:

Landlord hereby reserves to itself any and all rights not granted to tenant hereunder, including, but not limited to, the following rights which are reserved to Landlord for its purposes in operating the Building: (i) the exclusive right to use of the name of the Building for all purposes, except that a tenant may use the name as its business address and for no other purposes; (ii) the right to change the name or address of the Building, without incurring any liability to any tenant for so doing (provided however that Landlord shall replace Tenant's existing stocks of pre-printed stationery; (iii) the right to install and maintain a sign or signs on the exterior of the Building, subject to any signage rights of Tenant pursuant to Section 17 of the General Terms and Conditions to Lease; (iv) the exclusive right to use or dispose of the use of the roof of the Building; (v) the right to limit the space on the directory of the Building to be allotted to a tenant; and (vi) the right to grant anyone the right to conduct any particular business or undertaking in the Building provided such business or undertaking is consistent with a first class office building.

90. **Exhibit C; Rules & Regulations to Lease.** Paragraph 35 of Exhibit C, Rules & Regulations to Lease is amended to provide that Landlord shall enforce the rules and regulations in a uniform, fair and non-discriminatory manner.

91. **Right of First Offer with Respect to Additional Leasehold Space.**

91.1. During the Term of this Lease (the "Offer Period"), Tenant shall have a right of first offer (the "Right of First Offer") to lease additional space in the Building that becomes available (the "Offer Space"), such that if, during the Offer Period, the Offer Space has or will "become available" for leasing by the Landlord, then Landlord shall not lease the Offer Space to any other party unless the Offer Space has first been offered to and rejected (or deemed rejected) by Tenant. For purposes of this Section, Offer

Space shall be deemed to "become available", or to be "Available Offer Space", when (i) the lease or leases respecting the Offer Space, and in effect as of the Commencement Date of this Lease, expires or is otherwise terminated or (ii) when, following the Commencement Date of this Lease, Landlord otherwise determines to actively market such Offer Space for lease. Offer Space shall not be deemed to "become available", or to be deemed "Available Offer Space" if, during the Offer Term, such space is (i) assigned or subleased by the then-current tenant of the space; or (ii) re-let by the then-current tenant of the space by renewal, extension, or renegotiation. Such Right of First Offer shall be subordinate to any similar prior right held by other tenants of the Building under any leases pre-dating this Lease.

91.2. Consistent with the preceding Section, Landlord shall not lease any Available Offer Space to another party unless and until Landlord has first offered the Available Offer Space to Tenant by written notice (the "First Offer Leasing Notice"). The First Offer Leasing Notice shall contain the following: (i) a description of the square footage and location of the Available Offer Space; (ii) the date on which the Landlord expects and proposes that the Available Offer Space be delivered to Tenant for incorporation into the Lease (the "Offer Space Commencement Date"); (iii) the proposed increase in Rent and Tenant's Proportionate Share. Tenant shall have fifteen (15) business days following the date of Landlord's First Offer Leasing Notice within which to accept or reject the terms contained therein; and Tenant shall be deemed to have rejected the same unless within such fifteen (15) day period Tenant shall have delivered to Landlord Tenant's unconditional written acceptance of the terms thereof, which notice shall be accompanied by the financial information referred to below.

91.3. All of the following conditions must apply both at the time Tenant exercises the Right of First Offer as well as at the Offer Space Commencement Date: (i) the Lease must be in full force and effect and Tenant must be in possession of the Premises and paying Rent hereunder; (ii) no Event of Default shall exist; and (iii) Tenant's then-current financial condition, as revealed by its most recent financial statements (which shall include quarterly and annual financial statements, including income statements, balance sheets, and cash flow statements), must demonstrate that (A) Tenant's net worth is at least equal to its net worth at the time this Lease was signed or (B) that Tenant otherwise satisfies Landlord's then-current standards for tenant creditworthiness. In addition, if any guaranty is then in effect with respect to the Tenant's Lease obligations then, at the Offer Space Commencement Date, Tenant shall deliver to Landlord an original, signed and notarized reaffirmation of each guarantor's personal guaranty, in form and substance generally acceptable to Landlord.

91.4. If Tenant rejects or is deemed to have rejected the terms of Landlord's First Offer Leasing Notice then Tenant's Right of First Offer shall thereafter irrevocably lapse and terminate as to the Offer Space described in such notice, and Landlord shall thereafter be free to lease the Offer Space therein described to any third-party at any time without regard to the restrictions in this Section and on whatever terms and conditions Landlord may decide in its sole discretion, provided however, that if such Offer Space is leased to a third-party and thereafter following the expiration or termination of such lease, such Offer Space, or portion thereof, becomes "available" (as defined herein), then Tenant may thereafter exercise the Right of First Offer with respect to such space or portion thereof in accordance with this Section 84.

91.5. If Tenant delivers to Landlord a timely notice of acceptance of the terms contained in Landlord's First Offer Notice, together with Tenant's financial statements as provided above, and Landlord determines that all of the other conditions described above are satisfied, then, as of the Offer Space Commencement Date, the Available Offer Space described in Landlord's First Offer Notice shall be deemed added to the Premises and subject to the terms and conditions in the Lease, with the exception of those Lease modifications hereinafter set forth or otherwise as mutually agreed to by Landlord and Tenant in good faith. Within fifteen (15) business days following Landlord's receipt of Tenant's notice of acceptance Landlord shall present to Tenant, and Tenant shall execute and re-deliver to Landlord, an

amendment to Lease defining the Available Offer Space to be added to the leased Premises, the Offer Space Commencement Date, the changes in Rent and Tenant's Proportionate Share, and other relevant matters.

91.6. The Available Offer Space subject to such amendment shall be leased to Tenant for a rental rate equal to the then-current per-square foot shell rental rate for comparable space in the Building as determined by Landlord, in its reasonable discretion, including relevant tenant concessions.

91.7. Any improvement costs shall be separately negotiated by the parties after Landlord's receipt of Tenant's notice of acceptance of the terms of Landlord's First Offer Leasing Notice. The Available Offer Space as accepted by Tenant shall be delivered to Tenant on the Offer Space Commencement Date in clean condition, free of tenants or other occupants, and in its then "as is" condition, except as otherwise agreed by Landlord and Tenant.

91.8. The failure of Tenant to take action in any manner or time periods set forth above or the commission by Tenant of an Event of Default beyond any applicable cure period under the Lease at any time during which Tenant has elected to exercise this Right of First Offer shall render this Right null and void and of no further force or effect with respect to the Available Offer Space subject to this Right at such time, provided however, the commission by Tenant of more than two (2) Events of Default during any consecutive twelve (12) month period during the Term shall render this Right null and void and of no further force and effect. This Right of First Offer is personal to the Tenant and, unless Landlord shall otherwise specifically agree in writing, shall automatically lapse and terminate upon the occurrence of an assignment of the Tenant's interest in the Lease or a sublet of all or part of Premises, except in the event of (i) a Transfer pursuant to Section 7 of the Lease for which Landlord has granted consent and which Transfer consists of an assignment of the entirety of the Premises for the remainder of the Term or (ii) a Transfer pursuant to Section 7.3 of the Lease.

92. Renewal Option. Provided Tenant is not in default of any of its obligations under the Lease and is in possession of the Premises, Tenant shall be entitled to renew the Lease for one (1) additional term of five (5) years, commencing immediately following the expiration of the Term, on the same terms and conditions of the Lease, with the following conditions:

92.1. Tenant will give written notification to Landlord not later than nine (9) full calendar months prior to the scheduled termination date of the Term of its intention to elect to renew the Lease.

92.2. For the first Lease Year of the renewal Term, the Basic Rent shall be increased, and the amount of such increase shall equal five percent (5%) of the amount of Basic Rent paid on an annual basis during the immediately preceding Lease Year. Thereafter, for each successive Lease Year of the renewal term, the Basic Rent shall be increased, and the amount of the increase in each Lease Year shall equal three percent (3.00%) of the amount of Basic Rent paid on an annual basis during the immediately preceding Lease Year. Consecutive monthly installments of Basic Rent shall be increased accordingly.

92.3. If Tenant elects to lease the Premises for the renewal term above set forth pursuant to the renewal right granted in this Section then Tenant shall execute a Lease Amendment extending the Term and confirming the new Basic Rent within ten (10) days of receipt of an instrument of amendment from Landlord.

92.4. Time shall be of the essence with respect to each of the provisions of this Section; if Tenant fails or refuses to provide notices or to take action as provided in this Section within the times herein set forth then the renewal right and option herein granted shall lapse and terminate.

92.5. No additional rights or options to renew shall be deemed to be granted.

92.6. The right and option set forth in this Section is personal to the party originally named as Tenant under the Lease and shall lapse and terminate upon any assignment or sublease of the Premises, except in the event of (i) a Transfer pursuant to Section 7 of the Lease for which Landlord has granted consent and which Transfer consists of an assignment of the entirety of the Premises for the remainder of the Term or (ii) a Transfer pursuant to Section 7.3 of the Lease.

IN WITNESS WHEREOF, the parties hereto have executed this Rider to Office Lease Agreement, or have caused the same to be executed on their respective behalves by their duly authorized representatives, the date and year first above written.

WITNESS:

LANDLORD:

CORPORATE PLACE I BUSINESS TRUST, a Maryland business trust, by COMMERCIAL PROPERTY INVESTORS TRUST COMPANY, LLC, a Maryland limited liability company

/s/ (illegible)

By: /s/ Roger A. Waesche, Jr. (seal)
Roger A. Waesche, Jr., Executive Vice President

TENANT:

COSTAR GROUP, INC., a Delaware corporation

/s/ Martha E Sichel

By: /s/ Frank Carchedi (seal)

Frank Carchedi

Name

C.F.O.

Title

{acknowledgements appear on following page}

Acknowledgements

State of Maryland
County of Howard, to wit:

On this 16th day of March, 2007, before me, the undersigned officer, personally appeared Roger A. Waesche, Jr. who acknowledged himself to be the President of Commercial Property Investors Trust, LLC, a Maryland corporation, which is Trustee of Corporate Place I Business Trust, a Maryland business trust, and on behalf of said limited liability company and said trust, did acknowledge that he, as such officer, being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of such limited liability company as such Trustee by himself as such officer.

IN WITNESS WHEREOF, I hereby unto set my hand and official seal.

/s/ Samantha Keeton _____ (seal)
Notary Public

My Commission expires:

July 14, 2009 _____

State of Maryland
County of Montgomery, to wit:

On this 9th day of March, 2007, before me, the undersigned officer, personally appeared Frank Carchedi who acknowledged himself/herself to be the C.F.O of Costar Group, Inc., a Delaware corporation, and on behalf of said corporation did acknowledge that he/she as such officer being authorized so to do executed the foregoing Lease for the purposes therein contained by signing the name of the corporation by himself/herself as such officer.

IN WITNESS WHEREOF, I hereby unto set my hand and official seal.

Lisa Springer _____ (seal)
Notary Public

My Commission expires:

January 7, 2009 _____

Exhibit A

Terms of Letter of Credit

The following terms are to be set forth in the Letter of Credit, as items to be complied with by the Beneficiary:

1. A written statement, signed by an officer of the Beneficiary, duly notarized, as to either or both of two alternatives, as follows:
 - a. This Letter of Credit expires prior to **[scheduled end of Term]**; under the Lease between Applicant, as Tenant, and Beneficiary, as Landlord, dated as of _____, 2006. Applicant has failed to provide a renewal or replacement of this letter of credit, upon the terms set forth in Section 5.7 of the Lease, as amended, within 60 days prior to the expiration of this letter of credit; Beneficiary has given Applicant 15 days Notice, which the Beneficiary certifies was delivered in accordance with the notice provisions of the Lease, to cure such failure and Applicant has failed to do so within such time; or
 - b. Applicant has committed an Event of Default under the Lease; Beneficiary has given Applicant any applicable notice and opportunity to cure such Event of Default required to be given pursuant to Section 21 of the Lease; and such Default or Defaults have remained uncured after such Notice; and accordingly an Event of Default exists under the Lease.
2. The original of this Letter of Credit.
3. This Letter of Credit sets forth in full the terms of our undertaking to you. Such undertaking shall not in any way be modified, amended or amplified by reference to any document or instrument referred or related to herein and any such reference shall not be deemed to incorporate herein by reference any such document or instrument.
4. The original of this Letter of Credit must be presented to us with any drawings hereunder for our endorsement of any payments affected by us.
5. If cancellation of this Letter of Credit is required before the expiration date stated herein, the original of this Letter of Credit must be returned to us with the Beneficiary's letter requesting cancellation.

Exhibit B
Cleaning Specifications

CERTIFICATION

I, Andrew C. Florance, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CoStar Group, Inc.;
 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
 4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
-

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2007

By: Andrew C. Florance

/s/ Andrew C. Florance
Andrew C. Florance
Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

I, Frank A. Carchedi, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CoStar Group, Inc.;
 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
 4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
-

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2007

By: Frank A. Carchedi

/s/ Frank A. Carchedi
Frank A. Carchedi
Chief Financial Officer
(Principal Financial and Accounting Officer)

CoStar Group, Inc.
2 Bethesda Metro Center, 10th floor
Bethesda, MD 20814

May 9, 2007

Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549

Re: Certification Of Principal Executive Officer Pursuant To 18 U.S.C. Sec. 1350

Dear Ladies and Gentlemen:

In connection with the accompanying Quarterly Report on Form 10-Q of CoStar Group, Inc., for the quarter ended March 31, 2007, I, Andrew C. Florance, Chief Executive Officer of CoStar Group, Inc., hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- 1) such Quarterly Report on Form 10-Q of CoStar Group, Inc., for the quarter ended March 31, 2007, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2) the information contained in such Quarterly Report on Form 10-Q of CoStar Group, Inc., for the quarter ended March 31, 2007, fairly presents, in all material respects, the financial condition and results of operations of CoStar Group, Inc.

By:

/s/ Andrew C. Florance
Andrew C. Florance
Chief Executive Officer
(Principal Executive Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to CoStar Group, Inc. and will be retained by CoStar Group, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

In accordance with Item 601 of Regulation S-K, this certification is being "furnished" as Exhibit 32.1 to CoStar Group, Inc.'s quarterly report and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act") or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, except as expressly set forth by specific reference in such a filing.

CoStar Group, Inc.
2 Bethesda Metro Center, 10th floor
Bethesda, MD 20814

May 9, 2007

Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549

Re: Certification Of Principal Financial Officer Pursuant To 18 U.S.C. Sec. 1350

Dear Ladies and Gentlemen:

In connection with the accompanying Quarterly Report on Form 10-Q of CoStar Group, Inc., for the quarter ended March 31, 2007, I, Frank A. Carchedi, Chief Financial Officer of CoStar Group, Inc., hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- 1) such Quarterly Report on Form 10-Q of CoStar Group, Inc., for the quarter ended March 31, 2007, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2) the information contained in such Quarterly Report on Form 10-Q of CoStar Group, Inc., for the quarter ended March 31, 2007, fairly presents, in all material respects, the financial condition and results of operations of CoStar Group, Inc.

By:

/s/ Frank A. Carchedi
Frank A. Carchedi
Chief Financial Officer
(Principal Financial and Accounting Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to CoStar Group, Inc. and will be retained by CoStar Group, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

In accordance with Item 601 of Regulation S-K, this certification is being "furnished" as Exhibit 32.2 to CoStar Group, Inc.'s quarterly report and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act") or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, except as expressly set forth by specific reference in such a filing.