

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

AMENDMENT NO. 3 TO

FORM S-11

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

OF SECURITIES OF CERTAIN REAL ESTATE COMPANIES

BOSTON PROPERTIES, INC.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS GOVERNING INSTRUMENTS)

8 ARLINGTON STREET
BOSTON, MASSACHUSETTS 02116
(617) 859-2600

(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

MORTIMER B. ZUCKERMAN, CHAIRMAN
EDWARD H. LINDE, PRESIDENT AND CHIEF EXECUTIVE OFFICER
BOSTON PROPERTIES, INC.

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(NAME AND ADDRESS OF AGENT FOR SERVICE)

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APPROXIMATE DATE OF COMMENCEMENT OF THE PROPOSED SALE OF THE SECURITIES TO THE PUBLIC: As soon as practicable after this Registration Statement becomes effective.

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

EXPLANATORY NOTE

This Registration Statement contains a Prospectus relating to a public offering in the United States and Canada (the "U.S. Offering") of an aggregate of 25,120,000 shares of common stock (the "Common Stock") of Boston Properties, Inc., a Delaware corporation, together with separate Prospectus pages relating to a concurrent offering outside the United States and Canada of an aggregate of 6,280,000 shares of Common Stock (the "International Offering"). The complete Prospectus for the U.S. Offering follows immediately. After such Prospectus are the following alternate pages for the International Offering: a front cover page; an "Underwriting" section; and a back cover page. All other pages of the Prospectus for the U.S. Offering are to be used for both the U.S. Offering and the International Offering.

	PRICE TO PUBLIC	UNDERWRITING DISCOUNT(1)	PROCEEDS TO COMPANY(2)
Per Share.....	\$	\$	\$
Total(3).....	\$	\$	\$

- (1) The Company has agreed to indemnify the several Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended. See "Underwriting."
- (2) Before deducting estimated expenses of \$ payable by the Company.
- (3) The Company has granted the U.S. Underwriters a 30-day option to purchase up to an additional 3,768,000 shares of Common Stock, and has granted the International Managers a 30-day option to purchase up to an additional 942,000 shares of Common Stock, on the same terms and conditions as set forth above solely to cover overallotments, if any. If such options are exercised in full, the total Price to Public, Underwriting Discount and Proceeds to Company will be \$, \$ and \$, respectively. See "Underwriting."

The shares of Common Stock are offered by the several Underwriters, subject to prior sale, when, as and if issued and accepted by them, subject to approval of certain legal matters by counsel for the Underwriters. The Underwriters reserve the right to withdraw, cancel or modify such offer and to reject orders in whole or in part. It is expected that delivery of the shares will be made in New York, New York on or about , 1997.

Joint Lead Managers and Joint Bookrunners
MERRILL LYNCH & CO. GOLDMAN, SACHS & CO.

BEAR, STEARNS & CO. INC.
MORGAN STANLEY & CO.
INCORPORATED
PAINWEBBER INCORPORATED
PRUDENTIAL SECURITIES INCORPORATED
SMITH BARNEY INC.

The date of this Prospectus is , 1997.

[Map showing location of the Company's
Greater Boston properties]

Certain persons participating in this Offering may engage in transactions that stabilize, maintain or otherwise affect the price of the Common Stock. Such transactions may include stabilizing, the purchase of Common Stock to cover syndicate short positions and the imposition of penalty bids. For a description of these activities, see "Underwriting."

1 ARTWORK

[Picture of One Cambridge
Center, Cambridge, Massachusetts]

[Picture of Long Wharf
Marriott(R) Hotel,
Boston, Massachusetts]

[Picture of Waltham
Office Center,
Waltham, Massachusetts]

[Picture of
500 E Street, Washington, D.C., S.W.]

[Picture of Ten Cambridge
Center, Cambridge,
Massachusetts]

2 Artwork

[PICTURE OF CAMBRIDGE CENTER
MARRIOTT(R) HOTEL,
CAMBRIDGE, MASSACHUSETTS]

[PICTURE OF 599 LEXINGTON AVENUE,
NEW YORK, NEW YORK]

[PICTURE OF 7600 BOSTON BOULEVARD,
SPRINGFIELD, VIRGINIA]

[PICTURE OF ONE AND TWO INDEPENDENCE SQUARE,
WASHINGTON, D.C., S.W.]

For a summary of property, property type, operating and ownership data regarding the Properties see the "Summary Property Data" table contained herein.

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PROSPECTUS SUMMARY

This summary is qualified in its entirety by the more detailed information included elsewhere in this Prospectus. Boston Properties Limited Partnership, a Delaware limited partnership of which Boston Properties, Inc. is the sole general partner, is referred to as the "Operating Partnership." Unless otherwise indicated, the information contained in this Prospectus assumes that (i) the Underwriters' over-allotment option is not exercised, (ii) the transactions described under "Structure and Formation of the Company" are consummated, (iii) none of the units of limited partnership of the Operating Partnership ("OP Units"), which are redeemable for cash or, at the election of the Company, exchangeable for Common Stock, are so redeemed or exchanged, and (iv) the Common Stock to be sold in the Offering is sold at \$25.00 per share. All references in this Prospectus to the "Company" refer to Boston Properties, Inc. and its subsidiaries, including the Operating Partnership, collectively, unless the context otherwise requires. All references in this Prospectus to the historical activities of the Company refer to the activities of the Boston Properties Predecessor Group. See "Glossary" for the definitions of certain terms used in this Prospectus.

THE COMPANY

The Company has been formed to succeed to the real estate development, redevelopment, acquisition, management, operating and leasing businesses associated with the predecessor company founded by Mortimer B. Zuckerman and Edward H. Linde in 1970. The Company is one of the largest owners and developers of office properties in the United States, with a significant presence in six submarkets in Greater Boston, five submarkets in Greater Washington, D.C. and the Park Avenue submarket of midtown Manhattan. Following the Offering, Messrs. Zuckerman and Linde will beneficially own in the aggregate a 31.9% economic interest in the Company and the other senior officers of the Company will beneficially own in the aggregate a 2.4% economic interest in the Company (in each case assuming the exchange of all OP Units for Common Stock). Messrs. Zuckerman and Linde have agreed that, while they serve as directors or officers of the Company (but in any event for a minimum of three years), the Company will be the exclusive entity through which they develop or acquire commercial properties. See "Management--Employment and Noncompetition Agreements." The Company expects to qualify as a REIT for federal income tax purposes for the year ending December 31, 1997.

Upon the completion of the Offering, the Company will own a portfolio of 75 commercial real estate properties (the "Properties") aggregating approximately 11.0 million square feet, 89% of which was developed or substantially redeveloped by the Company. The Company will own a 100% fee interest in 61 of the Properties that account for 98% of the total Escalated Rent of the portfolio. The Properties consist of 63 office properties with approximately 7.8 million net rentable square feet, including seven office properties currently under development or redevelopment totaling approximately 810,000 net rentable square feet and one Property under contract to purchase with approximately 170,000 net rentable square feet (the "Office Properties"); nine industrial properties with approximately 925,000 net rentable square feet (the "Industrial Properties"); two hotels totaling 833 rooms and approximately 750,000 square feet (the "Hotel Properties"); and a 1,170 space parking garage with approximately 330,000 square feet (the "Garage Property"). In addition, the Office Properties contain approximately 1.3 million square feet of structured parking for 4,222 vehicles. The seven Office Properties currently under development or redevelopment are referred to herein as the "Development Properties." The Company will also own, have under contract or have options to acquire six undeveloped parcels of land totaling 47.4 acres, located in Greater Boston and Greater Washington, D.C., which will support approximately 1.0 million square feet of development. The Company currently manages all of the Properties except the Hotel Properties, which are managed by Marriott International, Inc. ("Marriott(R)"), the Garage Property and other parking garages that are a part of certain of the Office Properties. The Garage Property and other parking garages are being managed by third parties to help the Company to qualify as a REIT. See "Business and Properties."

Over its 27 year history, the Company has developed 72 properties totaling 13.7 million square feet, including properties developed for third parties. The Company owns 49 of these properties, totaling 8.9 million square feet. During the last five years, the Company's average return on cost (EBITDA divided by the undepreciated book value of the Company's real estate assets) has been 14.2%, reflecting the Company's successful record of development and focusing on submarkets where it can achieve leadership positions and, therefore, superior returns.

The Properties are primarily located in twelve submarkets, including six submarkets in Greater Boston (the East Cambridge, Route 128 Northwest, Route 128/Massachusetts Turnpike, Route 128 Southwest, Route 128 South and Boston submarkets), five submarkets in Greater Washington, D.C. (the Southwest Washington, D.C., West End Washington, D.C., Montgomery County, Maryland, Fairfax County, Virginia and Prince George's County, Maryland submarkets) and midtown Manhattan (the Park Avenue submarket).

The following table provides a summary of the Escalated Rent and square footage of the Office and Industrial properties in each of the Company's markets as a percentage of the Company's total portfolio of Office and Industrial Properties:

	NUMBER OF PROPERTIES	PERCENTAGE OF TOTAL ESCALATED RENT	PERCENTAGE OF TOTAL SQUARE FEET
Greater Boston.....	31	25.1%	33.2%
Greater Washington, D.C.	27	46.8	48.5
Midtown Manhattan.....	1	26.8	11.5
Other.....	13	1.3	6.8

This table excludes the two Hotel Properties and the Garage Property, all of which are located in Greater Boston.

The Company believes that the Properties are well positioned to provide a base for continued growth. The Office and Industrial Properties are leased to high quality tenants and located in submarkets with low vacancy rates and rising rents. With the value added by the Company's in-house marketing, leasing, construction of tenant improvements and property management programs, the Properties have historically enjoyed high occupancy rates and efficient re-leasing of vacated space.

As of December 31, 1996, the Office Properties (excluding the Development Properties) and the Industrial Properties had an occupancy rate of 94% and the Hotel Properties had an average occupancy rate for the year ended December 31, 1996 of 84%. Leases with respect to 10.3%, 10.9% and 7.0% of the leased square footage of the Office and Industrial Properties expire in 1997, 1998 and 1999, respectively. The weighted average Escalated Rent with step-ups per square foot of such expiring square footage is \$17.93 compared to a weighted average Company quoted rental rate per square foot as of January 1, 1997 for such expiring square footage of \$20.34. There can be no assurances that the Company will be able to re-let available space at higher rental rates. The Company believes that it is appropriate to compare Escalated Rent to the Company's quoted rental rate because the elements that comprise Escalated Rent (including base rent plus step-ups and tenant pass-throughs of operating expenses and real estate taxes) are the same as those that a landlord would use to determine a quoted rental rate.

The Company's investment objective is to maximize growth in cash available for distribution and to enhance the value of its portfolio through equity investments in commercial real estate in order to maximize the total return to stockholders. The Company will conduct all of its investment activities through the Operating Partnership and its affiliates and currently intends to invest primarily in the acquisition, development and redevelopment of commercial properties, and the acquisition of land which the Company believes has development potential. See "Policies with Respect to Certain Activities--Investment Policies," "Business and Properties" and "Business and Growth Strategies."

The Company believes it has superior access to potential development and acquisition opportunities by virtue of its long-standing reputation and relationships, nationally and in its primary markets, with brokers, tenants, financial institutions, development agencies and contractors. The Company intends to utilize its experience with, and understanding of, the development and management of a range of commercial property types to opportunistically pursue developments and acquisitions within its existing and new markets.

The Company believes that its capacity for growth will be enhanced by combining its experienced personnel, established market position and relationships, hands-on approach to development and management, substantial portfolio of existing properties and buildings under development, and existing acquisition opportunities with the advantages that will be available to it in its new status as a public company. These advantages include improved access to debt and equity financing and the ability to acquire properties and sites through the issuance of stock and OP Units, which can be of particular value to potential tax-sensitive sellers. The Company also believes that because of its size and reputation it will be a desirable buyer for those institutions or individuals wishing to sell individual properties or portfolios of properties in exchange for an equity position in a public real estate company. See "Business and Growth Strategies."

At present, the Company is developing for its own account the seven Development Properties, totaling approximately 810,000 square feet, located in Greater Boston and Fairfax County, Virginia (consisting of five Office Properties that will be 100% owned by the Company and two Office Properties in which the Company will own a 25% interest). The Development

Properties are 79% pre-committed to tenants and the Company expects that its Stabilized Return on Cost for these Properties will be approximately, in the aggregate, 12%. In addition, on May 16, 1997 the Company entered into a purchase and sale agreement to acquire, for \$21.7 million, Newport Office Park, a Class A office building in Quincy, Massachusetts with approximately 170,000 net rentable square feet and an expected Stabilized Return on Cost in excess of 10%. The acquisition is expected to close concurrently with the Offering, although there can be no assurance that such purchase will be consummated. See "The Company--History--Recent Activities" and "Business and Properties--The Development Properties."

Concurrently with the completion of the Offering, the Company expects to have a three-year \$300 million unsecured revolving line of credit (the "Unsecured Line of Credit") with BankBoston, N.A., as agent (the "Line of Credit Bank") to facilitate its development and acquisition activities and for working capital purposes. See "Unsecured Line of Credit." Immediately following the completion of the Offering, the Company expects to have a debt to total market capitalization ratio of approximately 37.6% (35.5% if the Underwriter's over-allotment option is exercised in full).

The Company intends to make regular quarterly distributions to its stockholders, beginning with a distribution for the period commencing on the completion of the Offering and ending on September 30, 1997.

The Company is a full-service real estate company, with substantial in-house expertise and resources in acquisitions, development, financing, construction management, property management, marketing, leasing, accounting, and legal services. As of March 31, 1997, the Company had 284 employees, including 87 professionals involved in acquisitions, development, finance and legal matters. The Company's 16 senior officers, together with Mr. Zuckerman, Chairman of the Board, have an average of 24 years experience in the real estate industry and an average of 16 years tenure with the Company. The Company's headquarters are located at 8 Arlington Street, Boston, Massachusetts 02116 and its telephone number is (617) 859-2600. In addition, the Company has regional offices at the U.S. International Trade Commission Building at 500 E Street, SW, Washington, D.C. 20024 and at 599 Lexington Avenue, New York, New York 10002.

RISK FACTORS

An investment in the Common Stock involves various risks, and prospective investors should carefully consider the matters discussed under "Risk Factors" prior to an investment in the Company. Such risks include, among others:

- . the development of commercial properties is subject to risks such as the availability and timely receipt of regulatory approvals, the cost and timely completion of construction, the availability of construction financing on favorable terms, the timely leasing of the property, and the leasing of the property at lower rental rates than anticipated, any of which could have an adverse effect on the financial condition of the Company;
- . the Company may acquire large properties or portfolios of properties that would substantially increase the size of the Company, and the Company's ability to assimilate such acquisitions and achieve the intended return on investment cannot be assured;
- . conflicts of interest exist between the Company and Messrs. Zuckerman and Linde because Messrs. Zuckerman and Linde determined the terms of the Formation Transactions and the organizational documents that will govern their ongoing relationship with the Company, and in connection with the Formation Transactions they will receive material benefits;
- . conflicts of interest between the Company and Messrs. Zuckerman and Linde, including conflicts associated with the sale of any of the Properties, including the Designated Properties, or with the repayment of indebtedness because of possible adverse tax consequences which may influence them to not act in the best interests of the stockholders;
- . the possibility that the consideration to be given by the Company for the Properties and other assets at the completion of the Offering may exceed their fair market value; no third-party appraisals were obtained by the Company regarding the Properties and other assets;
- . real estate investment and property management risks such as the need to renew leases or relet space upon lease expirations and, at times, to pay renovation and reletting costs in connection therewith, the effect of economic conditions on property cash flows and values, the ability of tenants to make lease payments, the ability of a property to generate revenue sufficient to meet operating expenses and debt service, all of which may adversely affect the Company's ability to make expected distributions to stockholders;

- . the possibility that the Company may not be able to refinance outstanding indebtedness upon maturity or acceleration, that such indebtedness might be refinanced at higher interest rates or otherwise on terms less favorable to the Company than existing indebtedness, and the lack of limitations in the Company's organizational documents on the amount of indebtedness the Company may incur;
- . taxation of the Company as a corporation if it fails to qualify as a REIT for federal income tax purposes, the Company's liability for certain federal, state and local income taxes in such event, and the resulting decrease in cash available for distribution;
- . anti-takeover effect of limiting actual or constructive ownership of Common Stock of the Company by a single person other than Mr. Zuckerman and Mr. Linde (and certain associated parties) to 6.6% of the outstanding capital stock, subject to certain specified exceptions, and certain other provisions contained in the organizational documents of the Company and the Operating Partnership, and of a shareholder rights plan adopted by the Company, any of which may have the effect of delaying or preventing a transaction or change in control of the Company that might involve a premium price for the Common Stock or otherwise be in the best interests of the Company's stockholders;
- . dependence on certain key personnel whose continued service is not guaranteed, particularly Messrs. Zuckerman and Linde;
- . the absence of a prior public market for the Common Stock; lack of assurances that an active trading market will develop; and
- . immediate and substantial dilution in the net tangible book value per share of the shares of Common Stock purchased in the Offering.

BUSINESS AND GROWTH STRATEGIES

BUSINESS STRATEGY

The Company's primary business objective is to maximize growth in cash available for distribution and total return to stockholders. The Company's strategy to achieve this objective is: (i) to selectively acquire and develop properties in the Company's existing markets, adjacent markets and in new markets that present favorable opportunities; (ii) to maintain high occupancy rates at rents that are at the high end of the markets in which the Properties are located, and to continue to achieve high room and occupancy rates in the Hotel Properties; and (iii) to selectively provide comprehensive, project-level development and management services to third parties. See "Business and Growth Strategies."

GROWTH STRATEGIES

External Growth

The Company has targeted four areas of development and acquisition as significant opportunities to execute the Company's external growth strategy:

Acquire Land for Development. The Company believes that development of well-positioned office buildings and R&D properties is currently or will be justified in many of the submarkets in which the Company has a presence. The Company believes in acquiring land in response to market conditions that allow for the development of such land in the relatively near term. Over its 27 year history, the Company has established a successful record of carefully timing land acquisitions in submarkets where the Company can become a market leader in establishing rent and other business terms. The Company has been particularly successful at acquiring sites or options to purchase sites that need governmental approvals before the commencement of development and thereby adding value through its development expertise.

Acquire Existing Underperforming Assets. The Company has actively pursued and continues to pursue opportunities to acquire existing buildings that, while currently generating income, are either underperforming the market due to poor management or are currently leased below market with anticipated roll-over of space. These opportunities may include the acquisition of entire portfolios of properties, including large portfolios that have the potential to alter significantly the capital structure of the Company. The Company is well-positioned to identify and acquire existing, underperforming properties for competitive prices and to add significant additional value to such properties through its effective marketing strategies and responsive property management program.

Acquire Assets from Institutions or Individuals. The Company believes that due to its size, management strength and reputation it will be in an advantageous position to acquire portfolios of assets or individual properties from institutions or individuals seeking to convert their ownership on a property level basis to the ownership of equity in a diversified real estate operating company that offers liquidity through access to the public equity markets. In addition, the Company may pursue mergers with and acquisitions of compatible real estate firms. The ability to offer OP Units to sellers who would otherwise recognize a gain upon a sale of assets for cash or common stock may facilitate this type of transaction on a tax-efficient basis. The Company is currently in discussions with certain institutional investors to acquire certain of their portfolio properties, but no assurances can be given that the Company will purchase any of such properties.

Provide Third-Party Development Management Services. While the primary objective of the Company has been, and will continue to be, the development and acquisition of quality, income producing buildings to be held for long term ownership, the Company intends to engage in a select amount of comprehensive project-level development management services for third parties.

Internal Growth

The Company believes that significant opportunities exist to increase cash flow from its existing Properties because they are high quality properties in desirable locations in submarkets that are experiencing rising rents, low vacancy rates and increasing demand for office, R&D and industrial space. In addition, the Company's Properties are in markets where supply is limited by the lack of available sites and the difficulty of receiving the necessary approvals for development on vacant land. The Company's strategy for maximizing the benefits from these opportunities is (i) to provide high quality property management services using its own employees in order to enhance tenant preferences for renewal, expansion and relocation in the Company's properties, and (ii) to achieve speed and transaction cost efficiency in replacing departing tenants through the use of in-house services for marketing, lease negotiation, and design and construction of tenant improvements.

Cultivate Existing Submarkets. In choosing locations for its properties, the Company has paid particular attention to transportation and commuting patterns, physical environment, adjacency to established business centers, proximity to sources of business growth, and other local factors. Substantially all of the Company's square footage of Office and Industrial Properties are located in twelve submarkets in Greater Boston, Greater Washington, D.C. and midtown Manhattan.

These submarkets are experiencing increasing rents and as a result current market rates often exceed the rents being paid by the Company's tenants. The Company expects that leases expiring over the next three years will be renewed, or space relet, at higher rents. Leases with respect to 10.3%, 10.9% and 7.0% of the leased square footage of the Office and Industrial Properties expire in 1997, 1998 and 1999, respectively. The weighted average Escalated Rent with step-ups per square foot of such expiring square footage is \$17.93 compared to a weighted average Company quoted rental rate per square foot as of January 1, 1997 for such expiring square footage of \$20.34. There can be no assurance that the Company will be able to re-let available space at higher rental rates.

In addition, the Company believes that the Hotel Properties will add to the Company's internal growth because of their desirable locations in the downtown Boston and East Cambridge submarkets, which are experiencing high occupancy rates, and their effective management by Marriott(R), which has achieved high guest satisfaction and limitations on increases in operating costs.

Directly Manage Properties to Maximize the Potential for Tenant Retention. The Company itself provides property management services, rather than contracting for this service, to achieve awareness of and responsiveness to tenant needs. The Company and the Properties also benefit from cost efficiencies produced by an experienced work force attentive to preventive maintenance and energy management and from the Company's continuing programs to assure that its property management personnel maintain good tenant relations. The Company has long recognized that renewal of existing tenant leases, as opposed to tenant replacement, often provides the best operating results, because renewals minimize transaction costs associated with marketing, leasing and tenant improvements and avoid interruptions in rental income during periods of vacancy and renovation of space.

Replace Tenants Quickly at Best Available Market Terms and Lowest Possible Transaction Costs. The Company believes that it has a competitive advantage in attracting new tenants and achieving rental rates at the higher end of its markets as a result of its well-located, well-designed and well-maintained properties, its reputation for high quality building

services and responsiveness to tenants, and its ability to offer expansion and relocation alternatives within its submarkets. The Company's objective throughout this process is to obtain the highest possible rental terms and to achieve rent commencement for new tenancies as quickly as possible, and the Company believes that its use of in-house resources for marketing, leasing and tenant improvements continues to result in lower than average transaction costs.

THE PROPERTIES

Upon completion of the Offering, the Company will own the 63 Office Properties, the nine Industrial Properties, the two Hotel Properties and the Garage Property. Seven of the Office Properties are currently under development by the Company and are referred to as the "Development Properties."

OFFICE PROPERTIES

The Office Properties consist of 36 Class A office buildings (including three Development Properties) ("Class A Office Buildings") and 27 properties (including four Development Properties) that support both office and technical uses ("R&D Properties"). The Company considers Class A office buildings to be buildings that are centrally located, professionally managed and maintained, attract high-quality tenants and command upper-tier rental rates, and are modern structures or have been modernized to compete with newer buildings. The Company's 36 Class A Office Buildings contain approximately 6.2 million net rentable square feet in urban and suburban settings in Greater Boston, Greater Washington, D.C. and midtown Manhattan. The Company's Class A Office Buildings include 599 Lexington Avenue in midtown Manhattan, which has approximately 1.0 million net rentable square feet. As of December 31, 1996, the 33 completed Class A Office Buildings had an occupancy rate of 96%. The Company has developed or substantially redeveloped 35 of the Class A Office Buildings (including Development Properties) since 1980, containing approximately 6.1 million net rentable square feet. A number of the Office Properties include parking, and the Company's Garage Property (a free-standing garage containing 1,170 spaces) is located at the Company's Cambridge Center development.

The R&D Properties contain approximately 1.6 million net rentable square feet and consist primarily of suburban properties located in the Fairfax County, Virginia submarket of Greater Washington, D.C. and the East Cambridge and Route 128 Northwest submarkets of Greater Boston. As of December 31, 1996, the 23 completed R&D Properties had an occupancy rate of 96%. The Company has developed or substantially redeveloped 17 of the R&D Properties (including Development Properties) since 1981.

Management believes that the location and quality of construction of the Office Properties, as well as the Company's reputation for providing a high level of tenant service, have enabled the Company to attract and retain a diverse tenant base. As of December 31, 1996, the Office Properties were leased to 353 tenants and no single tenant (other than the General Services Administration, whose lease obligations are full faith and credit obligations of the United States government) accounted for more than approximately 9.3% of the aggregate Escalated Rent of the Company's Office and Industrial Properties.

INDUSTRIAL PROPERTIES

The nine Industrial Properties are located in California, Maryland, Massachusetts, and Pennsylvania and contain approximately 925,000 rentable square feet. As of December 31, 1996, the Industrial Properties had 14 tenants and, excluding a 221,000 net rentable square foot building in Hayward, California (which is 27% leased, but for which the Company has entered into a lease with respect to the remaining space), an occupancy rate of 94%.

HOTEL PROPERTIES

The two Hotel Properties are located in Boston and Cambridge, Massachusetts. The 402 room Long Wharf Marriott(R) Hotel is an eight-story building located on the Boston Harbor waterfront. The hotel is within easy walking distance of Boston's business and financial district and many of the city's major attractions. For the year ended December 31, 1996, the hotel had an occupancy rate of 86.0%, an Average Daily Rate ("ADR") of \$201.18 and Revenue per Available Room ("REVPAR") of \$173.01. The 431 room Cambridge Center Marriott(R) Hotel is a 25-story building located in Kendall Square, Cambridge and

adjacent to the MIT campus. For the year ended December 31, 1996, the hotel had an occupancy rate of 82.1%, an ADR of \$150.52 and REVPAR of \$123.58.

To assist the Company in maintaining its status as a REIT, the Company will lease the Hotel Properties, pursuant to a lease with a participation in the gross receipts of the Hotel Properties, to a lessee in which Messrs. Zuckerman and Linde will be the sole member-managers. Messrs. Zuckerman and Linde will have a 9.8% economic interest in such lessee and one or more unaffiliated public charities will have a 90.2% economic interest. Marriott International, Inc. will continue to manage the Hotel Properties under the Marriott(R) name pursuant to a management agreement with the lessee. Under the REIT requirements, revenues from a hotel are not considered to be rental income for purposes of certain income tests which a REIT must meet. See "Federal Income Tax Consequences--Requirements for Qualification." Accordingly, in order to maintain its qualification as a REIT, the Company has entered into the participating lease described above to provide revenue which qualifies as rental income under the REIT requirements.

The Properties are depreciated, for GAAP purposes, on a straight-line basis over the estimated useful lives of: (i) 25-40 years with respect to land improvements; (ii) 10-40 years with respect to building costs; (iii) 5-7 years with respect to furniture, fixtures and equipment; and tenant improvements over the shorter of the estimated useful life of the improvement or the term of the tenant's lease.

Boulevard, Building Six (5).....	Springfield, VA	100.0	1985	1	79,971	100	800,464	0.4
8000 Grainger Court, Building Five.....	Springfield, VA	100.0	1984	1	90,465	100	759,790	0.4
7435 Boston Boulevard, Building One....	Springfield, VA	100.0	1982	1	105,414	67	753,100	0.4
7451 Boston Boulevard, Building Two....	Springfield, VA	100.0	1982	1	47,001	100	644,646	0.3
164 Lexington Road.....	Billerica, MA	100.0	1982	1	64,140	100	598,478	0.3
7374 Boston Boulevard, Building Four (5).....	Springfield, VA	100.0	1984	1	57,321	100	595,823	0.3
8000 Corporate Court, Building Eleven.....	Springfield, VA	100.0	1989	1	52,539	100	395,053	0.2
7375 Boston Boulevard, Building Ten (5).....	Springfield, VA	100.0	1988	1	26,865	100	342,999	0.2
17 Hartwell Avenue.....	Lexington, MA	100.0	1968	1	30,000	100	198,000	0.1
SUBTOTAL/WEIGHTED AVERAGE FOR R&D PROPERTIES.....				23	1,322,843	96%	\$ 13,016,722	6.8%

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 SUBTOTAL/WEIGHTED AVERAGE FOR R&D PROPERTIES..... 23 1,322,843 96% \$ 13,016,722 6.8%
 =====

INDUSTRIAL PROPERTIES:

38 Cabot Boulevard (14)..	Langhorne, PA	100.0%	1972/84	1	161,000	100%	\$ 865,613	0.5%
6201 Columbia Park Road, Building Two....	Landover, MD	100.0	1986	1	99,885	87	694,935	0.4
2000 South Club Drive, Building Three.....	Landover, MD	100.0	1988	1	83,608	100	685,338	0.4
40-46 Harvard Street.....	Westwood, MA	100.0	1967/96	1	169,273	90	677,818	0.4
25-33 Dartmouth Street.....	Westwood, MA	100.0	1966/96	1	78,045	87	658,645	0.3
1950 Stanford Court, Building One.....	Landover, MD	100.0	1986	1	53,250	100	354,274	0.2
2391 West Winton Avenue.....	Hayward, CA	100.0	1974	1	221,000	27(15)	234,000	0.1
560 Forbes Boulevard (13)..	So. San Francisco, CA	35.7	early 1970's	1	40,000	100	238,000	0.1
430 Rozzi Place (13).....	So. San Francisco, CA	35.7	early 1970's	1	20,000	100	114,949	0.1
SUBTOTAL/WEIGHTED AVERAGE FOR INDUSTRIAL PROPERTIES.....				9	926,061	78%(15)	\$ 4,523,572	2.4%

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 SUBTOTAL/WEIGHTED AVERAGE FOR INDUSTRIAL PROPERTIES..... 9 926,061 78%(15) \$ 4,523,572 2.4%
 =====

DEVELOPMENT PROPERTIES:

Class A Office Buildings:

BDM International Buildings (16)..	Reston, VA	25.0%	1999	2	440,000	--	--	--
201 Spring Street (17).....	Lexington, MA	100.0	1997	1	102,000	--	--	--

R&D Properties:

7700 Boston Boulevard, Building Twelve (18).....	Springfield, VA	100.0	1997	1	80,514	--	--	--
7501 Boston Boulevard, Building Seven (19).....	Springfield, VA	100.0	1997	1	75,756	--	--	--
Sugarland Building Two (20).....	Herndon, VA	100.0	1986/97	1	59,585	--	--	--
Sugarland Building One (20).....	Herndon, VA	100.0	1985/97	1	52,533	--	--	--
SUBTOTAL/WEIGHTED AVERAGE FOR DEVELOPMENT PROPERTIES.....				7	810,388			

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 SUBTOTAL/WEIGHTED AVERAGE FOR DEVELOPMENT PROPERTIES..... 7 810,388
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TOTAL/WEIGHTED AVERAGE FOR OFFICE, INDUSTRIAL AND DEVELOPMENT PROPERTIES.....				72	8,689,475	94%(21)	\$192,208,893	100.0%
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 TOTAL/WEIGHTED AVERAGE FOR OFFICE, INDUSTRIAL AND DEVELOPMENT PROPERTIES..... 72 8,689,475 94%(21) \$192,208,893 100.0%
 =====

PROPERTY NAME	ESCALATED RENT PER LEASED SQUARE FOOT(2)	ANNUAL NET EFFECTIVE RENT PER LEASED SQUARE FOOT(3)
---------------	--	---

OFFICE PROPERTIES:
 Class A Office Buildings:
 +*599 Lexington

Avenue (4).....	\$52.90	\$47.13
+*Two		
Independence Square (5) (6)..	36.55	36.80
Democracy Center.....	23.03	21.22
*One		
Independence Square (5).....	37.45	34.34
*Capital		
Gallery.....	33.15	31.11
*2300 N Street..	48.04	46.82
US International Trade Commission Building		
(5) (7).....	27.35	24.79
One Cambridge		
Center.....	27.93	25.57
*Ten Cambridge		
Center.....	27.85	23.11
*191 Spring		
Street.....	24.50	22.26
*Newport Office		
Park (8).....	19.86	19.86
*10 & 20		
Burlington Mall Road.....	20.53	18.45
Lexington Office		
Park.....	19.33	16.97
Waltham Office		
Center.....	19.86	18.54
Three Cambridge		
Center.....	22.39	20.45
*Montvale Center		
(9).....	17.98	18.68
170 Tracer		
Lane.....	22.95	19.08
195 West		
Street.....	24.63	20.36
*Bedford		
Business Park... 91 Hartwell	16.81	15.78
Avenue.....		
33 Hayden	21.24	19.71
Avenue.....		
14.19	13.47	
Eleven Cambridge		
Center.....	14.05	11.90
100 Hayden		
Avenue.....	19.63	18.91
8 Arlington		
Street (10)....	35.39	34.94
32 Hartwell		
Avenue.....	14.49	12.00
204 Second		
Avenue.....	19.83	19.14
92 Hayden		
Avenue.....	20.40	19.79

SUBTOTAL/WEIGHTED
AVERAGE FOR CLASS
A OFFICE
BUILDINGS (11)....

\$32.15	\$29.70
=====	=====

R&D Properties:		
*Bedford		
Business Park... 7601 Boston Boulevard, Building	\$ 8.51	\$ 9.18
Eight (5)(12)... Fourteen Cambridge		
Center.....	13.86	13.85
*Hilltop		
Business Center (13).....	19.53	18.47
7600 Boston Boulevard, Building Nine... 7500 Boston Boulevard, Building		
Six (5).....	12.58	10.20
8000 Grainger Court, Building		
Five.....	10.01	9.98
7435 Boston Boulevard, Building One.... 7451 Boston Boulevard, Building Two.... 164 Lexington Road.....		
9.33	7.58	7.97
7374 Boston Boulevard, Building		
Four (5).....	10.39	10.14
8000 Corporate Court, Building		

Eleven.....	7.52	7.59
7375 Boston Boulevard, Building Ten (5).....	12.77	7.82
17 Hartwell Avenue.....	6.60	6.60

SUBTOTAL/WEIGHTED AVERAGE FOR R&D PROPERTIES.....	\$10.22	\$ 9.75
=====		
INDUSTRIAL PROPERTIES:		
38 Cabot Boulevard (14)..	\$ 5.38	\$ 5.38
6201 Columbia Park Road, Building Two....	8.03	6.39
2000 South Club Drive, Building Three.....	8.20	7.06
40-46 Harvard Street.....	4.46	4.87
25-33 Dartmouth Street.....	9.75	7.89
1950 Stanford Court, Building One.....	6.65	6.93
2391 West Winton Avenue.....	3.90	2.81
560 Forbes Boulevard (13)..	5.95	5.37
430 Rozzi Place (13).....	5.75	5.47

SUBTOTAL/WEIGHTED AVERAGE FOR INDUSTRIAL PROPERTIES.....	\$ 6.25	\$ 5.27
=====		
DEVELOPMENT PROPERTIES:		
Class A Office Buildings:		
BDM		
International Buildings (16)..	--	--
201 Spring Street (17)....	--	--
R&D Properties:		
7700 Boston Boulevard, Building Twelve (18)....	--	--
7501 Boston Boulevard, Building Seven (19).....	--	--
Sugarland Building Two (20).....	--	--
Sugarland Building One (20).....	--	--

SUBTOTAL/WEIGHTED AVERAGE FOR DEVELOPMENT PROPERTIES.....		
=====		
TOTAL/WEIGHTED AVERAGE FOR OFFICE, INDUSTRIAL AND DEVELOPMENT PROPERTIES.....	\$25.87(21)	\$23.91(21)
=====		

LOCATION	PERCENT OWNERSHIP	YEAR BUILT	NUMBER OF BUILDINGS	NUMBER OF ROOMS	SQUARE FOOTAGE	YEAR ENDED 12/31/96		YEAR ENDED 12/31/95			
						AVERAGE OCCUPANCY	AVERAGE DAILY RATE (ADR)	REVENUE PER AVAILABLE ROOM (REVPAR) (22)	AVERAGE DAILY RATE (ADR)	REVENUE PER AVAILABLE ROOM (REVPAR) (22)	
HOTEL PROPERTIES:											
Long Wharf Marriott.....	Boston, MA	100.0%	1982	1	402	420,000	86.0%	\$201.18	\$173.01	\$192.95	\$164.97
Cambridge Center Marriott.....	Cambridge, MA	100.0	1986	1	431	330,400	82.1	150.52	123.58	136.04	114.14
TOTAL/WEIGHTED AVERAGE FOR HOTEL PROPERTIES....			2	833	750,400	84.0%	\$174.97	\$147.44	\$163.50	\$138.67	

LOCATION	PERCENT OWNERSHIP	YEAR BUILT	NUMBER OF BUILDINGS	NUMBER OF SPACES	SQUARE FOOTAGE	
GARAGE PROPERTY:						
Cambridge Center North Garage....	Cambridge, MA	100.0%	1990	1	1,170	332,442
STRUCTURED PARKING INCLUDED IN CLASS A OFFICE BUILDINGS.....				4,222	1,260,530	
TOTAL FOR GARAGE PROPERTY AND STRUCTURED PARKING.....				5,392	1,592,972	
TOTAL FOR ALL PROPERTIES.....				75	11,032,847	

+ This Property accounted for more than 10% of the Predecessor's revenue for the year ended December 31, 1996. For additional information about this Property, see the description of the Property under "Business and Properties--The Office Properties."

* Upon completion of the Offering, the Company expects to have outstanding approximately \$695.3 million of indebtedness secured by these Properties. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources."

- (1) These dates do not include years in which tenant improvements were made to the Properties, except with respect to 25-33 Dartmouth Street and 40-46 Harvard Street, whose interiors were completely rebuilt to satisfy tenant needs in 1996.
- (2) Escalated Rent represents the annualized monthly Base Rent in effect (after giving effect to any contractual increases in monthly Base Rent that have occurred up to December 31, 1996) plus annualized monthly tenant pass-throughs of operating and other expenses (but excluding electricity costs paid by tenants) under each lease executed as of December 31, 1996, or, if such monthly rent has been reduced by a rent concession, the monthly rent that would have been in effect at such date in the absence of such concession.
- (3) Annual Net Effective Rent Per Leased Square Foot represents the Base Rent for the month of December 1996, plus tenant pass-throughs of operating and other expenses (but excluding electricity costs paid by tenants), under each lease executed as of December 31, 1996, presented on a straight-line basis in accordance with GAAP, minus amortization of tenant improvement costs and leasing commissions, if any, paid or payable by the Company during such period, annualized.
- (4) The Company's New York offices are located in this building, where it occupies 12,896 square feet. Upon completion of the Offering, the Company expects to have outstanding approximately \$225 million of indebtedness secured by this Property.
- (5) The Property is leased on the basis of net usable square feet (which have been converted to net rentable square feet for purposes of this table) due to the requirements of the General Services Administration.
- (6) Upon completion of the Offering, the Company expects to have outstanding approximately \$122.2 million of indebtedness secured by this Property.
- (7) The Company's Washington, D.C. offices are located in this building, also known as 500 E Street, where it occupies 15,612 square feet.
- (8) The Company has signed a purchase and sale agreement with respect to this Property and anticipates closing simultaneously with the completion of the Offering. There can be no assurance that the Company will acquire this Property. See "Business and Properties--The Office Properties."
- (9) The Company owns a 75.0% general partner interest in the limited partnership that owns this property. Because of the priority of the Company's partnership interest, the Company expects to receive any partnership distributions that are made with respect to this property.

- (10) The Property, which is used exclusively as the Company's headquarters, was constructed in two phases, circa 1860 and circa 1920.
- (11) The Class A Office Buildings contain 4,222 structured parking spaces.
- (12) The General Services Administration, the tenant of this Property, has an option to purchase this Property on September 30, 1999 for \$14.0 million and on September 30, 2014 for \$22.0 million.
- (13) The Company owns a 35.7% controlling general partnership interest in this Property.
- (14) The original building (100,000 net rentable square feet) was built in 1972, with an expansion building (61,000 net rentable square feet) completed in 1984.
- (15) The Company's Industrial Property in Hayward, California was 27.0% leased at December 31, 1996. The Company has entered into a lease with respect to the remaining space. Excluding this Property, the Industrial Properties had an occupancy rate of 94.0% at December 31, 1996.
- (16) The Company is acting as development manager of these Properties and will be a 25.0% member of a limited liability company that will own the Properties. The Company's economic interest increases above 25.0% if certain performance criteria are achieved. The Properties are expected to be completed in 1999 and are 70.0% pre-leased to BDM International.
- (17) The Property, which is currently under development by the Company, is expected to be completed in late 1997 and is 100% pre-leased to MediaOne of Delaware, Inc., formerly known as Continental Cablevision, Inc.
- (18) The Property, which is currently under development by the Company, is expected to be completed in late 1997 and is 100% pre-leased to Autometric, Inc.
- (19) The Property, which is currently under development by the Company, is expected to be completed in late 1997 and is 100% pre-leased to the General Services Administration (for the United States Customs Service).
- (20) The Property, which was acquired by the Company on November 25, 1996, is currently being redeveloped by the Company.
- (21) Does not include the Development Properties.
- (22) REVPAR is determined by dividing room revenue by available rooms for the applicable period.

DEVELOPMENT PARCELS

At the completion of the Offering, the Company will own, have under contract, or have an option to develop or acquire six parcels consisting of an aggregate of 47.4 acres of land. The Company believes that this land, some of which needs zoning or other regulatory approvals prior to development, will be able to support an aggregate of approximately 1.0 million square feet of development. The following chart provides additional information with respect to undeveloped parcels:

LOCATION	SUBMARKET	NO. OF PARCELS	ACREAGE	DEVELOPABLE SQUARE FEET (1)
Springfield, VA	Fairfax County, VA	3	9.4	130,000
Lexington, MA	Route 128 NW	1	6.8	50,000
Cambridge, MA	East Cambridge, MA	1	4.2	539,000
Andover, MA	Route 495 N	1	27.0	290,000
		---	---	-----
Total		6	47.4	1,009,000
		===	====	=====

(1) Represents the total square feet of development that the parcel(s) will support.

MARKET INFORMATION

Greater Boston, Massachusetts

Greater Boston is the seventh largest metropolitan area in the United States and has emerged as one of the top investment centers in the country. The Greater Boston market is characterized by four core industry groups: (i) health care, (ii) information technology, (iii) financial services and (iv) research and development, including both academic and commercial research. According to the Massachusetts Department of Employment and Training, Greater Boston's employment base has expanded by 22% since 1992 to its current size of 1.9 million jobs. As a result of the steady growth in the Greater Boston economy, the local unemployment rate has fallen from 7.0% in 1992 to 3.4% in 1996. In addition, per capita income in Massachusetts grew by 6.4% in 1995, the second largest gain in the country for that year, and grew by another 4.5% in 1996.

Between 1992 and 1996, according to information provided by Spaulding & Slye, the office space availability rate in this market (space currently available direct from landlord or by sublease, or scheduled to become available within 12 months) declined from 16.0% to 8.3% while average quoted rents increased 23%, and space immediately available direct from landlord (the "Direct Vacancy Rate") was only 5.0% at the end of 1996. During the same 1992-96 period, office space supply grew by only 1.3% (351,000 square feet) and there was net absorption of approximately 10.8 million square feet at a relatively steady rate (approximately 1.8 million square feet in 1992, 2.2 million square feet annually 1993-95, and 2.3 million square feet in 1996).

Greater Washington, D.C.

Greater Washington, D.C., including the District of Columbia and the adjacent areas of Northern Virginia and suburban Maryland, is the fifth largest metropolitan area in the country and the heart of the nation's federal government and policy-making activities. Business service industries, including technology-intensive knowledge-based industries such as information management and data communications, have been the economy's engines of growth in the 1990's, expanding substantially from 1992 to 1996. According to the U.S. Bureau of Labor Statistics, unemployment in Greater Washington, D.C. fell from 5.4% in 1992 to 3.4% in 1996, well below the national rate of 5.4%. In 1996, the area had a median household income of \$48,100, the highest in the country.

According to Spaulding & Slye, total office space supply in the Greater Washington, D.C. area was 244.7 million square feet in 1996 compared to 239.6 million square feet in 1992, an increase of 5.1 million square feet, while during the same period the market absorbed 14.1 million square feet, resulting in a decrease in the availability rate from 14.4% in 1992 to 10.4% in 1996. The absorption was particularly strong in 1995 and 1996, with approximately 9.2 million square feet of absorption and an increase in average asking rent from \$20.85 per square foot to \$22.76 per square foot.

New York City

New York City is a world renowned business capital and cultural center, with service and retail industries driving its economy. New York remains the nation's leader in financial services and attracts international transactions and global businesses. Despite increasing costs, New York City's economy has remained competitive in the areas of retail/wholesale trade and business services, which combine for over one-half of the City's employment base. According to the U.S. Bureau of Labor Statistics, the employment base for this sector has increased by 8%, or 87,000 net new jobs, during the past five years. The City's unemployment rate has fallen from 11% in 1992 to 8.8% in 1996.

According to information provided by Insignia/ESG, the Park Avenue Submarket of midtown Manhattan in 1996 consisted of 25.6 million square feet of space, with supply up 200,000 square feet over 1992. Availability rate declined in the same period from 15.1% to 11.4% in midtown Manhattan and asking rent increased from \$40.36 per square foot to \$44.40 per square foot.

The following chart shows the geographic location of the Company's Office and Industrial Properties, including the Development Properties, by net rentable square feet and 1996 Escalated Rent:

NET RENTABLE SQUARE FEET OF OFFICE AND INDUSTRIAL PROPERTIES						
MARKET/SUBMARKET	NUMBER OF PROPERTIES	CLASS A OFFICE BUILDINGS	R&D PROPERTIES	INDUSTRIAL PROPERTIES	TOTAL	PERCENT OF TOTAL
GREATER BOSTON						
East Cambridge.. Route 128 NW Bedford, MA....	5	555,149	67,362	--	622,511	7.2%
Billerica, MA...	3	90,000	383,704	--	473,704	5.5
Burlington, MA..	1	--	64,140	--	64,140	0.7
Lexington, MA (2).....	2	152,552	--	--	152,552	1.8
Route 128/MA Turnpike Waltham, MA....	10	790,957	30,000	--	820,957	9.5
Route 128 SW Westwood, MA....	6	307,390	--	--	307,390	3.5
Route 128 South Quincy, MA.....	2	--	--	247,318	247,318	2.9
Boston.....	1	168,829	--	--	168,829	1.9
	1	30,526	--	--	30,526	0.4
Subtotal.....	31	2,095,403	545,206	247,318	2,887,927	33.2
GREATER WASHINGTON, D.C.						
SW Washington, D.C.(3).....	4	1,557,647	--	--	1,557,647	17.9
West End Washington, D.C.	1	276,906	--	--	276,906	3.2
Montgomery County, MD Bethesda, MD....	3	680,000	--	--	680,000	7.8
Gaithersburg, MD (4).....	1	122,157	--	--	122,157	1.4
Fairfax County, VA Herndon, VA (5).....	2	--	112,118	--	112,118	1.3
Reston, VA (6)..	2	440,000	--	--	440,000	5.1
Springfield, VA (3)(7).....	11	--	789,428	--	789,428	9.1
Prince George's County, MD Landover, MD....	3	--	--	236,743	236,743	2.7
Subtotal.....	27	3,076,710	901,546	236,743	4,214,999	48.5
MIDTOWN MANHATTAN						
Park Avenue....	1	1,000,070	--	--	1,000,070	11.5
GREATER SAN FRANCISCO						
Hayward, CA....	1	--	--	221,000	221,000	2.5
San Francisco, CA (8).....	11	--	144,479	60,000	204,479	2.4
Subtotal.....	12	--	144,479	281,000	425,479	4.9
BUCKS COUNTY, PA.....						
	1	--	--	161,000	161,000	1.9
TOTAL.....	72	6,172,183	1,591,231	926,061	8,689,475	100.00%
PERCENT OF TOTAL.....		71.0%	18.3%	10.7%	100.0%	
NUMBER OF OFFICE AND INDUSTRIAL PROPERTIES.....		36	27	9	72	

1996 ESCALATED RENT OF OFFICE AND INDUSTRIAL PROPERTIES (1)					
MARKET/SUBMARKET	CLASS A OFFICE BUILDINGS	R&D PROPERTIES	INDUSTRIAL PROPERTIES	TOTAL	PERCENT OF TOTAL
GREATER BOSTON					
East Cambridge.. Route 128 NW Bedford, MA....	\$ 13,792,266	\$ 1,315,519	\$ --	\$ 15,107,785	7.9%
Billerica, MA...	1,513,011	3,265,991	--	4,779,002	2.5
Burlington, MA..	--	598,478	--	598,478	0.3
Lexington, MA (2).....	3,131,736	--	--	3,131,736	1.6
Route 128/MA Turnpike Waltham, MA....	12,161,399	198,000	--	12,359,399	6.5
Route 128 SW Westwood, MA....	6,633,408	--	--	6,633,408	3.5
Route 128 South Quincy, MA.....	--	--	1,336,463	1,336,463	0.7
	3,192,026	--	--	3,192,026	1.7

Boston.....	1,080,172	--	--	1,080,172	0.6
Subtotal.....	41,504,018	5,377,988	1,336,463	48,218,469	25.1
GREATER WASHINGTON, D.C.					
SW Washington, D.C.(3).....	52,738,757	--	--	52,738,757	27.4
West End Washington, D.C.	11,712,087	--	--	11,712,087	6.1
Montgomery County, MD Bethesda, MD....	15,047,361	--	--	15,047,361	7.8
Gaithersburg, MD (4).....	2,195,966	--	--	2,195,966	1.1
Fairfax County, VA Herndon, VA (5).....	--	--	--	--	--
Reston, VA (6)..	--	--	--	--	--
Springfield, VA (3)(7).....	--	6,608,446	--	6,608,446	3.4
Prince George's County, MD Landover, MD....	--	--	1,734,547	1,734,547	0.9
Subtotal.....	81,694,171	6,608,446	1,734,547	90,037,164	46.8
MIDTOWN MANHATTAN					
Park Avenue.....	51,470,410	--	--	51,470,410	26.8
GREATER SAN FRANCISCO					
Hayward, CA....	--	--	234,000	234,000	0.1
San Francisco, CA (8).....	--	1,030,288	352,949	1,383,237	0.7
Subtotal.....	--	1,030,288	586,949	1,617,237	0.8
BUCKS COUNTY, PA.....					
	--	--	865,613	865,613	0.5
TOTAL.....	\$174,668,599	\$13,016,722	\$4,523,572	\$192,208,893	100.0%
PERCENT OF TOTAL.....	90.9%	6.8%	2.4%	100.0%	
NUMBER OF OFFICE AND INDUSTRIAL PROPERTIES..					
	36	27	9	72	

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- (1) Escalated Rent represents the annualized monthly Base Rent in effect (after giving effect to any contractual increases in monthly Base Rent that have occurred up to December 31, 1996) plus annualized monthly tenant pass-throughs of operating and other expenses (but excluding electricity costs paid by tenants) under each lease executed as of December 31, 1996, or, if such monthly rent has been reduced by a rent concession, the monthly rent that would have been in effect at such date in the absence of such concession.
 - (2) Does not include 1996 Escalated Rent for one Class A Office Building currently under development by the Company.
 - (3) Certain of such Properties are leased on the basis of net usable square feet (which have been converted to net rentable square feet for purposes of this table) due to the requirements of the General Services Administration.
 - (4) The Company will own a 75.0% general partner interest in the limited partnership that will own this property. Because of the priority of the Company's partnership interest, the Company expects to receive any partnership distributions that are made with respect to this property.
 - (5) Includes net rentable square feet for two R&D Properties currently under redevelopment by the Company.
 - (6) Includes net rentable square feet for two Class A Office Buildings currently under development by the Company. The Company is acting as development manager of, and is a 25.0% member of, a limited liability company that will own the Properties. The Company's economic interest may increase above 25.0% depending upon the achievement of certain performance goals.
 - (7) Does not include 1996 Escalated Rent for two Office Properties currently under development by the Company.
 - (8) The Company will own a 35.7% controlling general partnership interest in the nine R&D Properties and two Industrial Properties located in Greater San Francisco, California.

UNSECURED LINE OF CREDIT

Upon completion of the Offering, the Company expects to have a three-year \$300 million Unsecured Line of Credit with the Line of Credit Bank to facilitate its development and acquisition activities and for working capital purposes. At the closing of the Offering, the Company expects to borrow approximately \$57.7 million under the Unsecured Line of Credit to repay to Messrs. Zuckerman and Linde indebtedness incurred in connection with the Development Properties and certain parcels of land and to acquire the Newport Office Park property.

STRUCTURE AND FORMATION OF THE COMPANY

FORMATION TRANSACTIONS

Each Property that will be owned by the Company at the completion of the Offering is currently owned by a partnership (a "Property Partnership") of which Messrs. Zuckerman and Linde and others affiliated with Boston Properties, Inc. control the managing general partner and, in most cases, a majority economic interest. The other direct or indirect investors in the Property Partnerships include persons formerly affiliated with Boston Properties, Inc., as well as private investors (including former owners of the land on which the Properties were developed) who are not affiliated with Boston Properties, Inc.

Prior to or simultaneously with the completion of the Offering, the Company will engage in the transactions described below (the "Formation Transactions"), which are designed to consolidate the ownership of the Properties and the commercial real estate business of the Company in the Operating Partnership, to facilitate the Offering and to enable the Company to qualify as a REIT for federal income tax purposes commencing with the taxable year ending December 31, 1997.

- . Boston Properties, Inc., a Massachusetts corporation that was founded in 1970, will be reorganized to change its jurisdiction of organization into a Delaware corporation that was formed on March 24, 1997.
- . The Operating Partnership was organized as a Delaware limited partnership on April 8, 1997.
- . The Company will sell 31,400,000 shares of Common Stock in the Offering and will contribute approximately \$730.9 million, the net proceeds of the Offering, to the Operating Partnership in exchange for an equivalent number of OP Units.
- . Pursuant to one or more option, contribution or merger agreements, (i) certain Property Partnerships will contribute Properties to the Operating Partnership, or will merge into and with the Operating Partnership, in exchange for OP Units and the assumption of debt, and the partners of such Property Partnerships will receive such OP Units either directly as merger consideration or as a distribution from the Property Partnership, and (ii) certain persons, both affiliated and not affiliated with the Company, will contribute their direct and indirect interests in certain Property Partnerships to the Operating Partnership in exchange for OP Units.
- . Prior to the completion of the Offering, the Company will contribute substantially all of its Greater Washington, D.C. third-party property management business to Boston Properties Management, Inc. (the "Development and Management Company"), a subsidiary of the Operating Partnership. In order to retain qualification as a REIT, the Operating Partnership will own a 1.0% voting interest but will hold a 95.0% economic interest in the Development and Management Company. The remaining voting and economic interest will be held by officers and directors of the Development and Management Company. In addition, the other management and development operations of the Company will be contributed to the Operating Partnership.
- . In connection with the transactions described in the preceding two paragraphs, the Operating Partnership will issue a total of 18,650,000 OP Units.
- . The contribution to the Operating Partnership of the Properties or of the direct and indirect interests in the Property Partnerships is subject to all of the terms and conditions of the related option, merger and contribution agreements. With respect to direct or indirect contributions of interests to the Property Partnerships, the Operating Partnership will assume all the rights, obligations and responsibilities of the holders of such interests. The transfer of such interests is subject to the completion of the Offering. Any working capital or other cash balance of the Property Partnership as of immediately prior to the Offering will be distributed to the holders of such interests prior to the contribution to the Operating Partnership. The contribution agreements with respect to such interests generally contain representations only with respect to the ownership of such interests by the holders thereof and certain other limited matters.

- . The Operating Partnership will enter into a participating lease with ZL Hotel LLC. Marriott International, Inc. will continue to manage the Hotel Properties under the Marriott(R) name pursuant to management agreements with ZL Hotel LLC. Messrs. Zuckerman and Linde will be the sole member-managers of the lessee and will own a 9.8% economic interest in ZL Hotel LLC. ZL Hotel Corp. will own the remaining economic interests in ZL Hotel LLC. One or more unaffiliated public charities will own all of the capital stock of ZL Hotel Corp.
- . The Company, through the Operating Partnership, expects to enter into the \$300 million Unsecured Credit Facility prior to or concurrently with the completion of the foregoing Formation Transactions.
- . Approximately \$707.1 million of the net proceeds of the Offering, together with \$57.7 million drawn under the Unsecured Line of Credit, will be used by the Operating Partnership to acquire the Newport Office Park property, repay certain mortgage debt secured by the Properties and to refinance existing indebtedness with respect to the Development Properties and certain parcels of land, the interest on which will continue to be capitalized during the development period.

As a result of the Formation Transactions, (i) the Company will own 33,983,541 OP Units, which will represent an approximately 67.9% economic interest in the Operating Partnership, and Messrs. Zuckerman and Linde and other persons with a direct or indirect interest in the Property Partnerships will own 16,066,459 OP Units, which will represent the remaining approximately 32.1% economic interest in the Operating Partnership and (ii) the Company will indirectly own a fee interest in all of the Properties. At the completion of the Formation Transactions, Messrs. Zuckerman and Linde will own an aggregate of 15,972,611 shares of Common Stock and OP Units.

In forming the Company, the Company will succeed to the ownership of each of the Properties or the interests therein based upon a value for such property determined by the Company. The valuation of the Company as a whole has been determined based primarily upon a multiple of estimated funds from operations and adjusted funds from operations attributable to all assets of the Company, including the Company's interests in the Development and Management Company.

CONSEQUENCES OF THE OFFERING AND THE FORMATION TRANSACTIONS

Upon completion of the Formation Transactions, the Company will indirectly own a fee interest in all of the Properties. The Operating Partnership will hold substantially all of the assets of the Company. Based on the assumed initial public offering price of the Common Stock, (i) the purchasers of Common Stock in the Offering will own 92.4% of the outstanding Common Stock (or 62.7% assuming exchange of all OP Units for shares of Common Stock), (ii) the Company will be the sole general partner of the Operating Partnership and will own 67.9% of the interests in the Operating Partnership and (iii) Messrs. Zuckerman and Linde will beneficially own, directly or indirectly through affiliates (not including the Company), a total of 15,972,611 shares of Common Stock and OP Units (representing a 31.9% economic interest in the Company). Pursuant to the partnership agreement governing the Operating Partnership (the "Operating Partnership Agreement"), persons receiving OP Units in the Formation Transactions will have certain rights, beginning fourteen months after the completion of the Offering, to cause the Operating Partnership to redeem their OP Units for cash, or, at the election of the Company, to exchange their OP Units for shares of Common Stock on a one-for-one basis. See "Underwriting" for certain transfer restrictions with respect to the OP Units and to shares of Common Stock issued in exchange for such OP Units that are applicable to Messrs. Zuckerman and Linde and other senior officers of the Company.

The aggregate estimated value to be given by the Operating Partnership for the Properties or for interests in the Property Partnerships, and for the development and management business of the Company, is approximately \$1.91 billion, consisting of OP Units having a value of \$466.3 million and the assumption of \$1.45 billion of indebtedness. The aggregate book value of the interests and assets to be transferred to the Operating Partnership is approximately negative \$575.7 million. The Company does not believe that the book value of such interests and assets reflects the fair market value of such interests and assets. The aggregate book value of the interests and assets to be transferred to the Operating Partnership is a negative number because of the effects of distributions both from refinancing proceeds and for amounts in excess of historical net income or loss, which includes a significant component of depreciation expense.

No independent third-party appraisals, valuations or fairness opinions have been obtained by the Company in connection with the Formation Transactions. Accordingly, there can be no assurance that the value of the OP Units received in the Formation Transactions by persons with interests in the Property Partnerships is equivalent to the fair market value of the interests and assets acquired by the Operating Partnership. See "Risk Factors--No Assurance as to Value of Property."

The following diagram depicts the ownership structure of the Company and the Operating Partnership upon completion of the Offering and the Formation Transactions:

Boston Properties, Inc.,
Including its Principal Subsidiaries

----- Public Shareholders (92.4%) -----	----- M. Zuckerman, E. Linde and affiliated parties (7.6%) -----
----- Boston Properties, Inc. ("Company") -----	

----- M. Zuckerman E. Linde and affiliated parties -----	----- Other Management -----	----- Other Limited Partners -----	----- General Partner Interest (1.0%)/ Partner Interest (66.9%) -----	----- M. Zuckerman and E. Linde -----	----- Public Charities -----
Limited Partner Interests (26.7%)	Limited Partner Interests (2.4%)	Limited Partner Interests (3.0%)	Rental Payments on the [ARROW POINTING TO THE LEFT APPEARS HERE] Hotel Properties	Managing Membership Interest (9.8%)	Membership Interest (90.2%)
----- Boston Properties Limited Partnership ("Operating Partnership") -----	----- Officers of the Development and Management Company -----			----- ZL Hotel LLC (Lessee of Hotel Properties) -----	
Voting Interest (1%)/ Economic Interest (95%)	Voting Interest (99%)/ Economic Interest (5%)			----- Management Contract -----	
----- Boston Properties Management, Inc. ("Development and Management Company") -----				----- Marriott(R) International, Inc. as Hotel Operator -----	

BENEFITS TO RELATED PARTIES

Certain affiliates of the Company will realize certain material benefits in connection with the Formation Transactions, including the following:

- . In respect of their respective ownership interests in the Property Partnerships and the development and management business of the Company, Messrs. Zuckerman and Linde will become beneficial owners of a total of 15,972,611 shares of Common Stock and OP Units, with a total value of approximately \$399.3 million based on the assumed initial public offering price of the Common Stock, which value may differ from the fair market value of such interests and assets. Other persons who will be officers of the Company at the completion of the Offering will receive 1,186,298 OP Units for their interests in the Property Partnerships.
- . Approximately \$749.9 million of indebtedness, of which \$707.1 million is secured by the Properties, and \$42.8 million is due to Messrs. Zuckerman and Linde for amounts loaned in connection with the Development Properties and certain parcels of land, and the related additional and accrued interest thereon, to be assumed by the Operating Partnership will be repaid in the Formation Transactions. A portion of this debt was previously guaranteed by Messrs. Zuckerman and Linde. In addition, guarantees by Messrs. Zuckerman and Linde with respect to certain other indebtedness that is not being repaid in the Formation Transactions may be released. To the extent such guarantees are not released, the Operating Partnership will agree to indemnify Messrs. Zuckerman and Linde for any damages that may arise due to the failure of the Operating Partnership to repay such amounts when due.
- . Messrs. Zuckerman and Linde and others receiving OP Units in connection with the Formation Transactions will have registration rights with respect to shares of Common Stock that may be issued in exchange for OP Units.
- . In connection with certain development projects or rights, Messrs. Zuckerman and Linde have direct or indirect personal liability in certain instances, for the performance of contractual obligations by or for the benefit of the Operating Partnership. In connection with the Formation Transactions, they will be relieved of such personal liability or, to the extent they are not so relieved, the Operating Partnership will agree to cause such contractual obligations to be performed and to indemnify Messrs. Zuckerman and Linde and their affiliates for all damages and expenses that may arise from any failure to do so.

RESTRICTIONS ON TRANSFER

Under the Operating Partnership Agreement, persons receiving OP Units in the Formation Transactions are prohibited from transferring such OP Units, except under certain limited circumstances, for a period of one year. In addition, Messrs. Zuckerman and Linde and the other senior officers of the Company have agreed not to sell any shares of Common Stock owned by them at the completion of the Offering or acquired by them upon exchange of OP Units for a period of two years after the completion of the Offering without the consent of both Merrill Lynch, Pierce, Fenner & Smith Incorporated and Goldman, Sachs & Co.

CONFLICTS OF INTEREST

Following the formation of the Operating Partnership and the completion of the Offering, there will be conflicts of interest, with respect to certain transactions, between the holders of OP Units (including Messrs. Zuckerman, Linde and other executive officers) and the stockholders of the Company. In particular, the consummation of certain business combinations, the sale of any properties or a reduction of indebtedness could have adverse tax consequences to holders of OP Units which would make such transactions less desirable to such holders. The Company has adopted certain policies that are designed to eliminate or minimize certain potential conflicts of interest. See "Operating Partnership Agreement--Tax Protection Provisions" and "Policies with Respect to Certain Activities--Conflict of Interest Policies."

RESTRICTIONS ON OWNERSHIP OF COMMON STOCK

Due to limitations on the concentration of ownership of stock of a REIT imposed by the Internal Revenue Code of 1986, as amended (the "Code"), and to otherwise address concerns relating to concentration of capital stock ownership, the certificate of incorporation of the Company (the "Certificate") prohibits any stockholder from actually or beneficially owning more than 6.6% of the outstanding shares of Common Stock (the "Ownership Limit"), except that each of Messrs. Zuckerman and Linde and certain family members, affiliates, and "look through entities," may actually and beneficially own up to 15.0% of the outstanding shares of Common Stock. The Company has adopted a Shareholder Rights Agreement. See "Risk Factors-- Control of the Company" and "Description of Capital Stock--Restrictions on Transfers."

THE OFFERING

All of the shares of Common Stock offered hereby are being sold by the Company. None of the Company's stockholders are selling any Common Stock in the Offering.

Common Stock Offered.....	31,400,000
U.S. Offering.....	25,120,000
International Offering.....	6,280,000
Common Stock Outstanding After the Offering(1).....	33,983,541
Common Stock and OP Units Outstanding After the Offering(2).....	50,050,000
Use of Proceeds.....	To reduce indebtedness and for general corporate and working capital purposes
Proposed NYSE Symbol.....	"BXP"

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- (1) Excludes 4,754,750 shares of Common Stock reserved for issuance pursuant to the Stock Option Plan, of which not more than 2,300,000 shares will be subject to outstanding options upon completion of the Offering.
- (2) Includes 16,066,459 shares of Common Stock that may be issued in exchange for OP Units (which are redeemable by the holders for cash or, at the election of the Company, shares of Common Stock on a one-for-one basis beginning fourteen months after completion of the Offering). Excludes 4,754,750 shares of Common Stock reserved for issuance pursuant to the Stock Option Plan.

DISTRIBUTIONS

The Company intends to make regular quarterly distributions to its stockholders. The Company intends to pay a pro rata distribution with respect to the period commencing on the completion of the Offering and ending on September 30, 1997, based upon \$0.405 per share for a full quarter. On an annualized basis, this would be \$1.62 per share (of which the Company currently estimates approximately 25% may represent a return of capital for tax purposes), or an annual distribution rate of approximately 6.5% based on the initial public offering price per share of \$25.00. The Company estimates that this initial distribution will represent approximately 94.9% of estimated Cash Available for Distribution for the 12 months ending March 31, 1998. The Company established this distribution rate based upon an estimate of Cash Available for Distribution after the Offering. See "Distributions" for information as to how this estimate was derived. The Company intends to maintain its initial distribution rate for the twelve-month period following completion of the Offering unless actual results of operations, economic conditions or other factors differ materially from the assumptions used in its estimate. Distributions by the Company will be determined by the Board of Directors and will be dependent upon a number of factors. The Company believes that its estimate of Cash Available for Distribution constitutes a reasonable basis for setting the initial distribution; however, no assurance can be given that the estimate will prove accurate, and actual distributions may therefore be significantly different from the expected distributions. In addition, in order to maintain its qualification as a REIT under the Code, the Company is required to currently distribute 95% of its taxable income. See "Distributions." The Company does not intend to reduce the expected distribution per share if the Underwriters' overallotment option is exercised.

TAX STATUS OF THE COMPANY

The Company intends to elect to be taxed as a REIT under Sections 856 through 860 of the Code, commencing with its taxable year ending December 31, 1997. The Company believes, and has obtained an opinion of Goodwin, Procter & Hoar llp, tax counsel to the Company ("Tax Counsel"), to the effect that, commencing with its taxable year ending December 31, 1997, the Company will be organized in conformity with the requirements for qualification as a REIT under the Code, and that the Company's proposed manner of operation, including the lease of the Hotel Properties and Garage Properties, will enable it to meet the requirements for taxation as a REIT for federal income tax purposes. To maintain REIT status, the Company must meet a number of organizational and operational requirements, including a requirement that it currently distribute at least 95% of its taxable income to its stockholders. As a REIT, the Company generally will not be subject to federal income tax on net income it distributes currently to its stockholders. If the Company fails to qualify as a REIT in any taxable year, it will be subject to federal income tax at regular corporate rates. See "Federal Income Tax Consequences--Failure to Qualify" and "Risk Factors--Failure to Qualify as a REIT." Even if the Company qualifies for taxation as a REIT, the Company may be subject to certain federal, state and local taxes on its income and property.

SUMMARY SELECTED FINANCIAL INFORMATION

The following table sets forth unaudited pro forma financial and other information for the Company and combined historical financial information for the Boston Properties Predecessor Group. The following summary selected financial information should be read in conjunction with the financial statements and notes thereto included elsewhere in this Prospectus.

The combined historical balance sheets as of December 31, 1996 and 1995 and the combined statements of operations for the years ended December 31, 1996, 1995 and 1994 of the Boston Properties Predecessor Group have been derived from the historical combined financial statements audited by Coopers & Lybrand L.L.P., independent accountants, whose report with respect thereto is included elsewhere in this Prospectus.

The selected financial data at March 31, 1997 and for the three months ended March 31, 1997 and March 31, 1996 are derived from unaudited financial statements. The unaudited financial information includes all adjustments (consisting of normal recurring adjustments) that management considers necessary for fair presentation of the combined financial position and results of operations for these periods. Combined operating results for the three months ended March 31, 1997 are not necessarily indicative of the results to be expected for the entire year ended December 31, 1997.

Unaudited pro forma operating information for the three months ended March 31, 1997 and the year ended December 31, 1996 is presented as if the completion of the Offering and the Formation Transactions occurred at January 1, 1997 and 1996, respectively, and, therefore, incorporates certain assumptions that are described in the notes to the Pro Forma Condensed Consolidated Statements of Operations included elsewhere in this Prospectus. The unaudited pro forma balance sheet data is presented as if the aforementioned transactions had occurred on March 31, 1997.

The pro forma information does not purport to represent what the Company's financial position or results of operations would actually have been if these transactions had, in fact, occurred on such date or at the beginning of the period indicated, or to project the Company's financial position or results of operations at any future date or for any future period.

operating activities.....	--	\$	1,823	\$13,751	--	\$	53,804	\$	30,933	\$	47,566	\$	59,834	\$	50,468
Cash flow used in investing activities..	--		(12,611)	(3,412)	--		(23,689)		(36,844)		(18,424)		(9,437)		(48,257)
Cash flow provided by (used in) financing activities.....	--		4,770	(6,590)	--		(46,984)		(14,511)		(33,550)		(28,540)		1,365

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- (1) Pro forma rental revenue for the three month period ended March 31, 1997 and the year ended December 31, 1996 includes the lease revenue that the Company will receive under the lease for the two Hotel Properties. After entering into such lease, the Company will not recognize direct hotel revenues and expenses.
- (2) The development and management operations of the Company are reflected on a gross basis in the historical combined financial statements. In connection with the Formation Transactions, substantially all of the Greater Washington, D.C. third-party property management business will be contributed by the Company to the Development and Management Company and thereafter the operations of the Development and Management Company will be accounted for by the Company under the equity method in the pro forma statements; therefore, the pro forma statements include (i) revenues and expenses on a gross basis, from development and management conducted directly by the Operating Partnership in the respective income and expense line items and (ii) the Development and Management Company's net operations in the fee and other income line item. See "Business and Properties-- Development Consulting and Third-Party Property Management."
- (3) Represents the approximate 32.1% interest in the Operating Partnership that will be owned by Messrs. Zuckerman and Linde and other continuing investors in the Properties.

termination fee(A)..	--	--	(7,503)	(7,503)	(7,503)	--	--	--	--
Funds from Operations..	\$22,469	\$8,786	\$5,843	\$88,482	\$36,318	\$29,151	\$39,568	\$49,240	\$50,097

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(A) Funds from Operations reflects the lease termination fee as non-recurring.

(6) For the purpose of calculating the ratio of earnings to fixed charges, net income before extraordinary item has been added to interest costs (which includes interest expense, interest capitalized, and amortization of financing costs) and that sum has been divided by such interest costs.

RISK FACTORS

Prospective investors should carefully consider the following matters before purchasing shares of Common Stock in the Offering.

REAL ESTATE DEVELOPMENT RISKS

Development of commercial properties may not yield the anticipated return on investment. The Company intends to pursue the development of office, industrial and hotel properties, both for the Company's ownership and on a third-party fee-for-services basis. See "Business and Growth Strategies." To the extent that the Company engages in such development activities, it will be subject to the risks normally associated with such activities. Such risks include, without limitation, risks relating to the availability and timely receipt of zoning, land use, building, occupancy, and other regulatory approvals, the cost and timely completion of construction (including risks from causes beyond the Company's control, such as weather, labor conditions or material shortages) and the availability of construction financing on favorable terms. These risks could result in substantial unanticipated delays or expense and, under certain circumstances, could prevent completion of development activities once undertaken, any of which could have an adverse effect on the financial condition and results of operations of the Company and on the amount of funds available for distribution to stockholders.

REAL ESTATE ACQUISITION RISKS

The Company may acquire large properties or portfolios of properties and may not be able to effectively assimilate such acquisitions or obtain the intended return on investment. The Company has historically investigated and pursued, and will continue to investigate and pursue, acquisitions of properties and portfolios of properties, including large portfolios that could significantly increase the size of the Company and alter its capital structure. The Company has not historically engaged in acquisitions to a significant extent, and there can be no assurance that the Company will be able to assimilate acquisitions of properties or portfolios or achieve the Company's intended return on investment.

CONFLICTS OF INTEREST

Conflicts of interest between Messrs. Zuckerman and Linde and the stockholders of the Company in the formation and operation of the Company may influence directors and management to act not in the best interest of the stockholders. Messrs. Zuckerman and Linde, will receive material benefits at the completion of the Offering, including receipt of an aggregate of 13,389,070 OP Units representing approximately a 26.8% economic interest in the Company and repayment of approximately \$749.9 million of indebtedness owed by the partnerships in which they had a direct or indirect interest. Messrs. Zuckerman and Linde also will receive certain benefits from the Formation Transactions that will not generally be received by other participants in the Formation Transactions. Such benefits include, without limitation, repayment of guaranteed indebtedness, the release of guarantees on indebtedness and the partial deferral of tax consequences on contribution of the Properties to the Operating Partnership. See "Structure and Formation of the Company--Formation Transactions." Depending on their particular tax situations, Messrs. Zuckerman and Linde will have interests that conflict with the interests of other holders of shares of Common Stock. Messrs. Zuckerman and Linde will have substantial influence on the management and operations of the Company and, as stockholders, on the outcome of any matters submitted to a vote of the stockholders, and such influence might be exercised in a manner inconsistent with the interests of other stockholders. See "Management--Directors and Executive Officers" and "Principal Stockholders."

For a period of time, sales of properties and repayment of indebtedness will have different effects on holders of OP Units than on stockholders. Certain holders of OP Units, including Messrs. Zuckerman and Linde, will incur adverse tax consequences upon the sale of certain of the Properties to be owned by the Company at the completion of the Formation Transactions and on the repayment of indebtedness which are different from the tax consequences to the Company and persons who purchase shares of Common Stock in the Offering.

Consequently, such holders may have different objectives regarding the appropriate pricing and timing of any such sale or repayment of indebtedness. While the Company will have the exclusive authority under the Operating Partnership Agreement to determine whether, when, and on what terms to sell a Property (other than a Designated Property) or when to refinance or repay indebtedness, any such decision would require the approval of the Board of Directors. As Directors of the Company, Messrs. Zuckerman and Linde will have substantial influence with respect to any such decision, and such influence could be exercised in a manner inconsistent with the interests of some, or a majority, of the Company's stockholders, including in a manner which could prevent completion of a Property sale or the repayment of indebtedness.

In this connection, the Operating Partnership Agreement provides that, for a period of ten years following the Offering, the Operating Partnership may not sell or otherwise transfer a Designated Property (defined as One and Two Independence Square, 599 Lexington Avenue and Capital Gallery) in a taxable transaction without the prior consent of Messrs. Zuckerman and Linde. For the pro forma calendar year ended December 31, 1996, the Designated Properties comprised approximately 34.5% of the Company's pro forma Funds from Operations for the year ended December 31, 1996. The Operating Partnership is not, however, required to obtain this consent if at any time during this ten year period each of Messrs. Zuckerman and Linde do not continue to hold at least 30% of his original OP Units.

In addition to the foregoing, the Operating Partnership has agreed to undertake to use its reasonable commercial efforts to cause its lenders to permit Messrs. Zuckerman and Linde to guarantee additional and/or substitute Operating Partnership indebtedness following the Offering if Messrs. Zuckerman or Linde would recognize gain following the Offering as a result of the refinancing of the Operating Partnership's indebtedness. The Operating Partnership is under no obligation, however, to maintain any specified debt or any specified level of indebtedness. See "Operating Partnership Agreement--Tax Protection Provisions" for a more complete description of these provisions.

Messrs. Zuckerman and Linde will continue to own a controlling interest in one excluded property. One property (the "Excluded Property") that is managed by the Company and in which Messrs. Zuckerman and Linde hold ownership interests is not being contributed to the Company as part of the Formation Transactions. For a description of the Excluded Property and an option agreement related to such property, see "Policies with Respect to Certain Activities--Conflict of Interest Policies--Excluded Property." The Excluded Property is located in Northwest Washington, D.C. and may compete with the Company's Properties. Upon completion of the Offering, the Excluded Property will be managed by the Development and Management Company in return for a specified management fee on customary terms that is approved by the independent directors. There is no assurance, however, that the Excluded Property will continue to be managed by the Development and Management Company.

Messrs. Zuckerman and Linde will continue to engage in other activities. Messrs. Zuckerman and Linde have a broad and varied range of investment interests. It is possible that companies in which one or both of Messrs. Zuckerman and Linde has or may acquire an interest, and which are not directly involved in real estate investment activities, will be owners of real property and will acquire real property in the future. However, pursuant to their employment and non-compete agreements with the Company, Messrs. Zuckerman and Linde will not, in general, have management control over such companies and, therefore, they may not be able to prevent one or more such companies from engaging in activities that are in competition with activities of the Company. See "Management--Employment and Noncompetition Agreements."

NO ASSURANCE AS TO VALUE OF PROPERTY

There is no assurance that the Company is paying fair market value for the Properties. The terms of the Formation Transactions were not determined by arm's-length negotiations. The value of the Company was not determined on a property-by-property basis because, in the view of management, the appropriate basis for valuing the Company is as an ongoing business enterprise, rather than as a collection of assets. Therefore, the Company did not obtain third-party appraisals of the Properties or valuations of the Company. Accordingly, there can be no assurance that the value of shares of Common Stock and OP Units issued in respect of the assets the Company will succeed to in connection with the Formation Transactions accurately reflects the respective fair

market values of such assets. The total market capitalization of the Company at the initial public offering price may not be indicative of, and may exceed, the aggregate value of the individual Properties and assets of the Company that would have been determined by appraisals if such appraisals had been obtained. See "Structure and Formation of the Company--Consequences of the Offering and the Formation Transactions."

GENERAL REAL ESTATE RISKS

Lease expirations could adversely affect the Company's cash flow. The Company will be subject to the risks that, upon expiration, leases for space in the Office Properties or the Industrial Properties may not be renewed, the space may not be re-leased, or the terms of renewal or re-lease (including the cost of required renovations or concessions to tenants) may be less favorable than current lease terms. Leases on a total of 10.3% and 10.9% of the aggregate net rentable area of the Office Properties and the Industrial Properties expire during 1997 and 1998, respectively. If the Company were unable to re-lease substantial amounts of vacant space promptly, if the rental rates upon such re-lease were significantly lower than expected, or if reserves for costs of re-leasing proved inadequate, the cash flow to the Company would be decreased and the Company's ability to make distributions to stockholders would be adversely affected.

Hotel operating risks could adversely affect the Company's cash flow. The Hotel Properties are subject to all operating risks common to the hotel industry. These risks include, among other things: (i) competition for guests from other hotels, a number of which may have greater marketing and financial resources than the Company and Marriott(R); (ii) increases in operating costs due to inflation and other factors, which increases may not have been offset in recent years, and may not be offset in the future by increased room rates; (iii) dependence on business and commercial travelers and tourism, which business may fluctuate and be seasonal; (iv) increases in energy costs and other expenses of travel, which may deter travelers; and (v) adverse effects of general and local economic conditions. These factors could adversely affect the ability of Marriott(R) to generate revenues and for ZL Hotel LLC to make lease payments and, therefore, the Company's ability to make expected distributions to stockholders. Because the lease payments to the Company from ZL Hotel LLC will be based on a participation in the gross receipts of the Hotel Properties, the actual lease payments will increase or decrease over the term of the lease in response to fluctuations in the gross receipts of the Hotel Properties.

Acquisition risks could adversely affect the Company. There can be no assurance that the Company will be able to implement its investment strategies successfully or that its property portfolio will expand at all, or at any specified rate or to any specified size. In addition, investment in additional real estate assets is subject to a number of risks. In particular, investments are expected to be financed with funds drawn under the Unsecured Line of Credit, which would subject the Company to the risks described under "--Impact of Debt on the Company's Cash Flow." The Company does not intend to limit its investments to the Greater Boston, Greater Washington, D.C. and New York City markets in which the Properties are primarily located. Consequently, to the extent that it elects to invest in additional markets, the Company also will be subject to the risks associated with investment in new markets, with which management may have relatively little experience and familiarity. Investment in additional real estate assets also entails the other risks associated with real estate investment generally.

Uncontrollable factors affecting the Properties' performance and value could produce lower returns. The economic performance and value of the Company's real estate assets will be subject to all of the risks incident to the ownership and operation of real estate. These include the risks normally associated with changes in national, regional and local economic and market conditions. The Properties are primarily located in three markets, Greater Boston, Greater Washington, D.C., and midtown Manhattan. The economic condition of each of such markets may be dependent on one or more industries. An economic downturn in one of these industry sectors may have an adverse effect on the Company's performance in such market. Local real estate market conditions may include a large supply of competing space and competition for tenants, including competition based on rental rates, attractiveness and location of the Property and quality of maintenance, insurance and management services. Economic and market conditions may impact the ability of tenants to make lease payments. In addition, other factors may adversely affect the performance and value of a Property, including changes in laws and governmental regulations (including those governing usage, zoning and taxes), changes in interest rates and the availability of financing. If the Properties do not generate sufficient income to meet operating expenses, including future debt service, the Company's income and ability to make distributions to its stockholders will be adversely affected.

Illiquidity of real estate investments could adversely affect the Company's financial condition. Because real estate investments are relatively illiquid, the Company's ability to vary its portfolio promptly in response to economic or other conditions will be limited. In addition, certain significant expenditures, such as debt service (if any), real estate taxes, and operating and maintenance costs, generally are not reduced in circumstances resulting in a reduction in income from the investment. The foregoing and any other factor or event that would impede the ability of the Company to respond to adverse changes in the performance of its investments could have an adverse effect on the Company's financial condition and results of operations.

Liability for environmental matters could adversely affect the Company's financial condition. Under various federal, state and local laws, ordinances and regulations, an owner or operator of real property may become liable for the costs of removal or remediation of certain hazardous or toxic substances released on or in its property, as well as certain other costs relating to hazardous or toxic substances. Such liability may be imposed without regard to whether the owner or operator knew of, or was responsible for, the release of such substances. The presence of, or the failure to remediate properly, such substances, when released, may adversely affect the owner's ability to sell the affected real estate or to borrow using such real estate as collateral. Such costs or liabilities could exceed the value of the affected real estate. The Company has not been notified by any governmental authority of any noncompliance, liability or other claim in connection with any of the Properties and the Company is not aware of any other environmental condition with respect to any of the Properties that management believes would have a material adverse effect on the Company's business, assets or results of operations.

Some of the Properties are located in urban and industrial areas where fill or current or historic industrial uses of the areas have caused site contamination at the Properties. Within the past 12 months, independent environmental consultants were retained to conduct or update Phase I environmental assessments (which generally do not involve invasive techniques such as soil or ground water sampling) and asbestos surveys on all of the Properties. These environmental assessments have not revealed any environmental conditions that the Company believes will have a material adverse effect on its business, assets or results of operations, and the Company is not aware of any other environmental condition with respect to any of the Properties which the Company believes would have such a material adverse effect. However, the Company is aware of environmental conditions at two of the Properties that may require remediation. With respect to 17 Hartwell Avenue in Lexington, Massachusetts, the Company received a Notice of Potential Responsibility from the state regulatory authority on January 9, 1997, related to groundwater contamination, as well as Notices of Downgradient Property Status Submittals from third parties concerning contamination at two downgradient properties. On January 15, 1997, the Company notified the state regulatory authority that it will cooperate with and monitor the tenant at the Property which is investigating this matter. The 91 Hartwell Avenue Property in Lexington, Massachusetts was listed by the state regulatory authority as an unclassified Confirmed Disposal Site in connection with groundwater contamination. The Company has engaged a specially licensed environmental consultant to perform the necessary investigation and assessment and to prepare submittals to the state regulatory authority by August 2, 1997. See "Business and Properties--Environmental Matters."

No assurance can be given that the environmental assessments and updates identified all potential environmental liabilities, that no prior owner created any material environmental condition not known to the Company or the independent consultants preparing the assessments, that no environmental liabilities may have developed since such environmental assessments were prepared, or that future uses or conditions (including, without limitation, changes in applicable environmental laws and regulations) will not result in imposition of environmental liability.

The cost of complying with the Americans with Disabilities Act could adversely affect the Company's cash flow. The Properties are subject to the requirements of the Americans with Disabilities Act (the "ADA"), which generally requires that public accommodations, including office buildings, be made accessible to disabled persons. The Company believes that the Properties are in substantial compliance with the ADA and that it will not be required to make substantial capital expenditures to address the requirements of the ADA. However, compliance with the ADA could require removal of access barriers and noncompliance could result in imposition of fines by the federal government or the award of damages to private litigants. If, pursuant to the ADA, the

Company were required to make substantial alterations in one or more of the Properties, the Company's financial condition and results of operations, as well as the amount of funds available for distribution to stockholders, could be adversely affected.

Uninsured losses could adversely affect the Company's cash flow. The Company carries comprehensive liability, fire, flood, extended coverage and rental loss insurance, as applicable, with respect to the Properties, with policy specification and insured limits customarily carried for similar properties. In the opinion of management, all of the Properties are adequately insured. There are, however, certain types of losses (such as from wars or catastrophic acts of nature) that may be either uninsurable or not economically insurable. Any uninsured loss could result in both loss of cash flow from, and asset value of, the affected property.

It is anticipated that new owner's title insurance policies will not be obtained in connection with the Formation Transactions. Each of the Properties has previously been insured by title insurance policies insuring the interests of the Property-owning entities. Certain of these title insurance policies may continue to benefit those Property-owning entities which will remain after the completion of the Formation Transactions. Nevertheless, each such title insurance policy may be in an amount less than the current value of the applicable Property. In the event of a loss with respect to a Property relating to a title defect, the Company could lose both its capital invested in and anticipated profits from such Property.

Changes in tax and environmental laws could adversely affect the Company's financial condition. Costs resulting from changes in real estate taxes generally may be passed through to tenants and will not affect the Company. Increases in income, service or transfer taxes, however, generally are not passed through to tenants and may adversely affect the Company's results of operations and the amount of funds available to make distributions to stockholders. Similarly, changes in laws increasing the potential liability for environmental conditions existing on properties or increasing the restrictions on discharges or other conditions may result in significant unanticipated expenditures, which would adversely affect the Company's financial condition and results of operations and the amount of funds available for distribution to stockholders.

IMPACT OF DEBT ON THE COMPANY

The required repayment of debt or of interest thereon can adversely affect the Company. Upon completion of the Offering and the Formation Transactions, the Company expects to have approximately \$753 million of outstanding indebtedness. The Company also intends to enter into and, over time, make borrowings under the Unsecured Line of Credit. Advances under the Unsecured Line of Credit will bear interest at a variable rate. In addition, the Company may incur other variable rate indebtedness in the future. Increases in interest rates on such indebtedness would increase the Company's interest expense (e.g., assuming the entire \$300 million available under the Unsecured Line of Credit is outstanding, the Company would incur an additional \$750,000 in interest expense for each 0.25% increase in interest rates), which could adversely affect the Company's cash flow and its ability to pay expected distributions to stockholders. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources." The Company will also be subject to risks normally associated with debt financing, including the risk that the Company's cash flow will be insufficient to meet required payments of principal and interest, the risk that any indebtedness will not be able to be refinanced or that the terms of any such refinancing will not be as favorable as the terms of such indebtedness. The mortgage loans secured by the One Independence Square and Two Independence Square properties are cross-defaulted as to each other. If an event of default were to occur under either of the loans, the Company could be required to repay approximately \$200.3 million, together with any applicable prepayment charges, prior to the scheduled maturity dates of the loans. In addition, the Unsecured Line of Credit is cross-defaulted with respect to future recourse indebtedness of the Company if the Company is in default with respect to an aggregate of \$50 million or more of such recourse indebtedness.

The Company's policy of no limitation on debt could adversely affect the Company's cash flow. Upon completion of the Offering and the Formation Transactions, the Company's debt to total market capitalization ratio will be approximately 37.6% (35.5% if the Underwriters' overallotment option is exercised in full). The Company does not have a policy limiting the amount of debt that the Company may incur. Accordingly, the Company could become more highly leveraged, resulting in an increase in debt service that could adversely

affect the Company's cash flow and, consequently, the amount available for distribution to stockholders, and could increase the risk of default on the Company's indebtedness.

Consent of lenders is required in order for the Company to assume ownership of certain Properties at the completion of the Offering. Ownership of certain of the Properties that secure indebtedness which the Company intends to leave in place following the Offering may not be transferred to the Company without the consent of the lenders under such mortgages. If the Company is unable to obtain the consent of the mortgage lender to assume at the completion of the Offering the ownership of a Property described in the preceding sentence, the Company will have an option to acquire such Property for a price equal to the value that would have been given for such Property at the completion of the Offering.

FAILURE TO QUALIFY AS A REIT

The Company will be taxed as a corporation if it fails to qualify as a REIT. The Company intends to operate so as to qualify as a REIT under the Code, commencing with its taxable year ending December 31, 1997. Although management of the Company believes that it will be organized and will operate in such a manner, no assurance can be given that it will so qualify or that it will continue to qualify in the future. In this regard, the Company has received an opinion of Goodwin, Procter & Hoar llp, tax counsel to the Company ("Tax Counsel"), to the effect that, commencing with its taxable year ending December 31, 1997, the Company will be organized in conformity with the requirements for qualification as a REIT under the Code, and that the Company's proposed manner of operation, including the lease of the Hotel Properties and Garage Properties, will enable it to meet the requirements for taxation as a REIT for federal income tax purposes. Qualification as a REIT, however, involves the application of highly technical and complex Code provisions as to which there are only limited judicial and administrative interpretations. Certain facts and circumstances which may be wholly or partially beyond the Company's control may affect its ability to qualify as a REIT. In addition, no assurance can be given that future legislation, new regulations, administrative interpretations or court decisions will not significantly change the tax laws (or the application thereof) with respect to qualification as a REIT for federal income tax purposes or the federal income tax consequences of such qualification. However, the Company is not aware of any proposal to amend the tax laws that would significantly and adversely affect the Company's ability to qualify as a REIT. The opinion of Tax Counsel is not binding on the Internal Revenue Service (the "IRS") or the courts.

If, in any taxable year, the Company were to fail to qualify as a REIT for federal income tax purposes, it would not be allowed a deduction for distributions to stockholders in computing taxable income and would be subject to federal income tax (including any applicable alternative minimum tax) on its taxable income at regular corporate rates. In addition, unless entitled to relief under certain statutory provisions, the Company would be disqualified from treatment as a REIT for federal income tax purposes for the four taxable years following the year during which qualification is lost. The additional tax liability resulting from the failure to so qualify would significantly reduce the amount of funds available for distribution to stockholders. In addition, the Company would no longer be required to make distributions to shareholders. Although the Company intends to operate in a manner designed to permit it to qualify as a REIT for federal income tax purposes, it is possible that future economic, market, legal, tax or other events or circumstances could cause it to fail to so qualify. See "Federal Income Tax Consequences-- Requirements for Qualification."

To qualify as a REIT the Company will need to maintain a certain level of distributions. To obtain and maintain its status as a REIT for federal income tax purposes, the Company generally will be required each year to distribute to its stockholders at least 95% of its taxable income. In addition, the Company will be subject to a 4% nondeductible excise tax on the amount, if any, by which certain distributions paid by it with respect to any calendar year are less than the sum of 85% of its ordinary income for such calendar year, 95% of its capital gain net income for the calendar year and any amount of such income that was not distributed in prior years. The Company may be required, under certain circumstances, to accrue as income for tax purposes interest, rent and other items treated as earned for tax purposes but not yet received. In addition, the Company may be required not to accrue as expenses for tax purposes certain items which actually have been paid. It is also possible that the Company could realize income, such as income from cancellation of indebtedness, which is not accompanied

by cash proceeds. Furthermore, the Company's depreciation deductions with respect to the Properties acquired by the Operating Partnership by contribution from or merger with the Property Partnership may be less than if the Company had acquired its interests in the Properties directly for cash. In any such event, the Company could have taxable income in excess of cash available for distribution. In such circumstances, the Company could be required to borrow funds or liquidate investments on unfavorable terms in order to meet the distribution requirement applicable to a REIT. See "Federal Income Tax Consequences--Requirements for Qualification."

The Company intends to make distributions to stockholders sufficient to comply with the 95% distribution requirement and to avoid the 4% nondeductible excise tax described above. No assurances can be given, however, that the Company will satisfy these requirements.

Other Tax Liabilities. Even if it qualifies as a REIT for federal income tax purposes, the Company may, and certain of its subsidiaries will, be subject to certain federal, state and local taxes on their income and property. See "Federal Income Tax Consequences--State and Local Tax."

CONTROL OF THE COMPANY

The ability of stockholders to control the policies of the Company and effect a change of control of the Company is limited for the following reasons:

Stockholder approval is not required to change policies of the Company. The Company's operating and financial policies, including its policies with respect to acquisitions, growth, operations, indebtedness, capitalization and distributions, will be determined by the Company's Board of Directors. Accordingly, stockholders will have little direct control over the Company's policies. See "Policies With Respect to Certain Activities."

Stockholder approval is not required to engage in investment activity. In the future, the Company expects to acquire additional real estate assets pursuant to its investment strategies and consistent with its investment policies. See "Business and Growth Strategies--Growth Strategies--External Growth" and "Policies with Respect to Certain Activities--Investment Policies." The stockholders of the Company will generally not be entitled to receive historical financial statements regarding, or to vote on, any such acquisition and, instead, will be required to rely entirely on the decisions of management.

Stock ownership limit in the Certificate could inhibit changes in control. In order to maintain its qualification as a REIT for federal income tax purposes, not more than 50% in value of the outstanding stock of the Company may be owned, directly or indirectly, by five or fewer individuals (as defined in the Code to include certain entities). See "Federal Income Tax Consequences--Requirements for Qualification." In order to facilitate maintenance of its qualification as a REIT for federal income tax purposes, and to otherwise address concerns relating to concentration of capital stock ownership, the Company generally has prohibited ownership, directly or by virtue of the attribution provisions of the Code, by any single stockholder (which does not include certain pension plans or mutual funds) of more than 6.6% of the issued and outstanding shares of the Company's Common Stock (the "Ownership Limit"). The Board of Directors may waive or modify the Ownership Limit with respect to one or more persons if it is satisfied, based upon the advice of tax counsel, that ownership in excess of this limit will not jeopardize the Company's status as a REIT for federal income tax purposes. Notwithstanding the above, the Company's Certificate provides that each of Messrs. Zuckerman and Linde, along with certain family members and affiliates of each of Messrs. Zuckerman and Linde, respectively, as well as, in general, pension plans and mutual funds, may actually and beneficially own up to 15% of the outstanding shares of Common Stock. The Ownership Limit may have the effect of inhibiting or impeding a change in control and, therefore, could adversely affect the stockholders' ability to realize a premium over the then-prevailing market price for the Common Stock in connection with such a transaction.

Provisions in the Certificate and Bylaws and in the Operating Partnership Agreement could prevent acquisitions and changes in control. Certain provisions of the Company's Certificate and Bylaws (the "Bylaws") and of the Operating Partnership Agreement may have the effect of inhibiting a third party from making an acquisition proposal for the Company or of impeding a change in control of the Company under

circumstances that could otherwise provide the holders of shares of Common Stock with the opportunity to realize a premium over the then-prevailing market price of such shares. The Ownership Limit described in the preceding paragraph also may have the effect of precluding acquisition of control of the Company even if such a change in control were in the best interests of some, or a majority, of the Company's stockholders. In addition, the Board of Directors has been divided into three classes, the initial terms of which expire in 1998, 1999 and 2000, with directors of a given class chosen for three-year terms upon expiration of the terms of the members of that class. The staggered terms of the members of the Board of Directors may adversely affect the stockholders' ability to effect a change in control of the Company, even if such a change in control were in the best interests of some, or a majority, of the Company's stockholders. See "Management--Directors and Executive Officers." The Certificate authorizes the Board of Directors to issue shares of preferred stock ("Preferred Stock") in series and to establish the rights and preferences of any series of Preferred Stock so issued. See "Description of Capital Stock--Preferred Stock" and "Certain Provisions of Delaware Law and the Company's Certificate and Bylaws--The Board of Directors." The issuance of Preferred Stock also could have the effect of delaying or preventing a change in control of the Company, even if such a change in control were in the best interests of some, or a majority, of the Company's stockholders. No shares of Preferred Stock will be issued or outstanding immediately subsequent to the Offering and the Company has no present intention to issue any such shares. Prior to the completion of the Offering, the Company will authorize the issuance of a series of preferred stock in connection with the adoption of a shareholder rights plan. See "Description of Capital Stock--Shareholder Rights Agreement."

The Operating Partnership Agreement provides that the Company may not generally engage in any merger, consolidation or other combination with or into another person or sale of all or substantially all of its assets, or any reclassification, or any recapitalization or change of outstanding shares of Common Stock (a "Business Combination"), unless the holders of OP Units will receive, or have the opportunity to receive, the same consideration per OP Unit as holders of Common Stock receive per share of Common Stock in the transaction; if holders of OP Units will not be treated in such manner in connection with a proposed Business Combination, the Company may not engage in such transaction unless limited partners (other than the Company) holding at least 75% of the OP Units held by limited partners vote to approve the Business Combination. In addition, the Company, as general partner of the Operating Partnership, has agreed in the Operating Partnership Agreement with the limited partners that the Company will not consummate a Business Combination in which the Company conducted a vote of the stockholders unless the matter would have been approved had holders of OP Units been able to vote together with the stockholders on the transaction. The foregoing provision of the Operating Partnership Agreement would under no circumstances enable or require the Company to engage in a Business Combination which required the approval of the Company's stockholders if the Company's stockholders did not in fact give the requisite approval. Rather, if the Company's stockholders did approve a Business Combination, the Company would not consummate the transaction unless (i) the Company as general partner first conducts a vote of holders of OP Units (including the Company) on the matter, (ii) the Company votes the OP Units held by it in the same proportion as the stockholders of the Company voted on the matter at the stockholder vote, and (iii) the result of such vote of the OP Unit holders (including the proportionate vote of the Company's OP Units) is that had such vote been a vote of stockholders, the Business Combination would have been approved by the stockholders. As a result of these provisions of the Operating Partnership, a third party may be inhibited from making an acquisition proposal that it would otherwise make, or the Company, despite having the requisite authority under its Certificate of Incorporation, may be prohibited from engaging in a proposed business combination.

Shareholder Rights Plan could inhibit changes in control. The Company has adopted a Shareholder Rights Plan. The Shareholder Rights Plan may have the effect of inhibiting or impeding a change in control and, therefore, could adversely affect the stockholders' ability to realize a premium over the then-prevailing market price for the Common Stock in connection with such a transaction. See "Description of Capital Stock--Shareholder Rights Agreement."

Certain provisions of Delaware Law could inhibit acquisitions and changes in control. Certain provisions of the Delaware General Corporation Law (the "DGCL") also may have the effect of inhibiting a third party from making an acquisition proposal for the Company or of impeding a change in control of the Company under circumstances that otherwise could provide the holders of shares of Common Stock with the opportunity to realize a premium over the then-prevailing market price of such shares. See "Certain Provisions of Delaware Law and the Company's Certificate and Bylaws."

Provisions of Debt Instruments. Certain provisions of agreements relating to indebtedness on the 599 Lexington Avenue and Bedford Business Park Properties provide that it is a default thereunder if Messrs. Zuckerman or Linde cease to serve as a director of the Company or to control the management of one of such Properties.

RELIANCE ON KEY PERSONNEL

The Company relies on key personnel whose continued service is not guaranteed. The Company is dependent on the efforts of Messrs. Zuckerman and Linde and other senior management personnel. While the Company believes that it could find replacements for these key executives, the loss of their services could have a material adverse effect on the operations of the Company. While Mr. Linde will have an employment agreement with the Company pursuant to which he will agree to devote substantially all of his business time to the business and affairs of the Company and to not have substantial outside business interests, this can serve as no guarantee that he will remain with the Company for any specified term. Mr. Zuckerman has significant outside business interests, including serving as Chairman of the Board of Directors of U.S. News & World Report, The Atlantic Monthly magazine, the New York Daily News and Applied Graphics Technologies and as a member of the Board of Directors of Snyder Communications. There is no assurance that the outside business activities of Messrs. Zuckerman and Linde will not interfere from time to time with their responsibilities to the Company. See "Management--Employment and Noncompetition Agreements."

MARKET FOR THE COMMON STOCK

The following factors could adversely impact the trading price of the Common Stock.

There was no prior market for the Common Stock. Prior to the completion of the Offering, there will have been no public market for shares of Common Stock. Although the Common Stock has been approved for listing on the New York Stock Exchange, subject to official notice of issuance, there can be no assurance that an active trading market will develop. In addition, the initial public offering price was determined by negotiations between the Company and the Representative of the Underwriters and, therefore, may not be indicative of the market price for shares after the Offering. See "Underwriting."

Interest rates and trading levels of equity markets could change. One of the factors that may be expected to influence the prevailing market price of the Common Stock is the annual yield on the stock price from distributions by the Company. Accordingly, an increase in market interest rates may lead purchasers of shares of Common Stock in the secondary market to demand a higher annual yield, which could adversely affect the market price of the Common Stock. In addition, the market price of the Common Stock could be adversely affected by changes in general market conditions or fluctuations in the market for equity securities in general or REIT securities in particular. Moreover, in the future, numerous other factors, including governmental regulatory actions and proposed or actual modifications in the tax laws, could have a significant impact on the market price of the Common Stock.

Availability of shares for future sale could adversely affect the market price. Sales of substantial amounts of Common Stock (including shares issued upon the exercise of options), or the perception that such sales could occur, could adversely affect the prevailing market price for the Common Stock. Messrs. Zuckerman and Linde will own an aggregate of 15,972,611 shares of Common Stock and OP Units at the completion of the Offering. In addition, executive officers of the Company other than Messrs. Zuckerman and Linde will receive an aggregate of 1,186,298 OP Units in connection with the Formation Transactions. OP Units may, following a period of fourteen months after completion of the Offering, be exchanged for cash or, at the option of the Company, for shares of Common Stock on a one-for-one basis. See "Structure and Formation of the Company--Formation Transactions" and "Operating Partnership Agreement--Redemption of OP Units." Messrs. Zuckerman and Linde and the other senior officers of the Company have agreed, subject to certain limited exceptions, not to offer, sell, contract to sell or otherwise dispose of any Common Stock for a period of two years after the date of this Prospectus without the prior written consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated and Goldman, Sachs & Co. At the conclusion of the two year restriction period (or earlier with the consent of Merrill

Lynch, Pierce, Fenner & Smith Incorporated and Goldman, Sachs & Co.), all shares of Common Stock owned by Messrs. Zuckerman and Linde and such other individuals, including shares of Common Stock acquired in exchange for OP Units, may be sold in the public market pursuant to registration rights or any available exemptions from registration. See "Shares Available for Future Sale." In addition, up to 4,754,750 shares of Common Stock will be reserved for issuance pursuant to the Company's Stock Option Plan. Shares of Common Stock purchased pursuant to options granted under the Stock Option Plan will generally be available for sale in the public market. See "Management--Stock Option Plan" and "Shares Available for Future Sale." No prediction can be made as to the effect of future sales of Common Stock on the market price of shares of Common Stock.

IMMEDIATE AND SUBSTANTIAL DILUTION

Purchasers of Common Stock in the Offering will experience immediate dilution of approximately \$22.27 per share in the net tangible book value per share of the Common Stock so purchased. Similarly, Messrs. Zuckerman and Linde, the sole stockholders of the Company prior to the Offering, will experience an immediate increase of approximately \$35.15 per share in the value of their shares of Common Stock. See "Dilution."

HISTORICAL LOSSES AND ACCUMULATED DEFICIT; POSSIBILITY OF FUTURE LOSSES

After depreciation and amortization, the Company through the Predecessor has had historical accounting losses for certain fiscal years and there can be no assurances that the Company will not have similar losses in the future. The Boston Properties Predecessor Group had a net loss of approximately \$4.0 million in the aggregate in 1995 and had cumulative aggregate deficits in owners' equity of approximately \$576.6 million and approximately \$506.7 at December 31, 1996 and 1995, respectively. Net losses reflect the effect of certain non-cash charges such as depreciation and amortization. The aggregate deficits reflect the effects of depreciation and amortization described above plus the effects of distributions in excess of earnings or of mortgage proceeds upon the refinancing of properties.

THE COMPANY

GENERAL

The Company has been formed to succeed to the real estate development, redevelopment, acquisition, management, operating and leasing businesses associated with the predecessor company founded by Mortimer B. Zuckerman and Edward H. Linde in 1970. The Company is one of the largest owners and developers of office properties in the United States, with a significant presence in six submarkets in Greater Boston, five submarkets in Greater Washington, D.C. and the Park Avenue submarket of midtown Manhattan. The Company believes that it has created significant value in its properties by developing well located properties that meet the demands of today's office tenants, redeveloping underperforming assets, and improving the management of under-managed assets it has acquired. Following the Offering, Messrs. Zuckerman and Linde will beneficially own in the aggregate a 31.9% economic interest in the Company and the other senior officers of the Company will beneficially own in the aggregate a 2.4% economic interest in the Company. Messrs. Zuckerman and Linde have agreed that, while they serve as directors or officers of the Company (but in any event for a minimum of three years), the Company will be the exclusive entity through which they develop or acquire commercial properties. See "Management--Employment and Noncompetition Agreements." The Company expects to qualify as a REIT for federal income tax purposes for the year ending December 31, 1997. See "Federal Income Tax Consequences--Federal Income Taxation of the Company."

Upon the completion of the Offering, the Company, through its subsidiaries, will own a portfolio of 75 commercial real estate properties aggregating approximately 11.0 million square feet, 89% of which was (or is being) developed or substantially redeveloped by the Company. The Company will own a 100% fee interest in 61 of the Properties that account for 98% of the total Escalated Rent of the portfolio. The Properties consist of 63 Office Properties with approximately 7.8 million net rentable square feet, including seven Office Properties currently under development or redevelopment totaling approximately 810,000 net rentable square feet and one Property under contract to purchase totaling approximately 170,000 net rentable square feet, which have approximately 1.3 million square feet of structured parking for 4,222 vehicles; nine Industrial Properties with approximately 925,000 net rentable square feet; two hotels totaling 833 rooms and approximately 750,000 square feet and a 1,170 space parking garage with approximately 330,000 additional square feet. The Company will also own, have under contract or have options to acquire six undeveloped parcels of land totaling 47.4 acres, located primarily in Greater Boston and Greater Washington, D.C., which will support approximately 1.0 million square feet of development.

The Properties are primarily located in twelve submarkets, including six submarkets in Greater Boston (the East Cambridge, Route 128 Northwest, Route 128/Massachusetts Turnpike, Route 128 Southwest, Route 128 South, and Boston submarkets), five submarkets in Greater Washington, D.C. (the Southwest Washington, D.C., West End Washington, D.C., Montgomery County, Maryland, Fairfax County, Virginia and Prince George's County, Maryland submarkets) and midtown Manhattan (the Park Avenue submarket). The Company's single largest Property, with approximately 1.0 million net rentable square feet, is an Office Property located in midtown Manhattan.

As of December 31, 1996, the Office Properties (excluding the Development Properties) and the Industrial Properties had an occupancy rate of 94% and the completed Hotel Properties had an average occupancy rate for the year ended December 31, 1996 of 84%. Leases with respect to 10.3%, 10.9% and 7.0% of the leased square footage of the Office and Industrial Properties expire in 1997, 1998 and 1999, respectively. The weighted average Escalated Rent with step-ups of such expiring square footage is \$17.93, compared to a weighted average Company quoted rental rate per square foot as of January 1, 1997 for such expiring footage of \$20.34. The actual rental rates at which available space will be re-let will depend on prevailing market factors at the time. There can be no assurance that the Company will re-let such space at an increased, or even at the then current, rental rate. The Company believes that it is appropriate to compare Escalated Rent with step-ups to the Company's quoted rental rate because the elements that comprise Escalated Rent (including base rent plus step-ups and tenant pass-throughs of operating expenses and real estate taxes) are the same as those that a landlord would use to determine a quoted rental rate.

The Company has developed or substantially redeveloped 56 of the Properties which total approximately 9.9 million square feet or 89% of the aggregate square feet of all of the Properties. The Company currently

manages all of the Properties except the Hotel Properties, which are managed by Marriott International, Inc., the Garage Property, and parking garages that are a part of certain of the Office Properties. The Company has long-established, full-service offices in each of its three major market areas and achieves efficiencies of scale by operating a centralized financial control and data center at its Boston headquarters that is responsible for processing of all operating budgets, billing and payments for all of its completed and development properties. As a result, the Company believes that it has the capacity to substantially increase the number of properties it owns and manages without proportional increases in overhead costs.

The Company believes it has superior access to potential development and acquisition opportunities by virtue of its long-standing reputation and relationships, both nationally and in its primary markets, with brokers, tenants, financial institutions, development agencies, and contractors. The Company intends to utilize its experience with, and understanding of, the development and management of a range of commercial property types to opportunistically pursue developments and acquisitions within its existing and new markets. The Company's extensive development experience includes suburban and downtown office buildings, downtown hotels, mixed-use projects, R&D and research laboratory buildings, suburban office/flex buildings, suburban office and industrial parks, warehouse and distribution buildings, and special purpose facilities, as well as both new construction and substantial renovation for re-use or repositioning. The properties that the Company has developed have won numerous awards.

The Company believes that the Properties are well positioned to provide a base for continued growth. The Office and Industrial Properties are leased to high quality tenants and located in submarkets with low vacancy rates and rising rents. With the value added by the Company's in-house marketing, leasing, tenant construction and property management programs, the Properties have historically enjoyed high occupancy rates and efficient re-leasing of vacated space.

The Company believes that its capacity for growth will be enhanced by combining its experienced personnel, established market position and relationships, hands-on approach to development and management, substantial portfolio of existing properties and buildings under development, and existing acquisition opportunities with the advantages that will be available to it in its new status as a public company. These advantages include improved access to debt and equity financing and the ability to acquire properties and sites through the issuance of stock and OP Units, which can be of particular value to potential tax-sensitive sellers. The Company also believes that because of its size and reputation it will be a desirable buyer for those institutions or individuals wishing to sell individual properties or portfolios of properties in exchange for an equity position in a public real estate company.

The Company will continue to supplement its revenues, leverage the experience of its personnel and strengthen its market position by providing comprehensive, project level development and management services on a selective basis to private sector companies and government agencies. Between 1989 and 1996, the Company completed eight third-party development projects comprising approximately 2.4 million net rentable square feet. In addition to enhancing revenues without significantly increasing overhead the Company has achieved significant recognition and experience through this work, which has led to enhanced opportunities for the Company to obtain build-to-suit development projects.

Concurrently with the completion of the Offering, the Company expects to have in effect a three-year \$300 million unsecured revolving line of credit (the "Unsecured Line of Credit") led by BankBoston, N.A. (the "Line of Credit Bank"), as agent. The Company intends to use the Unsecured Line of Credit principally to fund growth opportunities and for working capital purposes. See "Unsecured Line of Credit."

The Company intends to make regular quarterly distributions to its stockholders, beginning with a distribution for the period commencing on the completion of the Offering and ending on September 30, 1997.

The Company is a full-service real estate company, with substantial in-house expertise and resources in acquisitions, development, financing, construction management, property management, marketing, leasing, accounting, and legal services. As of March 31, 1997 the Company had 284 employees, including 87 professionals involved in acquisitions, development, finance and legal matters. The Company's 16 senior officers, together with Mr. Zuckerman, Chairman of the Board, have an average of 24 years experience in the real estate industry and an average of 16 years tenure with the Company.

HISTORY

The Company was founded in Boston, Massachusetts in 1970 by Messrs. Zuckerman and Linde to acquire and develop first-class commercial real estate for long-term ownership and management. Over its 27 year history, the Company has established a successful record of focusing on submarkets where the Company can achieve leadership positions. During the last five years, the Company's average return on cost (EBITDA divided by the undepreciated book value of the Company's real estate assets) has been 14.2%. The following paragraphs describe the Company's development and evolution.

Growth in Boston

In the early 1970's, Messrs. Zuckerman and Linde identified the area of suburban Boston along Route 128 as ready for the development of modern office buildings, and they selected the quadrant west/northwest of Boston between the Massachusetts Turnpike and US 93 as the most desirable area in which to concentrate their efforts. Between 1978 and 1988, the Company acquired 13 key sites in that area, and completed development of 17 office buildings on those sites, containing more than 2.0 million net rentable square feet. The Company built on its growing reputation for quality development in the Boston area by successfully competing for control of sites available through public competitions. During this period, the Company was awarded hotel development rights on the Boston Harbor waterfront where it developed the 402 room Long Wharf Marriott(R) Hotel. The Company was also selected by the Cambridge Redevelopment Authority to be the developer of the 24 acre "Cambridge Center" site adjacent to the Massachusetts Institute of Technology ("MIT"), where it has completed development of ten buildings totaling over 1.7 million square feet and still controls substantial additional development rights. In total for Greater Boston, the Company has developed, acquired or redeveloped, for its own account or for third parties, 41 buildings containing approximately 5.0 million square feet, of which the Company still owns approximately 3.7 million square feet.

Expansion to Washington, D.C. and its Suburban Markets

The Company opened its Washington, D.C. regional office in November 1979 to pursue development and acquisitions and to provide real estate development services in Greater Washington, D.C., including the Northern Virginia and suburban Maryland real estate markets. Within this region, the Company has concentrated its efforts in those submarkets that it believes to be the strongest, including Southwest Washington, D.C., Montgomery County, Maryland, Fairfax County, Virginia and Prince George's County, Maryland. The Company's first project in the Greater Washington, D.C. market was Capital Gallery, a 400,000 square foot Class A, multi-tenant office building that the Company completed in 1981. During the past 17 years, the Company, for its own account and for third parties, has developed 30 buildings in Greater Washington, D.C., totaling approximately 5.75 million square feet. The Company continues to own 21 of these properties consisting of approximately 3.5 million square feet.

Expansion to Midtown Manhattan

In the early 1980's, Messrs. Zuckerman and Linde decided to explore opportunities to expand the Company's operations to New York City and focused on midtown Manhattan as desirable for new development. The Company identified a key block-front site at 599 Lexington Avenue (immediately south of Citicorp Center), structured an acquisition responsive to the particular needs of the site's owner, and obtained all necessary public approvals within 11 months of acquiring the site. Based on the Company's assessment of the strengths of the site and the building design (including larger floors than were generally available in the market area), the Company proceeded in 1984 with construction of a 1.0 million net rentable square foot office tower. The building, which the Company still owns, has had an occupancy rate in excess of 97% for the past seven years. The building has continued to command premium rents within its submarket.

Response to Market Conditions

In the mid-1980's the Company was designated as the developer of a project in New York City in a joint venture with a national financial institution, which intended to occupy a major portion of the leasable square footage associated with the development. This institution withdrew from the project due to changing economic circumstances and subsequently the Company withdrew due to market conditions that made the project infeasible without a major tenant precommitment. In the late 1980's, in response to market conditions, the Company decided not to undertake any new speculative development or land or property acquisitions based on its

assessment of a growing oversupply and weakening real estate fundamentals in the markets in which it operated. The Company was able to continue to prosper by operating the portfolio of properties it had acquired and developed since 1970, by finding opportunities for build-to-suit development, and by expanding the scope of its third-party development management activities. Between 1989 and 1996, the Company completed eight third party development projects on a fee basis, including major projects for the Architect of the Capitol, the Health Care Financing Administration, the New York Daily News, Beth Israel Hospital and Medical Information Technology. The Company is currently the development manager on projects for, among others, the National Institutes of Health and Acacia Mutual Life Insurance Company in Washington, D.C., the United States Postal Service in New York City and Boston and the Hyatt Development Corporation in Boston.

Recent Activities

Recently, the Company began to more aggressively pursue potential new development and acquisition opportunities and has increased its development and acquisition activity. Currently, the Company is developing seven properties, totaling approximately 810,000 square feet, located in Greater Boston and Fairfax County, Virginia (consisting of five Office Properties that will be 100% owned by the Company and two Office Properties in which the Company will own a 25% interest). In 1996, in response to significant unsatisfied tenant demand, the Company decided to begin construction of the first new Class A speculative office building to be built in the 1990's along Route 128 in suburban Boston. This 102,000 square foot building, to be completed in the fall of 1997, is now pre-leased in its entirety to MediaOne of Delaware, Inc., formerly Continental Cablevision, Inc. In addition, in Springfield, Virginia, for pre-committed tenants, the Company is developing two buildings in its Virginia-95 Business Park. One of these buildings will be occupied by the United States Customs Service and the other will serve as the headquarters of Autometric, Inc. In Reston, Virginia, the Company is developing two Class A office buildings totaling 440,000 net rentable square feet. One of such buildings, with approximately 312,000 net rentable square feet, is 99% pre-leased to, and will serve as the headquarters of, BDM International. In 1996, the Company also acquired the two Sugarland buildings in Herndon, Virginia, which the Company is redeveloping. In the aggregate, these projects are more than 79% pre-committed and upon completion, based on the Company's estimate of the rental rates which will be achieved on the remaining 16%, the expected initial Stabilized Return on Cost will be approximately 12%. In addition, the Company is currently pursuing a number of proposed development projects. One such proposed project is the development of a 221 room Marriott(R) Residence Inn in Cambridge, Massachusetts on land with respect to which the Company currently holds development rights. A second proposed project, if consummated, will be a joint venture with Westbrook Real Estate Partners LLC ("Westbrook") for the development of an approximately 370,000 square foot office building in Reston, Virginia. The Company is currently in discussions with certain institutional investors to acquire certain of their portfolio properties, and is also pursuing other potential property and site acquisitions as well as build-to-suit opportunities in all of its major markets. There can be no assurances that the Company will ultimately acquire or develop any of such properties. In addition, on May 16, 1997 the Company entered into a purchase and sale agreement to acquire, for \$21.7 million, Newport Office Park, a Class A office building in Quincy, Massachusetts with approximately 170,000 net rentable square feet and expects Stabilized Return on Cost will be in excess of 10%.

BUSINESS STRATEGY

The Company's primary business objective is to maximize growth in net available cash for distribution and to enhance the value of its portfolio in order to maximize total return to stockholders. The Company's strategy to achieve this objective is: (i) to selectively acquire and develop properties in the Company's existing markets, adjacent suburban markets and in new markets that present favorable opportunities; (ii) to continue to maintain high lease renewal rates at rents that are at the high end of the markets in which the Properties are located, and to continue to achieve high room rates and occupancy rates in the Hotel Properties; and (iii) to selectively provide fee-based development consulting and project management services to third parties.

GROWTH STRATEGIES

External Growth

The Company believes that it is well positioned to realize significant growth through external asset development and acquisition. During its 27 year history, the Company has developed and acquired 107 properties for itself and third parties. The Company believes that this development experience and the Company's organizational depth positions the Company to continue to develop a range of property types, from single-story suburban properties to high-rise urban developments, within budget and on schedule. Other factors that contribute to the Company's competitive position include: (i) the significant increase in demand for new, high quality office and industrial space in the Company's core market areas; (ii) the Company's control of sites in its core markets that will support approximately 1.0 million square feet of new development through fee ownership, contract ownership, and joint venture relationships; (iii) the Company's reputation gained through the stability and strength of its existing portfolio of properties; (iv) the Company's relationships with leading national corporations and public institutions seeking new facilities and development services; (v) the Company's relationships with nationally recognized financial institutions that provide capital to the real estate industry; and (vi) the substantial amount of commercial real estate owned by domestic and foreign institutions, private investors, and corporations who are seeking to sell such assets in the Company's market areas.

The Company has targeted four areas of development and acquisition as significant opportunities to execute the Company's external growth strategy:

Acquire Land for Development. The Company believes that development of well-positioned office buildings and R&D properties is currently or will be justified in many of the submarkets in which the Company has a presence. The Company believes in acquiring land in response to market conditions that allow for the development of such land in the relatively near term. Over its 27 year history, the Company has established a successful record of carefully timing land acquisitions in submarkets where the Company can become one of the market leaders in establishing rent and other business terms. The Company believes that there are opportunities in its existing and other markets to acquire land with development potential at key locations in markets which are experiencing growth.

In the past, the Company has been particularly successful at acquiring sites or options to purchase sites that need governmental approvals before the commencement of development. Because of the Company's development expertise, knowledge of the governmental approval process and reputation for quality development with local government approval bodies, the Company generally has been able to secure the permits necessary to allow development, thereby enabling the Company to profit from the increase in their value once the necessary permits have been obtained.

In accordance with its belief that future development will provide significant growth opportunities, the Company controls several major parcels of land in its core submarkets which are positioned for near term development. These sites are either (i) owned outright by the Company, (ii) subject to options at prices that the Company believes are less than the value of the land once developed, or (iii) owned by a third party with whom the Company has established a joint venture relationship with respect to such site.

In the Company's Virginia-95 Business Park in Springfield, Virginia, the Company is developing for pre-committed tenants two office buildings on land that is owned by the Company. These buildings, an 80,514 net rentable square foot two-story office building (with expansion potential for another 40,000 square

feet) that, when completed, will serve as the headquarters of Autometric, Inc., and a 75,756 net rentable square foot expansion of the U.S. Customs Service Data Center currently in the Company's Virginia-95 Business Park, are both on schedule to be delivered by the end of 1997. In addition, the Virginia-95 Business Park has the potential for an additional 130,000 square feet of development, including the possible expansion of the Autometric, Inc. building.

The Company has entered into a joint venture with Westbrook, a major investment fund that owns the Mobil Land Corporation national portfolio including Reston Town Center, which is currently zoned for the development of several office buildings in Reston, Virginia. The Company's first joint venture with Westbrook is for the construction of a two-building, 440,000 square foot project. BDM International has committed to lease the first 309,000 square feet. BDM International occupancy is expected in February 1999.

In addition, the Company is pursuing a number of proposed development projects. One such project is the proposed development of a 221-room Marriott(R) Residence Inn on a parcel of land in the Company's Cambridge Center development. Subject to the Company receiving the necessary zoning and other regulatory approvals, and certain other business matters, the Company expects to begin construction of this hotel in the third quarter of 1997. In addition, the Company is currently negotiating a second joint venture with Westbrook. This joint venture, if consummated, will be for the construction of a 370,000 square foot office building, of which 60% is pre-committed to Andersen Consulting. No assurances can be given that the Company will ultimately develop either of such properties. The Company expects that its relationship with Westbrook will continue, resulting in additional joint venture arrangements. The Reston market is one of the most active areas of expansion for the rapidly growing Northern Virginia computer technology and telecommunications industries. See "Business and Properties--Proposed Developments."

The Company believes that, in many cases, land owners with limited development expertise and/or limited financial resources wish to align their property with an experienced, stable development team who can secure financing and lead tenants. The Company has historically been very successful at securing lead tenants and favorable financing terms for its major projects, and therefore is routinely sought as a joint venture partner. Examples of the Company's successful joint ventures with land owners include One and Two Independence Square in Southwest Washington, D.C., which are the headquarters for the Office of the Comptroller of the Currency and the National Aeronautics and Space Administration, respectively, and the United States International Trade Commission Building, which is the headquarters of the United States International Trade Commission.

Acquire Existing Underperforming Assets. The Company has actively pursued and continues to pursue opportunities to acquire existing buildings that, while currently generating income, are either underperforming the market due to poor management or are currently leased below market with anticipated roll-over of space. These opportunities may include the acquisition of entire portfolios of properties. The Company believes that because of its in-depth market knowledge and development experience in each market in which it currently operates, its national reputation with brokers, financial institutions and others involved in the real estate market and its access to competitively-priced capital, the Company is well-positioned to identify and acquire existing, underperforming properties for competitive prices and to add significant additional value to such properties through its effective marketing strategies and responsive property management program.

The Company's development capabilities enable the Company to purchase properties that have significant redevelopment potential, and to redevelop and re-position such properties in the market. Examples of the Company's implementation of this strategy include the Company's redevelopment of a 160,000 square foot office building at 191 Spring Street in Lexington, Massachusetts in 1995. The Company acquired the property on a sale and short-term leaseback. When the existing tenant vacated, the Company redeveloped the property, adding a new facade, elevator and stair tower and creating an atrium, and leased the property in its entirety as first-class office space to The Stride Rite Corporation for its corporate headquarters.

Another example of the Company's implementation of this strategy was the acquisition of the Sugarland Office Park in Herndon, Virginia. After the major tenant of this two-building, 112,118 square foot, single story office project moved out, the institutional owner decided to sell the property rather than undertake a redevelopment or remarketing effort. The property was substantially vacant when the Company acquired it in November of 1996. As of May 22, 1997, 72% of the available space was committed to new tenants.

Similarly, the Company has been successful at acquiring properties that have more land available for development. When the Company acquired Bedford Business Park in Bedford, Massachusetts, the property had 203,000 square feet of buildings. The Company used additional zoning capacity to build an additional 270,000 square feet on the site.

Acquire Assets from Institutions or Individuals. The Company believes that due to its size, management strength and reputation it will be in an advantageous position to acquire portfolios of assets or individual properties from institutions or individuals seeking to convert their ownership on a property level basis to the ownership of equity in a diversified real estate operating company that offers liquidity through access to the public equity markets. In addition, the Company may pursue mergers with and acquisitions of compatible real estate firms. The ability to offer OP Units to sellers who would otherwise recognize a gain upon a sale of assets for cash or Common Stock may facilitate this type of transaction on a tax-efficient basis. The Company is currently in discussions with certain institutional investors to acquire certain of their portfolio properties, but no assurances can be given that the Company will purchase any of such properties.

Provide Third-Party Development Management Services. While the primary objective of the Company has been, and will continue to be, the development and acquisition of quality, income producing buildings to be held for long term ownership, a select amount of comprehensive project-level development management services for third parties will be an element of the continued growth and strategy of the Company. The Company believes that third-party development projects permit the Company to: (i) create relationships with major institutions and corporations that lead to new development opportunities; (ii) continue to enhance the Company's reputation in its core markets; (iii) create opportunities to enter new markets; and (iv) leverage its operating overhead.

The Company's previous third-party development management projects include the Thurgood Marshall Federal Judiciary Building in Washington, D.C. and the Health Care Financing Administration Building in Woodlawn, Maryland, laboratory facilities for Biogen and Beth Israel Hospital in Cambridge and Boston, Massachusetts, and the New York Daily News headquarters and printing plant in New York City and Jersey City, New Jersey, respectively. The high quality of the Company's development management projects is evidenced by the numerous awards bestowed upon the Federal Judiciary Building, the Health Care Financing Administration Building and the New York Daily News headquarters. Current third-party development management projects that the Company is engaged in include the development of a new \$330 million Clinical Research Center for the National Institutes of Health, the redevelopment of 90 Church Street in New York City for the U.S. Postal Service, and the redevelopment of the Acacia Mutual Life Insurance Company building in Washington, D.C. which has been leased in its entirety to the law firm of Jones, Day, Reavis, and Pogue.

Internal Growth

The Company believes that significant opportunities exist to increase cash flow from its existing Properties because they are high quality properties in desirable locations in submarkets that are experiencing rising rents, low vacancy rates and increasing demand for office and industrial space. In addition, the Company's Properties are in markets where supply is limited by the lack of available sites and the difficulty of receiving the necessary approvals for development on vacant land. The Company's strategy for maximizing the benefits from these opportunities is (i) to provide high quality property management services using its own employees in order to enhance tenant preferences for renewal, expansion and relocation in the Company's properties, and (ii) to achieve speed and transaction cost efficiency in replacing departing tenants through the use of in-house services for marketing, lease negotiation, and design and construction of tenant improvements. In addition, the Company

believes that the Hotel Properties will add to the Company's internal growth because of their desirable locations in the downtown Boston and East Cambridge submarkets, which are experiencing high occupancy rates and continued growth in room rates, and their effective management by Marriott(R), which has achieved high guest satisfaction and limitations on increases in operating costs.

Cultivate Existing Submarkets. In choosing locations for its properties, the Company has paid particular attention to transportation and commuting patterns, physical environment, adjacency to established business centers, proximity to sources of business growth and other local factors. Substantially all of the Company's square footage of Office Properties are located in twelve submarkets in Greater Boston, Greater Washington, D.C. and midtown Manhattan. In the Boston area, 622,511 net rentable square feet of Office Properties are located in the Company's mixed-use Cambridge Center development in the East Cambridge submarket, which is the largest and most important submarket of Cambridge, Massachusetts. An additional 1,818,743 net rentable square feet of Office Properties are located in two adjacent areas along the inner suburban circumferential highway, the Route 128/Massachusetts Turnpike and Route 128 Northwest submarkets, which are the strongest submarkets in the Boston suburbs in terms of rental and occupancy rates. In Greater Washington, D.C., 76.7% of the Company's 3,076,710 square feet of space in Class A office buildings is concentrated in the Southwest submarket, a strong market for quality government agency tenants and tenants in related services, and in its Democracy Center and Montvale Center projects in Montgomery County, Maryland. The Company's New York City property is at 599 Lexington Avenue, adjacent to Citicorp Center in the Park Avenue submarket of midtown Manhattan, which has historically been midtown Manhattan's strongest office location.

These submarkets are experiencing increasing rents and as a result current market rates often exceed the rents being paid by current tenants in the Properties. The Company expects that leases expiring over the next three years will be renewed, or space relet, at higher rents. Leases with respect to 10.3%, 10.9% and 7.0% of the leased square footage of the Office and Industrial Properties expires in 1997, 1998 and 1999, respectively. The weighted average Escalated Rent with step-ups of such expiring square footage is \$17.93, compared to a weighted average Company quoted rental rate per square foot as of January 1, 1997 of \$20.34. The actual rental rates at which available space will be re-let will depend on prevailing market factors at the time. There can be no assurance that the Company will re-let such space at an increased, or even at the then current, rental rate.

Directly Manage Properties to Maximize the Potential for Tenant Retention. The Company itself provides property management services, rather than contracting for this service, to achieve awareness of and responsiveness to tenant needs. The Company and the Properties also benefit from cost efficiencies produced by an experienced work force attentive to preventive maintenance and energy management and from the Company's continuing programs to assure that its property management personnel at all levels remain aware of their important role in tenant relations. The Company has long recognized that renewal of existing tenant leases, as opposed to tenant replacement, often provides the best operating results, because renewals minimize transaction costs associated with marketing, leasing and tenant improvements and avoid interruptions in rental income during periods of vacancy and renovation of space.

Replace Tenants Quickly at Best Available Market Terms and Lowest Possible Transaction Costs. The Company believes that it has a competitive advantage in attracting new tenants and achieving rental rates at the higher end of its markets as a result of its well-located, well-designed and well-maintained properties, its reputation for high quality building services and responsiveness to tenants, and its ability to offer expansion and relocation alternatives within its submarkets. The Company's objective throughout this process is to obtain the highest possible rental terms and to achieve rent commencement for new tenancies as quickly as possible, and the Company believes that its use of in-house resources for marketing, leasing and tenant improvements continues to result in lower than average transaction costs.

USE OF PROCEEDS

The net proceeds to the Company from the Offering, after deducting the underwriting discount and estimated expenses of the Offering, are estimated to be approximately \$730.9 million (approximately \$841.3 million if the Underwriters' overallotment is exercised in full). The net proceeds of the Offering, together with approximately \$57.7 million to be drawn under the Unsecured Line of Credit upon the completion of the Offering, will be used by the Company as follows: (i) approximately \$707.1 million to repay certain mortgage indebtedness secured by the Properties as set forth in the table below; (ii) approximately \$6.9 million for related prepayment penalties; (iii) approximately \$9.9 million to pay transfer taxes; (iv) to establish a cash balance of approximately \$5.5 million for working capital purposes; (v) to repay notes due Messrs. Zuckerman and Linde (the "Development Loan") aggregating approximately \$42.8 million in respect of loans advanced by them to the entities that, prior to the Offering, own the Development Properties and certain parcels of land (the "Development Partnerships") to fund development of the Development Properties and the acquisition of such parcels of land (with interest on such refinanced amount to be capitalized during the period that the notes are outstanding), (vi) approximately \$14.9 million (net of \$6.8 million of assumed debt) to acquire the Newport Office Park property, and (vii) approximately \$1.5 million to establish the Unsecured Line of Credit. The Company currently has no agreements or understandings to purchase any properties or interests therein other than the Properties and certain of the development parcels.

The Development Loan will be repaid with a drawdown from the Unsecured Line of Credit concurrently with the closing of the Offering. In addition, the funds necessary to acquire Newport Office Park will be paid with a drawdown from the Unsecured Line of Credit at such time.

If the Underwriters' overallotment option is exercised in full, the Company expects to use the additional net proceeds (which will be approximately \$109.8 million) to repay indebtedness, acquire or develop additional properties, and for general corporate purposes.

Pending application of cash proceeds, the Company will invest such portion of the net proceeds in interest-bearing accounts and short-term, interest-bearing securities, which are consistent with the Company's intention to qualify for taxation as a REIT.

If the public offering price per share of Common Stock in the Offering is below the mid-point of the range indicated on the cover of this Prospectus, any reduction in net proceeds to the Company from the Offering would be replaced, to the extent necessary, with additional indebtedness under the Unsecured Line of Credit.

Certain information regarding the indebtedness to be repaid is set forth below:

DEBT TO BE REPAYED WITH A PORTION OF THE OFFERING PROCEEDS

PROPERTY	MATURITY(1)		INTEREST RATE(1)	AMOUNT TO BE REPAID(1)(2)
599 Lexington Avenue.... Cambridge Center Marriott, One and Three Cambridge Center.....	July 19, 2005		8.000%	\$185,000,000
Democracy Center.....	June 30, 1997	LIBOR +	1.375(3)	125,000,000
Long Wharf Marriott(R)..	July 24, 1998	LIBOR +	1.200(3)	109,500,000
The U.S. International Trade Commission Building.....	June 28, 1997	LIBOR +	0.700(3)	68,600,000
2300 N Street.....	July 11, 1998		7.350	50,000,000
Lexington Office Park...	August 3, 1998		9.170	34,000,000
Waltham Office Center... Eleven Cambridge Center.....	June 30, 2001	LIBOR +	1.000(3)	15,176,028
7601 Boston Boulevard, Building Eight.....	October 1, 1997		9.500	11,389,018
10 and 20 Burlington Mall Road(4).....	October 1, 1997		9.500	8,318,626
8000 Grainger Court, Building Five.....	August 15, 1997	LIBOR +	1.250(3)	8,160,000
Fourteen Cambridge Center.....	July 1, 2001		8.333	8,000,000
7500 Boston Boulevard, Building Six.....	August 15, 1997	LIBOR +	1.250(3)	7,470,000
195 West Street.....	August 15, 1997	LIBOR +	1.250(3)	6,699,820
7600 Boston Boulevard, Building Nine.....	March 24, 2001	LIBOR +	1.750(3)	6,277,500
7435 Boston Boulevard, Building One.....	August 15, 1997	LIBOR +	1.250(3)	6,277,500
40-46 Harvard Street....	June 19, 1999	LIBOR +	1.750(3)	5,700,066
170 Tracer Lane.....	August 15, 1997	LIBOR +	1.250(3)	5,649,750
6201 Columbia Park Road, Building Two.....	October 1, 1997		9.500	5,564,116
8 Arlington Street.....	June 1, 2001	LIBOR +	1.000(3)	5,310,733
32 Hartwell Avenue.....	October 1, 1997		9.500	5,145,947
7374 Boston Boulevard, Building Four.....	August 15, 1997	LIBOR +	1.250(3)	4,896,000
2000 South Club Drive, Building Three.....	June 30, 2001	LIBOR +	1.000(3)	4,552,058
204 Second Avenue.....	October 1, 1997		9.500	4,163,697
25-33 Dartmouth Street..	August 15, 1997	LIBOR +	1.250(3)	3,567,569
1950 Stanford Court, Building One.....	August 15, 1997	LIBOR +	1.250(3)	3,452,250
7451 Boston Boulevard, Building Two.....	October 1, 1997		9.500	3,286,902
164 Lexington Road.....	October 1, 1997		9.500	3,249,633
2391 West Winton Avenue.....	March 20, 2006		9.875	1,309,837
17 Hartwell Avenue.....	October 1, 1997		9.500	912,845
Total.....				<u>\$707,082,067</u>

- (1) The Company estimates that the indebtedness to be repaid with a portion of the proceeds of the Offering will have a weighted average interest rate of approximately 7.29% and a weighted average maturity of approximately 4.0 years as of December 31, 1996. Repayment amounts assume that the indebtedness is repaid on June 1, 1997. Exact repayment amounts may differ due to amortization. Repayment amounts exclude prepayment penalties that aggregate approximately \$6.9 million.
- (2) Represents prepayment of principal only.
- (3) 30 Day LIBOR of 5.6875% as of May 22, 1997 was used for calculation of the weighted average interest rate.
- (4) Includes 91 Hartwell Avenue and 92 and 100 Hayden Avenue.

DISTRIBUTIONS

Subsequent to the Offering, the Company intends to make regular quarterly distributions to the holders of its Common Stock. The Company intends to pay a pro rata distribution with respect to the period commencing on the completion of the Offering and ending on September 30, 1997 based upon \$0.405 per share for a full quarter. On an annualized basis, this would be \$1.62 per share, or an annual distribution rate of approximately 6.5% based on the initial public offering price per share of \$25.00. The Company does not intend to reduce the expected distribution per share if the Underwriters' overallotment option is exercised. The following discussion and the information set forth in the table and footnotes below should be read together with the financial statements and notes thereto, the pro forma financial information and notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources" included elsewhere in this Prospectus.

The distribution described above is expected to represent approximately 94.9% of the Company's Cash Available for Distribution for the twelve months ending March 31, 1998. The Company's estimate of the Cash Available for Distribution for the twelve months ending March 31, 1998 is based upon pro forma Funds from Operations for the twelve months ended March 31, 1997, with certain adjustments based on the items described below. To estimate Cash Available for Distribution for the twelve months ending March 31, 1998, pro forma Funds from Operations for the twelve months ended March 31, 1997 was adjusted (a) without giving effect to any changes in working capital resulting from changes in current assets and current liabilities (which changes are not anticipated to be material) or the amount of cash estimated to be used for (i) development, acquisition and other activities (other than a reserve for capital expenditures and tenant improvements for renewing space) and (ii) financing activities, (b) for certain known events and/or contractual commitments that either occurred subsequent to March 31, 1997 or during the twelve months ended March 31, 1997 but were not in effect for the full year and (c) for certain non-GAAP adjustments consisting of (i) adjusting historical rents as reported on a GAAP basis to amounts currently being paid or due from tenants and (ii) an estimate of amounts anticipated for recurring tenant improvements, leasing commissions and capital expenditures. The estimate of Cash Available for Distribution is being made solely for the purpose of setting the initial distribution and is not intended to be a projection or forecast of the Company's results of operations or its liquidity, nor is the methodology upon which such adjustments were made necessarily intended to be a basis for determining future distributions.

Future distributions by the Company will be at the discretion of the Board of Directors and will depend on a number of factors, including the amount of Cash Available for Distribution and the Operating Partnership's financial condition. Any decision by the Board of Directors to reinvest the Cash Available for Distribution rather than to distribute such funds to the Company will depend upon the Operating Partnership's capital requirements, the annual distribution requirements under the REIT provisions of the Code (see "Federal Income Tax Consequences--Requirements for Qualification--Annual Distribution Requirements") and such other factors as the Board of Directors deems relevant. There can be no assurance that any distributions will be made or that the estimated level of distributions will be maintained by the Company.

The Company anticipates that its distributions will exceed earnings and profits for income tax reporting purposes due to non-cash expenses, primarily depreciation and amortization, to be incurred by the Company. Therefore, approximately 25% (or \$0.41 per share) of the distributions anticipated to be paid by the Company for the first twelve months subsequent to the Offering are expected to represent a return of capital for federal income tax purposes and in such event will not be subject to federal income tax under current law to the extent such distributions do not exceed a stockholder's basis in his or her Common Stock. The nontaxable distributions will reduce the stockholder's tax basis in the Common Stock and, therefore, the gain (or loss) recognized on the sale of such Common Stock or upon liquidation of the Company will be increased (or decreased) accordingly. The percentage of stockholder distributions that represents a nontaxable return of capital may vary substantially from year to year.

Federal income tax law requires that a REIT distribute annually at least 95% of its REIT taxable income. See "Federal Income Tax Consequences--Requirements for Qualification--Annual Distribution Requirements." The amount of distributions on an annual basis necessary to maintain the Company's REIT status based on pro forma taxable income of the Operating Partnership for the twelve months ended December 31, 1996 as adjusted

for certain items in the following table would have been approximately \$38 million. The estimated Cash Available for Distribution is anticipated to be in excess of the annual distribution requirements applicable to REITs. Under certain circumstances, the Company may be required to make distributions in excess of Cash Available for Distribution in order to meet such distribution requirements. For a discussion of the tax treatment of distributions to holders of Common Stock, see "Federal Income Tax Consequences."

The Company believes that its estimate of Cash Available for Distribution constitutes a reasonable basis for setting the initial distribution, and the Company expects to maintain its initial distribution rate for the twelve months subsequent to the Offering unless actual results of operations, economic conditions or other factors differ from the assumptions used in the estimate. The Company's actual results of operations will be affected by a number of factors, including the revenue received from the Properties, the operating expenses of the Company, interest expense, the ability of tenants of the Properties to meet their obligations and unanticipated capital expenditures. Variations in the net proceeds from the Offering as a result of a change in the initial public offering price or the exercise of the Underwriters' over-allotment option may affect the Cash Available for Distribution and the payout ratio of Cash Available for Distribution and available reserves. No assurance can be given that the Company's estimate will prove accurate. Actual results may vary substantially from the estimate.

The following table describes the calculation of pro forma Funds from Operations for the twelve months ended March 31, 1997 and the adjustments made to pro forma Funds from Operations for the twelve months ended March 31, 1997 in estimating initial Cash Available for Distribution for the twelve months ending March 31, 1998 (amounts in thousands except share data, per share data, square footage data and percentages):

Pro forma Income before Minority Interests and Extraordinary Item for the year ended December 31, 1996.....	\$60,130
Less: Non-recurring item--lease termination fee.....	(7,503)
Less: Minority combined partnership's share of funds from operations.....	(479)
Plus: Pro forma real estate depreciation and amortization for the year ended December 31, 1996.....	36,334

Pro forma Funds from Operations for the year ended December 31, 1996 (1).....	88,482
Less: Pro forma funds from operations for the three months ended March 31, 1996.....	(19,587)
Plus: Pro forma funds from operations for the three months ended March 31, 1997.....	22,469

Pro forma funds from operations for the twelve months ended March 31, 1997.....	91,364
Adjustments:	
Net increases in contractual rent income (2).....	7,396
Provision for lease expirations, assuming no renewals (3).....	(2,881)
Net contractual income from leases signed from new developments (4).....	2,079
Net effect of decrease in interest income and interest expense (5).....	(11)

Estimated adjusted pro forma Funds from Operations for the twelve months ending March 31, 1998.....	97,947
Adjustments:	
Net effect of straight-line rents (6).....	549
Pro forma non-real estate amortization for the twelve months ended March 31, 1997 (7).....	2,087
Scheduled mortgage loan principal payments (8).....	(3,940)
Estimated annual provision for tenant improvements and leasing commissions (9).....	(5,996)
Estimated annual provision for capital expenditures--office and industrial properties (10).....	(1,642)
Estimated annual provision for capital expenditures--hotels (11)...	(3,557)

Estimated Cash Available for Distribution for the twelve months ending March 31, 1998.....	\$85,448
=====	
The Company's share of estimated Cash Available for Distribution (12).....	\$58,019
=====	
Minority interest's share of estimated Cash Available for Distribution.....	\$27,429
=====	
Total estimated initial annual distributions.....	\$81,081
=====	
Estimated initial annual distribution per share (13).....	\$ 1.62
=====	
Payout ratio based on estimated Cash Available for Distribution (14).....	94.9%
=====	

(1) Funds from Operations does not represent cash generated from operating activities (determined in accordance with GAAP) and should not be considered as an alternative to net income (determined in accordance with GAAP) as an indication of the Company's performance or to cash flows from operating activities (determined in accordance with GAAP) as a measure of liquidity or ability to make distributions and other consolidated income or cash flow statement data (determined in accordance with GAAP). The Company generally considers Funds from Operations an appropriate measure of liquidity of an equity REIT because industry analysts have accepted it as a performance measure of equity REITs. "Funds from Operations" as defined by NAREIT means net income (loss) (computed in accordance with GAAP) excluding non-recurring items, gains (or losses) from debt restructuring and sales of property, plus depreciation and amortization on real estate assets and after adjustments for unconsolidated partnerships and joint ventures. The Company's Funds from Operations are not comparable to Funds from Operations reported by other REITs that do not define the term using the current NAREIT definition or that interpret the current NAREIT definition differently than does the Company. The Company believes that in order to facilitate a clear understanding of the combined historical operating results of the Boston Properties Predecessor Group and the Company, Funds from Operations should be examined in conjunction with net income as presented in the combined financial statements and information included elsewhere in this Prospectus. Pro forma funds from operations for the three months ended March 31, 1997 and 1996 was calculated as follows:

	PRO FORMA THREE MONTHS ENDED MARCH 31,	
	1997	1996
Pro forma income before minority interest.....	13,732	18,414
Less: Non-recurring item--lease termination fee.....	--	(7,503)
Less: Minority combined partnership share of funds from operations.....	(148)	(80)
Plus: Pro forma real estate depreciation and amortization.....	8,885	8,756
Pro forma funds from operations.....	22,469	19,587
	=====	=====

- (2) Represents the net increases in contractual rental income net of expenses from new leases and renewals that were not in effect for the entire twelve-month period ended March 31, 1997 and new leases and renewals that went into effect between April 1, 1997 and May 23, 1997 and the effect of the hotel net leases in effect at the closing date.
- (3) Assumes no lease renewals or new leases (other than month-to-month leases) for leases expiring after March 31, 1997 unless a new or renewal lease has been entered into by May 23, 1997.
- (4) Represents contractual rental revenue, net of operating expenses, to be collected during the twelve months ended March 31, 1997 from development projects to be completed during 1997.
- (5) Reflects an estimated reduction in interest income of \$872 for the year ending December 31, 1997 resulting from a decrease in the amount of cash to be held by the Company, partially offset by an estimated reduction in interest expense of \$861.
- (6) Represents the effect of adjusting straight-line rental revenue included in pro forma net income from the straight-line accrual basis to amounts currently being paid or due from tenants.
- (7) Pro forma amortization of financing costs of \$1,542 plus corporate depreciation of \$545 for the twelve months ended March 31, 1997.
- (8) Represents scheduled payments of mortgage loan principal due during the twelve months ending March 31, 1998.

- (9) Reflects recurring tenant improvements and lease commissions anticipated for the year ending December 31, 1997 based on the weighted average tenant improvements and leasing commissions expenditures for renewed and retenanted space at the Properties incurred during 1992, 1993, 1994, 1995, and 1996, multiplied by the average annual number of square feet of leased space for which leases expire during the years ending December 31, 1997 through December 31, 2001. The weighted average annual per square foot cost of tenant improvements and leasing commissions expenditures is presented below:

YEAR ENDED DECEMBER 31,					WEIGHTED
1992	1993	1994	1995	1996	AVERAGE

Recurring Tenant improvements and lease commissions per square foot..	\$6.74	\$5.59	\$6.51	\$7.77	\$10.25	\$ 7.67
Average annual square feet for which leases expire during years ending December 31, 1997 through December 31, 2001.....						781,767
Total estimated annual recurring capitalized tenant improvements and leasing commission.....						\$ 5,996

- (10) For the twelve months ending March 31, 1998, the estimated cost of recurring building improvements and equipment upgrades and replacements (excluding costs of tenant improvements) at the Office and Industrial Properties is approximately \$1,642 and is based on an annual estimated cost of \$0.20 per square foot.
- (11) Represents an estimate of \$3,557 for funding of hotel escrow accounts for capital expenditures at the hotels. The amount is a percentage of hotel revenue. The average cost of historical capital expenditures at the hotels incurred during the years ended December 31, 1992 through December 31, 1996 is presented below.

YEAR ENDED DECEMBER 31,					ANNUAL
1992	1993	1994	1995	1996	AVERAGE

Hotel improvements, equipment upgrades and replacements.....	\$3,182	\$836	\$1,917	\$4,420	\$3,041	\$2,679
--	---------	-------	---------	---------	---------	---------

At December 31, 1996, reserve accounts for hotel improvements for both Properties aggregated \$4,942. Pursuant to the Hotel Property management agreements, Marriott(R) has agreed to reserve 5% and 6% of the gross revenues of the Marriott(R) Long Wharf Hotel and the Cambridge Center Marriott(R), respectively, for hotel improvements, equipment upgrades and replacements.

- (12) The Company's share of estimated Cash Available for Distribution and estimated initial annual cash distributions to stockholders of the Company is based on its approximate 67.9% aggregate partnership interest in the Operating Partnership.
- (13) Based on a total of 33,983,541 shares of Common Stock to be outstanding after the Offering, consisting of 31,400,000 shares to be sold in the Offering, assuming no exercise of the Underwriters' overallotment option, and 2,583,541 additional shares owned by Messrs. Zuckerman and Linde after the Offering.
- (14) Calculated as estimated initial annual distribution per share divided by the Company's share of estimated Cash Available for Distribution per share for the twelve months ending March 31, 1998. The payout ratio based on estimated adjusted pro forma Funds from Operations is 82.8%.

CAPITALIZATION

The following table sets forth the combined historical capitalization of the Boston Properties Predecessor Group and the other assets to be acquired in the Formation Transactions and the pro forma combined capitalization of the Company as of March 31, 1997, as adjusted to give effect to the Formation Transactions, the Offering and the use of the net proceeds from the Offering and from the initial borrowing under the Unsecured Line of Credit as set forth under "Use of Proceeds." The information set forth in the table should be read in conjunction with the combined historical financial statements and notes thereto, the pro forma financial information and notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources" included elsewhere in this Prospectus.

	COMBINED	
	HISTORICAL	AS ADJUSTED
	-----	-----
	(IN THOUSANDS)	
Debt:		
Mortgage Notes, Notes payable to affiliate and Unsecured Line of Credit (1).....	\$1,446,645	\$752,993(3)
Minority interest in Operating Partnership.....	--	48,838
Stockholders' equity:		
Preferred Stock, \$.01 par value, 50,000,000 shares authorized, none issued or outstanding.....	--	--
Common Stock, \$.01 par value, 250,000,000 shares authorized; 33,983,541 issued and outstanding on a pro forma basis (2).....	--	340
Additional Paid-in Capital.....	--	103,303
Owners' Equity (Deficiency).....	(575,694)	--
	-----	-----
Total Stockholders' Equity (Deficiency).....	(575,694)	100,638
	-----	-----
Total Capitalization.....	\$ 870,951	\$905,134
	=====	=====

(1) Mortgage notes payable are comprised of 44 loans at March 31, 1997, December 31, 1996 and 1995 each of which is collateralized by a building and related land included in real estate assets. The mortgage notes payable are generally due in monthly installments and mature at various dates through September 30, 2012. Interest rates on fixed rate mortgage notes payable aggregating \$1,012,320, \$1,013,361 and \$929,226 at March 31, 1997, December 31, 1996 and 1995, respectively, range from 7.35% to 9.875% (averaging 8.18% at March 31, 1997 and December 31, 1996). Interest rates on variable rate mortgage notes payable aggregating \$384,948, \$385,985 and \$446,546 at March 31, 1997, December 31, 1996 and 1995, respectively, range from 0.7% above the London Interbank Offered Rate ("LIBOR") 5.5% at March 31, 1997 and December 31, 1996 to 1.75% above the LIBOR rate.

The interest rates related to the mortgage notes payable for three properties aggregating \$610,313, \$610,782 and \$612,657 at March 31, 1997, December 31, 1996 and 1995, respectively, are subject to periodic scheduled rate increases. Interest expense for these mortgage notes payable is computed using the effective interest method. The impact of using this method increased interest expense \$206 and \$161 for the three months ended March 31, 1997 and 1996, respectively, and \$644, \$1,347 and \$3,131 for the years ended December 31, 1996, 1995 and 1994, respectively. The cumulative liability related to these adjustments is \$21,220, \$21,013 and \$20,369 at March 31, 1997, December 31, 1996 and 1995, respectively, and is included in mortgage notes payable.

Combined aggregate principal maturities of mortgage notes payable at December 31, 1996 are as follows:

1997.....	\$334,784
1998.....	219,748
1999.....	11,315
2000.....	48,040
2001.....	153,148

The extraordinary loss reflected in the statement of operations for the year ended December 31, 1996 resulted from a prepayment penalty upon the early principal repayment of a mortgage note payable.

Certain mortgage notes payable are subject to prepayment penalties of varying amounts in the event of an early principal repayment.

- (2) Includes shares of Common Stock to be issued in the Offering. Does not include (i) 16,066,459 shares of Common Stock that may be issued upon the exchange of OP Units issued in connection with the Formation Transactions, or (ii) 2,300,000 shares of Common Stock subject to options granted under the Company's Stock Option Plan.
- (3) As adjusted Mortgage Notes and Unsecured Line of Credit consists of the pro forma Mortgage notes payable and Unsecured Line of Credit of \$739,226 as of March 31, 1997 adjusted (i) for the effects of the drawdown on the Unsecured Line of Credit of \$57,655 as of the Offering date less the \$42,983 drawdown used for pro forma purposes, and (ii) to reflect anticipated principal amortization on the Mortgage Notes between March 31, 1997 and the Offering date.

DILUTION

At March 31, 1997, the Company had a net tangible book value of approximately \$(600.8) million. After giving effect to (i) the sale of the shares of Common Stock offered hereby (at an assumed initial public offering price of \$25.00 per share) and the receipt by the Company of approximately \$730.9 million in net proceeds from the Offering, after deducting the underwriting discount and estimated Offering expenses, (ii) the repayment of approximately \$708.4 million (at March 31, 1997) of indebtedness under mortgage debt, the Company's pro forma net tangible book value at March 31, 1997 would have been \$85.8 million, or \$2.73 per share of Common Stock. This amount represents an immediate increase in net tangible book value of \$35.15 per share to persons who held a direct or indirect interest in the assets of the Company prior to the Offering (the "Continuing Investors") and an immediate dilution in pro forma net tangible book value of \$22.27 per share of Common Stock to new investors. The following table illustrates this dilution:

Initial public offering price per share.....	\$25.00
Deficiency in tangible book value per share prior to the Offering(1).....	\$(32.42)
Increase in net tangible book value per share attributable to the Offering(2).....	\$ 35.15
Pro forma net tangible book value after the Offering(3).....	\$ 2.73

Dilution in net tangible book value per share of Common Stock to new investors(4).....	\$22.27
	=====

- (1) Net tangible book value per share prior to the Offering is determined by dividing net tangible book value of the Company (based on the March 31, 1997 net book value of the assets less net book value of deferred financing and leasing costs to be contributed in connection with the Formation Transactions, net of liabilities to be assumed) by the number of shares of Common Stock held by, or issuable upon the exchange of all OP Units to be issued to, the Continuing Investors.
- (2) Based on the assumed initial public offering price of \$25.00 per share of Common Stock and after deducting Underwriters' discounts and commissions and estimated Offering expenses.
- (3) Based on total pro forma net tangible book value of \$85.8 million divided by the total number of shares of Common Stock. There is no impact on dilution attributable to the issuance of Common Stock in exchange for OP Units to be issued to the Continuing Investors since such OP Units would be exchanged for Common Stock on a one-for-one basis.
- (4) Dilution is determined by subtracting net tangible book value per share of Common Stock after the Offering from the initial public offering price of \$25.00 per share of Common Stock.

The following table summarizes, on a pro forma basis giving effect to the Offering and the Formation Transactions, the number of shares of Common Stock to be sold by the Company in the Offering and the number of OP Units to be issued to the Continuing Investors in connection with the Formation Transactions, the net tangible book value as of March 31, 1997 of the assets contributed in the Formation Transactions and the net tangible book value of the average contribution per share based on total contributions.

	COMMON STOCK/ OP UNITS ISSUED		CASH/BOOK VALUE OF TO THE COMPANY CONTRIBUTIONS(1)		PURCHASE PRICE/BOOK VALUE OF AVG. CONTRIBUTION PER SHARE/UNIT
	SHARES	PERCENT	\$	PERCENT	
(IN THOUSANDS, EXCEPT PERCENTAGES)					
New Investors in the Offering.....	31,400	63%	\$ 730,938	579%	\$ 25.00(2)
Common Stock held by Continuing Investors...	2,584	5%	(83,772)	(66)%	\$(32.42)
OP Units issued to Continuing Investors...	16,066	32%	(520,849)	(413)%	\$(32.42)
	-----	-----	-----	-----	-----
Total.....	50,050	100%	\$ 126,317	100%	
	=====	=====	=====	=====	=====

- (1) Based on the December 31, 1996 net book value of the assets less net book value of deferred financing and leasing costs to be contributed in connection with the Formation Transactions, net of liabilities to be assumed.
- (2) Before deducting the underwriting discount and estimated expenses of the Offering.

SELECTED FINANCIAL INFORMATION

The following table sets forth unaudited pro forma financial and other information for the Company and combined historical financial information for the Boston Properties Predecessor Group. The following selected financial information should be read in conjunction with the financial statements and notes thereto included elsewhere in this Prospectus.

The combined historical balance sheets as of December 31, 1996 and 1995 and combined historical statements of operations for the years ended December 31, 1996, 1995 and 1994 of the Boston Properties Predecessor Group have been derived from the historical combined financial statements audited by Coopers & Lybrand L.L.P., independent accountants, whose report with respect thereto is included elsewhere in this Prospectus.

The selected financial data at March 31, 1997 and for the three months ended March 31, 1997 and March 31, 1996 are derived from unaudited financial statements. The unaudited financial information includes all adjustments (consisting of normal recurring adjustments) that management considers necessary for fair presentation of the combined financial position and results of operations for these periods. Combined operating results for the three months ended March 31, 1997 are not necessarily indicative of the results to be expected for the entire year ended December 31, 1997.

Unaudited pro forma operating information for the three months ended March 31, 1997 and the year ended December 31, 1996 is presented as if the completion of the Offering and the Formation Transactions occurred at January 1, 1997 and 1996, respectively, and, therefore, incorporates certain assumptions that are described in the notes to the Pro Forma Condensed Consolidated Statements of Operations included elsewhere in this Prospectus. The unaudited pro forma balance sheet data is presented as if the aforementioned transactions had occurred on March 31, 1997.

The pro forma information does not purport to represent what the Company's financial position or results of operations would actually have been if these transactions had, in fact, occurred on such date or at the beginning of the period indicated, or to project the Company's financial position or results of operations at any future date or for any future period.

THE COMPANY (PRO FORMA) AND THE BOSTON PROPERTIES PREDECESSOR GROUP
(HISTORICAL)

	THREE MONTHS ENDED MARCH 31,				YEAR ENDED DECEMBER 31,				
	HISTORICAL		HISTORICAL		HISTORICAL				
	PRO FORMA 1997	1997	1996	PRO FORMA 1996	1996	1995	1994	1993	1992
	(IN THOUSANDS, EXCEPT PER SHARE DATA)								
OPERATING DATA:									
Revenues:									
Rental revenue (1)....	\$ 52,345	\$ 48,402	\$52,906	\$218,415	\$ 195,006	\$ 179,265	\$ 176,725	\$ 182,776	\$ 177,370
Hotel revenue (1).....	--	12,796	11,483	--	65,678	61,320	58,436	54,788	52,682
Fee and other income (2).....	1,731	2,257	2,310	7,137	9,249	8,140	8,922	7,997	11,160
Total revenues.....	54,076	63,455	66,699	225,552	269,933	248,725	244,083	245,561	241,212
Expenses:									
Property expenses (2).....	14,774	14,005	14,306	61,462	58,195	55,421	53,239	54,766	49,621
Hotel expenses (1)....	--	10,001	8,835	--	46,734	44,018	42,753	40,286	38,957
General and adminis- trative.....	2,756	2,667	2,633	11,110	10,754	10,372	10,123	9,549	9,331
Interest.....	13,488	27,309	26,861	54,418	107,121	106,952	95,331	88,510	90,443
Real estate depreciation and amortization.....	8,885	8,712	8,581	36,334	35,643	33,240	32,509	32,300	34,221
Other depreciation and amortization.....	441	539	638	2,098	2,829	2,429	2,545	2,673	2,255
Total expenses.....	40,344	63,233	61,854	165,422	261,276	252,432	236,500	228,084	224,828
Income (loss) before extraordinary item and minority interest in combined partnership...	13,732	222	4,845	60,130	8,657	(3,707)	7,583	17,477	16,384
Minority interest in combined partnership...	(126)	(126)	(57)	(384)	(384)	(276)	(412)	(391)	(374)
Income (loss) before extraordinary item....	13,606	96	4,788	59,746	8,273	(3,983)	7,171	17,086	16,010
Extraordinary item--loss on early extinguishment of debt.....	--	--	--	--	(994)	--	--	--	--
Minority interest in Op- erating Partnership (3).....	(4,368)	--	--	(19,178)	--	--	--	--	--
Net income (loss).....	\$ 9,238	\$ 96	\$ 4,788	\$ 40,568	\$ 7,279	\$ (3,983)	\$ 7,171	\$ 17,086	\$ 16,010
Net income per share....	\$.27	--	--	\$ 1.19	--	--	--	--	--
Weighted average number of shares outstanding..	33,984	--	--	33,984	--	--	--	--	--
Weighted average number of shares and OP Units outstanding.....	50,050	--	--	50,050	--	--	--	--	--
BALANCE SHEET DATA, AT PERIOD END:									
Real estate, before accumulated depreciation.....	\$1,080,193	\$1,048,210	--	--	\$1,035,571	\$1,012,324	\$ 984,853	\$ 983,751	\$ 982,348
Real estate, after accumulated depreciation.....	808,116	776,133	--	--	771,660	773,810	770,763	789,234	811,815
Cash and cash equiva- lents.....	7,087	2,980	--	--	8,998	25,867	46,289	50,697	28,841
Total assets.....	920,479	900,063	--	--	896,511	922,786	940,155	961,715	971,648
Total indebtedness.....	739,226	1,446,645	--	--	1,442,476	1,401,408	1,413,331	1,426,882	1,417,940
Stockholders' or owners' equity (deficiency)....	103,303	(575,694)	--	--	(576,632)	(506,653)	(502,230)	(495,104)	(480,398)
OTHER DATA:									
EBITDA (4).....	\$ 36,340	\$ 36,576	\$40,787	\$152,296	\$ 153,566	\$ 138,321	\$ 137,269	\$ 140,261	\$ 142,627
Company's EBITDA (67.9% Share).....	24,675	--	--	103,409	--	--	--	--	--
Funds from Operations (5).....	22,469	\$ 8,786	\$ 5,843	\$ 88,482	36,318	29,151	39,568	49,240	50,097
Company's Funds from Op- erations (67.9% Share).....	15,256	--	--	60,079	--	--	--	--	--
Ratio of earnings to fixed charges (6).....	1.65	1.00	1.17	1.72	1.07	0.96	1.07	1.19	1.17
Cash flow provided by operating activities...	--	\$ 1,823	\$13,751	--	\$ 53,804	\$ 30,933	\$ 47,566	\$ 59,834	\$ 50,468
Cash flow used in in- vesting activities....	--	(12,611)	(3,412)	--	(23,689)	(36,844)	(18,424)	(9,437)	(48,257)
Cash flow provided by (used in) financing activities.....	--	4,770	(6,590)	--	(46,984)	(14,511)	(33,550)	(28,540)	1,365

(1) Pro forma rental revenue for the three month period ended March 31, 1997

and the year ended December 31, 1996 includes the lease revenue that the Company will receive under the lease for the two Hotel Properties. After entering into such lease, the Company will not recognize direct hotel revenues and expenses.

- (2) The development and management operations of the Company are reflected on a gross basis in the historical combined financial statements. In connection with the Formation Transactions, substantially all of the Greater Washington, D.C. third-party property management business will be contributed by the Company to the Development and Management Company and thereafter the operations of the Development and Management Company will be accounted for by the Company under the equity method in the pro forma statements; therefore, the pro forma statements include (i) revenues and expenses on a gross basis, from development and management conducted directly by the Operating Partnership in the respective income and expense line items and (ii) the Development and Management Company's net operations in the fee and other income line item. See "Business and Properties--Development Consulting and Third-Party Property Management."
- (3) Represents the approximate 32.1% interest in the Operating Partnership that will be owned by Messrs. Zuckerman and Linde and other continuing investors in the Properties.

termination fee(A)..	--	--	(7,503)	(7,503)	(7,503)	--	--	--	--
Funds from Operations..	\$22,469	\$8,786	\$5,843	\$88,482	\$36,318	\$29,151	\$39,568	\$49,240	\$50,097

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(A) Funds from Operations reflects the lease termination fee as non-recurring.

(6) For the purpose of calculating the ratio of earnings to fixed charges, net income before extraordinary item has been added to interest costs (which includes interest expense, interest capitalized, and amortization of financing costs) and that sum has been divided by such interest costs.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the "Selected Financial Information" and the historical and pro forma financial statements and notes thereto appearing elsewhere in this Prospectus. Such financial statements and information reflect the historical financial position and results of operations of the Boston Properties Predecessor Group, prior to the completion of the Offering and the Formation Transactions. The pro forma financial position is presented as if the Offering and the Formation Transactions had occurred on December 31, 1996. The pro forma results of operations is presented as if the Offering and the Formation Transactions had occurred on January 1, 1996. See "Structure and Formation of the Company-- Formation Transactions" and the Notes to the pro forma financial statements of the Company. The combined financial statements of the Boston Properties Predecessor Group consist of 60 of the Office Properties that were owned as of that date (including five Office Properties under development during 1996), nine Industrial Properties, two Hotel Properties and the Garage Property.

RESULTS OF OPERATIONS

COMPARISON OF THE THREE MONTHS ENDED MARCH 31, 1997 TO THE THREE MONTHS ENDED MARCH 31, 1996.

Rental revenue decreased \$4.5 million or 8.5% to \$48.4 million from \$52.9 million for the three months ended March 31, 1997 compared to the three months ended March 31, 1996. Rental revenue for the three months ended March 31, 1996 includes a \$7.5 million non-recurring lease termination fee received from a tenant at 599 Lexington Avenue. After giving affect of this \$7.5 million fee, rental revenue increased \$3.0 million for the three months ended March 31, 1997.

Hotel revenue increased \$1.3 million or 11.4% to \$12.8 million from \$11.5 million for the three months ended March 31, 1997 compared to the three months ended March 31, 1996 as a result of increased occupancy and room rates.

Third-party management and development fee income increased \$243,000 or 15.5% to \$1.8 million from \$1.6 million for the three months ended March 31, 1997 compared to the three months ended March 31, 1996, as a result of new projects commencing in 1996 and increased fees on existing projects.

Interest income and other decreased \$296,000 or 40% to \$444,000 from \$740,000 for the three months ended March 31, 1997 compared to the three months ended March 31, 1996, primarily due to a reduction in cash reserves.

Property expenses decreased \$301,000 or 2.1% to \$14.0 million from \$14.3 million for the three months ended March 31, 1997 compared to the three months ended March 31, 1996, primarily as a result of reductions in real estate taxes.

Hotel expenses increased \$1.2 million or 13.2% to \$10.0 million from \$8.8 million for the three months ended March 31, 1997 compared to the three months ended March 31, 1996, primarily as a result of increased occupancy.

General and administrative expense increased \$34,000 or 1.3% to \$2.7 million from \$2.6 million for the three months ended March 31, 1997 compared to the three months ended March 31, 1996.

Interest expense increased \$448,000 or 1.7% to \$27.3 million from \$26.9 million for the three months ended March 31, 1997 compared to the three months ended March 31, 1996, primarily as a result of an increase in total indebtedness from new loans on Bedford Business Park and Capital Gallery.

Depreciation and amortization increased \$32,000 or 0.3% to \$9.3 million from \$9.2 million for the three months ended March 31, 1997 compared to the three months ended March 31, 1996.

As a result of the foregoing, net income decreased \$4.7 million to \$96,000 from \$4.8 million for the three months ended March 31, 1997 compared to the three months ended March 31, 1996.

COMPARISON OF YEAR ENDED DECEMBER 31, 1996 TO YEAR ENDED DECEMBER 31, 1995.

Rental revenue increased \$15.7 million or 8.8% to \$195.0 million from \$179.3 million for the year ended December 31, 1996 compared to the year ended December 31, 1995 primarily as a result of (i) a \$7.5 million lease termination fee received from a tenant at 599 Lexington Avenue for which the space was immediately released, (ii) an increase of \$2.8 million due to the completion of the redevelopment and leasing of 191 Spring Street and (iii) an overall increase in occupancy and rental rates.

Hotel revenue increased \$4.4 million or 7.1% to \$65.7 million from \$61.3 million for the year ended December 31, 1996 compared to the year ended December 31, 1995 primarily as a result of an increase in average daily room rates of 7.6%.

Third-party management and development fee income increased \$1.3 million or 28.7% to \$5.7 million from \$4.4 million for the year ended December 31, 1996 compared to the year ended December 31, 1995 primarily as a result of new fees for development services for projects which began during 1996.

Interest and other income decreased \$166,000 or 4.5% to \$3.5 million from \$3.7 million primarily due to a reduction in interest income resulting from a reduction in cash reserves.

Property expenses increased \$2.8 million or 5.0% to \$58.2 million from \$55.4 million for the year ended December 31, 1996 compared to the year ended December 31, 1995 primarily as a result of a \$1.1 million increase in utility costs which is partially due to the increase in occupancy of the properties during 1996 and an increase of \$0.1 million in real estate taxes.

Hotel expenses increased \$2.7 million or 6.2% to \$46.7 million from \$44.0 million for the year ended December 31, 1996 compared to the year ended December 31, 1995.

General and administrative expense increased \$382,000, or 3.7% to \$10.8 million from \$10.4 million for the year ended December 31, 1996 compared to the year ended December 31, 1995.

Interest expense increased \$169,000 or 0.2% to \$107.1 million from \$107.0 million for the year ended December 31, 1996 compared to the year ended December 31, 1995 primarily as the result of an increase in interest expense of 191 Spring Street resulting from the capitalization of interest during the redevelopment of that property during 1995, an increase in total indebtedness from new loans on Bedford Business Park and Capital Gallery, partially offset by decreases in interest rates on variable rate loans.

Depreciation and amortization expense increased \$2.8 million or 7.8% to \$38.5 million from \$35.7 million for the year ended December 31, 1996 compared to the year ended December 31, 1995 as a result of increased tenant improvement costs incurred during the successful leasing of available space during 1995 and 1996.

As a result of the foregoing, net income before extraordinary item and minority interest in combined partnership increased \$12.4 million to \$8.7 million from a loss of \$3.7 million for the year ended December 31, 1996 compared to the year ended December 31, 1995.

COMPARISON OF YEAR ENDED DECEMBER 31, 1995 TO YEAR ENDED DECEMBER 31, 1994.

Rental revenue increased \$2.5 million or 1.4% to \$179.3 million from \$176.7 million for the year ended December 31, 1995 compared to the year ended December 31, 1994 as a result of increases in occupancy, including an increase of \$2.3 million from releasing at Democracy Center partially offset by a loss of revenue of \$2.7 million from 191 Spring Street which was taken out of service for eleven months of 1995 while undergoing a complete redevelopment.

Hotel revenue increased \$2.9 million or 4.9% to \$61.3 million from \$58.4 million for the year ended December 31, 1995 compared to the year ended December 31, 1994 primarily as a result of an increase in the average daily room rate of 7.7%.

Third-party management and development fee revenue decreased \$1.6 million or 27.0% to \$4.4 million from \$6.0 million primarily as the result of a decline in revenue from projects completed in 1994.

Interest and other income increased \$864,000 or 30.5% for the year ended December 31, 1995 compared to the year ended December 31, 1994 primarily as a result of an increase in interest income from cash investments.

Property expenses increased \$2.2 million or 4.1% to \$55.4 million from \$53.2 million for the year ended December 31, 1995 compared to the year ended December 31, 1994 primarily as a result of increased utilities and building cleaning and maintenance costs.

Hotel expenses increased \$1.3 million or 3.0% to \$44.0 million from \$42.8 million for the year ended December 31, 1995 compared to the year ended December 31, 1994.

General and administrative expense increased \$249,000, or 2.5% to \$10.4 million from \$10.1 million for the year ended December 31, 1995 compared to the year ended December 31, 1994.

Interest expense increased \$11.6 million or 12.2% to \$107.0 million from \$95.3 million for the year ended December 31, 1995 compared to the year ended December 31, 1994 as a result of increases in interest rates on variable rate mortgage loans partially offset by a reduction in indebtedness resulting from scheduled payments of mortgage loan principal and the capitalization of interest of the 191 Spring Street loan during the redevelopment of that property in 1995.

Depreciation and amortization expense increased \$615,000 or 1.8% to \$35.7 million from \$35.1 million for the year ended December 31, 1995 compared to the year ended December 31, 1994.

As a result of the foregoing, net income before extraordinary item and minority interest in combined partnership decreased \$11.3 million to a loss of \$3.7 million from \$7.6 million of net income for the year ended December 31, 1995 compared to the year ended December 31, 1994.

PRO FORMA OPERATING RESULTS

Three Months Ended March 31, 1997. For the three months ended March 31, 1997, pro forma net income before extraordinary item would have been \$9.2 million compared to \$96,000 of historical net income for the three months ended March 31, 1997. The pro forma operating results for the three months ended March 31, 1997 include a minority interest in Operating Partnership of \$4.4 million for the three months ended March 31, 1997, whereas there was no minority interest in Operating Partnership for the three months ended March 31, 1996. On a pro forma basis, net income before minority interest for the three months ended March 31, 1997 would have been \$13.6 million compared to \$96,000 of net income before extraordinary items at March 31, 1997. Income before minority interest in Operating Partnership and extraordinary item increased by \$13.5 million on a pro forma basis for the three months ended March 31, 1997 primarily due to a reduction of interest expense of \$13.8 million.

Rental revenue for pro forma 1996 and pro forma three months ended March 31, 1997 includes lease revenue from the Hotel and Garage Properties whereas the historical financial statements include revenues and expenses on a gross basis on the respective line items for the Hotel and Garage properties.

Upon completion of the Offering, certain management fee contracts will be assigned to the Development and Management Company, which entity, on a pro forma basis, has been accounted for under the equity method. Revenue and expenses from these contracts are included on a gross basis in the historical financial statements in their respective line items.

Year Ended December 31, 1996. For the year ended December 31, 1996, pro forma net income before minority interest in Operating Partnership and extraordinary item would have been \$59.7 million compared to \$8.3 million of historical net income for the year ended December 31, 1996. The pro forma operating results for the year ended December 31, 1996 include a minority interest in Operating Partnership of \$19.2 million whereas there was no minority interest in Operating Partnership in the corresponding historical period. On a pro forma basis, net income before extraordinary item for the year ended December 31, 1996 would have been \$40.6 million compared to \$8.3 million of net income before extraordinary items for the corresponding historical period. Income before minority interest in Operating Partnership and extraordinary item increased by \$51.4 million on a pro forma basis for the year ended December 31, 1996 primarily due to a reduction of interest expense of \$52.7 million.

Pro Forma rental revenue for the three months ended March 31, 1997 and for the year ended December 31, 1996 includes the lease revenues that the Company will receive from ZL Hotel LLC under the lease for the two Hotel Properties. After entering into such lease, the Company will not recognize hotel revenues and expenses.

The development and management operations of the Company are reflected on a gross basis in the historical combined financial statements. In connection with the Formation Transactions, a portion of the Greater Washington, D.C. third-party property management business will be contributed by the Company to the Development and Management Company and thereafter the operations of the Development and Management Company will be accounted for by the Company under the equity method in the pro forma statements; therefore, the pro forma statements include (i) revenues and expenses on a gross basis from development and management conducted directly by the Operating Partnership in the respective income and expense line items and (ii) the Development and Management Company's net operations in the fee and other income line item. See "Business and Properties--Development Consulting and Third-Party Property Management."

LIQUIDITY AND CAPITAL RESOURCES

Upon completion of the Offering and the Formation Transactions and the application of the net proceeds therefrom as described in "Use of Proceeds," the Company expects to have reduced its total indebtedness from \$1.45 billion to \$753.0 million, comprised of \$695.3 million of debt secured by Properties (the "Mortgage Debt") and \$57.7 million of debt under the Unsecured Line of Credit. The \$695.3 million Mortgage Debt is comprised of twelve loans secured by 15 properties, with a weighted average interest rate of 7.6% on the fixed rate loans which total \$690.6 million. There will be a total of \$3.5 million of scheduled loan principal payments due during the year ending December 31, 1997. The Company's debt to market capitalization ratio will be 37.6% (35.5% if the underwriters' overallotment is exercised in full) of the Company's total market capitalization.

Mortgage Indebtedness. As of June 1, 1997, the Company expects to have outstanding approximately \$695.3 million of indebtedness secured by each of the Properties as listed below:

PROPERTIES	INTEREST RATE	PRINCIPAL	ANNUAL DEBT SERVICE	MATURITY DATE	ESTIMATED BALANCE AT MATURITY
(IN THOUSANDS)					
599 Lexington Avenue....	7.00%	\$225,000	\$15,750	July 19, 2005	\$225,000(1)
Two Independence Square.....	7.90(2)	122,187	10,767	February 27, 2003	113,844
One Independence Square.....	7.90(2)	78,125	7,038	August 21, 2001	73,938
2300 N Street.....	7.00(3)	66,000	4,620	August 3, 2003	66,000
Capital Gallery.....	8.24	60,364	5,767	August 15, 2006	49,555
10 & 20 Burlington Mall Road(4).....	8.33	37,000	3,082	October 1, 2001	37,000
Ten Cambridge Center & North Garage.....	7.57	40,000	3,028	March 29, 2000	40,000
191 Spring Street.....	8.50	23,822	2,271	September 1, 2006	20,428
Bedford Business Park...	8.50	23,313	1,980	December 10, 2008	15,891
Montvale Center.....	8.59	7,953	779	December 1, 2006	6,556
Newport Office Park....	8.13	6,874	794	July 1, 2001	5,764
Hilltop Business Center.....	LIBOR+1.50%(5)	4,700	538	December 15, 1998	4,400
Total.....		\$695,338	\$56,414		\$658,376

- (1) At maturity the lender has the option to purchase a 33.33% interest in this Property in exchange for the cancellation of the loan indebtedness. See "Business and Properties--The Office Properties--Midtown Manhattan Office Market--Description of Midtown Manhattan Property."
- (2) The interest rate increases to 8.5% on March 25, 1998 through the loan expiration.
- (3) Pricing to be set at closing equal to the cost of funds plus 25 basis points.
- (4) Includes outstanding indebtedness secured by 91 Hartwell Avenue and 92 and 100 Hayden Avenue. A portion of this indebtedness is being repaid. See "Use of Proceeds."
- (5) For purposes of calculating debt service, LIBOR as of May 22, 1997 was 5.6875%.

The Unsecured Line of Credit. The Company has obtained a commitment to establish the three year, \$300 million Unsecured Line of Credit. The Unsecured Line of Credit will be used to facilitate development and acquisition activities and for working capital purposes. See "Unsecured Line of Credit."

Analysis of Liquidity and Capital Resources. Upon completion of the Offering and the Formation Transactions and the use of proceeds therefrom, the Company will have reduced its total indebtedness by approximately \$697 million.

The Company believes the Offering and the Formation Transaction will improve its financial performance through changes in its capital structure, principally the substantial reduction in its overall debt and its debt to equity ratio. The Company anticipates that distributions will be paid from cash available for distribution, which is expected to exceed cash historically available for distribution as a result of the reduction in debt service resulting from the repayment of indebtedness. Through the Formation Transactions, the Company will repay \$707.1 million of its existing mortgage debt, reducing pro forma 1996 annual interest expense by approximately \$52.7 million.

After the Offering, the Company expects to have approximately \$242.3 million available under the Unsecured Line of Credit. The Company anticipates that the Unsecured Line of Credit will be used primarily to develop and acquire properties and provide for working capital needs.

The Company expects to meet its short-term liquidity requirements generally through its initial working capital and net cash provided by operations. The Company's operating properties and hotels require periodic investments of capital for tenant-related capital expenditures and for general capital improvements. For the years ended December 31, 1992 through December 31, 1996, the Company's recurring tenant improvements and leasing commissions averaged \$7.67 per square foot of leased space per year. The Company expects that the average annual cost of recurring tenant improvements and leasing commissions will be \$5,996,000 based upon an average annual square feet for which leases expire during the years ending December 31, 1997 through December 31, 2001 of 781,767 square feet. The Company expects the cost of general capital improvements to the properties to average \$1,642,000 annually based upon an estimate of \$0.20 per square foot. Funding of capital expenditure reserve accounts of the hotels is expected to be \$3,557,000 annually based upon the actual funding requirements at the hotels for the year ended December 31, 1996.

The Company expects to meet its long-term liquidity requirements for the funding of property development, property acquisitions and other non-recurring capital improvements through long-term secured and unsecured indebtedness (including the Unsecured Line of Credit) and the issuance of additional equity securities from the Company. The Company also intends to fund property development, property acquisitions and other non-recurring capital improvements using the Unsecured Line of Credit on an interim basis.

The Company will have commitments to fund to completion development projects that are currently in process. Commitments under these arrangements totaled \$37 million as of December 31, 1996. The Company expects to fund these commitments initially using the Unsecured Line of Credit. In addition, the Company has options to acquire land that require minimum deposits that the Company will fund using the Unsecured Line of Credit.

CASH FLOWS

Comparison for the Three Months Ended March 31, 1997 to Three Months Ended March 31, 1996. Cash and cash equivalents were \$3.0 million and \$29.6 million at March 31, 1997 and 1996, respectively. Cash and cash equivalents decreased \$6.0 million during the three months ended March 31, 1997 compared to an increase of \$3.7 million during the three months ended March 31, 1996. The decrease is due to a \$11.4 million decrease in net cash used in financing activities from \$6.6 million used to \$4.8 million generated, a \$9.2 million increase in net cash used in investing activities from \$3.4 million to \$12.6 million and a decrease in cash flows provided by operating activities of \$11.9 million from \$13.8 million to \$1.8 million. The decrease in net cash used in financing activities of \$11.4 million is attributable to a decrease in net distributions to owners of \$3.9 million and an increase of \$7.5 million in mortgage note proceeds net of financing costs and loan principal payments. The increase in net cash used in investing activities of \$9.2 million is attributable to an increase in the acquisition of tenant improvements, leasing costs and new development costs. The decrease in cash provided by operating

activities of \$12.0 million is due to a decrease in net income of \$4.7 million and increases from accounts receivable, cash escrows and prepaid expenses.

Comparison for the Year Ended December 31, 1996 to Year Ended December 31, 1995. Cash and cash equivalents were \$9.0 million and \$25.9 million at December 31, 1996 and 1995, respectively. Cash and cash equivalents decreased \$16.9 million during 1996 compared to a decrease of \$20.4 million during 1995. The decrease is due to a \$32.5 million increase in net cash used in financing activities from \$14.5 million to \$47.0 million, offset by a \$13.2 million decrease in net cash used in investing activities from \$36.8 million to \$23.7 million and an increase in cash flows provided by operating activities of \$22.9 million from \$30.9 million to \$53.8 million. The increase in net cash used in financing activities of \$32.5 million is attributable to net distributions to owners of \$71.9 million offset by an increase of \$39.4 million in loan proceeds net of financing costs, escrows, and loan principal payments. The decrease in net cash used in investing activities of \$13.2 million is attributable to the acquisition of the two Sugarland properties for \$7.5 million offset by a draw of restricted cash of \$9.2 million and a net decrease in additions to tenant improvements, leasing and development costs. The increase in cash provided by operating activities of \$22.9 million is due to an increase in net income of \$11.3 million and increases from accounts receivable, escrows and prepaid expenses.

Comparison for the Year Ended December 31, 1995 to Year Ended December 31, 1994. Cash and cash equivalents were \$25.9 million and \$46.3 million at December 31, 1995 and 1994 respectively. Cash and cash equivalents decreased \$20.4 million during 1995 compared to a decrease of \$4.4 million during 1994. The decrease is due to an increase in cash used in investing activities of \$18.4 million from \$18.4 million to \$36.8 million, a decrease in cash provided by operating activities of \$16.6 million from \$47.6 million to \$30.9 million offset by a decrease in net cash used in financing activities of \$19.0 million from \$33.5 million to \$14.5 million. The increase in cash used in investing activities of \$18.4 million is due to an increase in tenant improvements, building improvements and leasing costs of \$16.6 million and the acquisition of 164 Lexington Road of \$1.8 million. The decrease in net cash used in financing activities of \$19.0 million is attributable to a \$13.9 million decrease in net distributions to owners and a \$5.2 million decrease in loans payable and financing costs.

FUNDS FROM OPERATIONS

Industry analysts generally consider Funds from Operations, as defined by NAREIT, to be an alternative measure of performance of an equity REIT. Funds from Operations, as defined by NAREIT, means net income (computed in accordance with GAAP) excluding significant nonrecurring items, gains (or losses) from debt restructuring and sales of property, plus depreciation and amortization on real estate assets, and after adjustments for unconsolidated partnerships and joint ventures. Funds from Operations does not represent cash generated from operating activities (determined in accordance with GAAP) and should not be considered as an alternative to net income (determined in accordance with GAAP) as an indication of the Company's performance or to cash flows from operating activities (determined in accordance with GAAP) as a measure of liquidity or ability to make distributions. The Company's Funds from Operations are not comparable to Funds from Operations reported by other REITs that do not define the term using the current NAREIT definition or that interpret the current NAREIT definition differently than does the Company. The Company believes that in order to facilitate a clear understanding of the combined historical operating results of the Boston Properties Predecessor Group and the Company, Funds from Operations should be examined in conjunction with net income as presented in the combined financial statements and information included elsewhere in this Prospectus.

INFLATION

Substantially all of the office leases provide for separate real estate tax and operating expense escalations over a base amount. In addition, many of the leases provide for fixed base rent increases or indexed increases. The Company believes that inflationary increases may be at least partially offset by the contractual rent increases described above.

BUSINESS AND PROPERTIES

GENERAL

The Company's Properties consist of 63 Office Properties (including seven Development Properties), nine Industrial Properties, the two Hotel Properties and the Garage Property. The total square footage of the Properties is approximately 11.0 million square feet, comprised of (i) 36 Class A Office Buildings (including three Development Properties) totaling approximately 6.2 million net rentable square feet, with approximately 1.3 million square feet of structured parking for 4,222 vehicles, (ii) 27 R&D Properties (including four Development Properties) totaling approximately 1.6 million net rentable square feet, (iii) nine Industrial Properties totaling approximately 925,000 net rentable square feet, (iv) two Hotel Properties, with 833 rooms, totaling approximately 750,000 square feet, and (v) the Garage Property, with 1,170 parking spaces, consisting of approximately 330,000 square feet.

SUMMARY PROPERTY DATA

Set forth below is a summary of information regarding the Properties, including the seven Development Properties. Properties marked with an asterisk will secure indebtedness of the Company upon completion of the Offering.

PROPERTY NAME	LOCATION	PERCENT OWNERSHIP	YEAR(S) BUILT/RENOVATED(1)	NO. OF BLDGS.	NET RENTABLE SQUARE FEET	PERCENT LEASED AS OF 12/31/96
OFFICE PROPERTIES:						
Class A Office Buildings:						
+*599 Lexington Avenue (4).....	New York, NY	100.0%	1986	1	1,000,070	97%
+*Two Independence Square (5) (6).....	SW Washington, DC	100.0	1992	1	579,600	100
Democracy Center.....	Bethesda, MD	100.0	1985-88/94-96	3	680,000	96
*One Independence Square (5).....	SW Washington, DC	100.0	1991	1	337,794	100
*Capital Gallery.....	SW Washington, DC	100.0	1981	1	396,255	93
*2300 N Street..	NW Washington, DC	100.0	1986	1	276,906	88
US International Trade Commission Building (5)(7).....	SW Washington, DC	100.0	1987	1	243,998	100
One Cambridge Center.....	Cambridge, MA	100.0	1987	1	215,385	100
*Ten Cambridge Center.....	Cambridge, MA	100.0	1990	1	152,664	100
*191 Spring Street.....	Lexington, MA	100.0	1971/95	1	162,700	100
*Newport Office Park (8).....	Quincy, MA	100.0	1988	1	168,829	95
*10 & 20 Burlington Mall Road.....	Burlington, MA	100.0	1984-86/95-96	2	152,552	100
Lexington Office Park.....	Lexington, MA	100.0	1982	2	168,500	92
Waltham Office Center.....	Waltham, MA	100.0	1968-70/87-88	3	129,658	100
Three Cambridge Center.....	Cambridge, MA	100.0	1987	1	107,484	100
*Montvale Center (9).....	Gaithersburg, MD	75.0	1987	1	122,157	100
170 Tracer Lane.....	Waltham, MA	100.0	1980	1	73,258	100
195 West Street.....	Waltham, MA	100.0	1990	1	63,500	100
*Bedford Business Park.....	Bedford, MA	100.0	1980	1	90,000	100
91 Hartwell Avenue.....	Lexington, MA	100.0	1985/96	1	122,135	51
33 Hayden Avenue.....	Lexington, MA	100.0	1979	1	79,564	100
Eleven Cambridge Center.....	Cambridge, MA	100.0	1984	1	79,616	100
100 Hayden Avenue.....	Lexington, MA	100.0	1985	1	55,924	100
8 Arlington Street (10).....	Boston, MA	100.0	1860/1920/89	1	30,526	100
32 Hartwell Avenue.....	Lexington, MA	100.0	1968-79/87	1	69,154	100
204 Second Avenue.....	Waltham, MA	100.0	1981/93	1	40,974	100
92 Hayden Avenue.....	Lexington, MA	100.0	1968/84	1	30,980	100
SUBTOTAL/WEIGHTED AVERAGE FOR CLASS A OFFICE BUILDINGS (11)....				---	-----	---
				===	=====	===
R&D Properties:						
*Bedford Business Park.....	Bedford, MA	100.0%	1962-78/96	2	383,704	100%
7601 Boston Boulevard, Building Eight (5)(12)..	Springfield, VA	100.0	1986	1	103,750	100
Fourteen Cambridge Center...	Cambridge, MA	100.0	1983	1	67,362	100
*Hilltop Business Center (13).....	So. San Francisco, CA	35.7	early 1970's	9	144,479	90
7600 Boston Boulevard, Building Nine.....	Springfield, VA	100.0	1987	1	69,832	100
7500 Boston Boulevard, Building Six(5).....	Springfield, VA	100.0	1985	1	79,971	100
8000 Grainger Court, Building Five.....	Springfield, VA	100.0	1984	1	90,465	100
7435 Boston Boulevard, Building						

One..... 7451 Boston Boulevard, Building Two..... 164 Lexington Road..... 7374 Boston Boulevard, Building Four (5)..... 8000 Corporate Court, Building Eleven..... 7375 Boston Boulevard, Building Ten (5)..... 17 Hartwell Avenue.....	Springfield, VA Springfield, VA Billerica, MA Springfield, VA Springfield, VA Springfield, VA Lexington, MA	100.0 100.0 100.0 100.0 100.0 100.0 100.0	1982 1982 1982 1984 1989 1988 1968	1 1 1 1 1 1 1	105,414 47,001 64,140 57,321 52,539 26,865 30,000	67 100 100 100 100 100 100
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SUBTOTAL/WEIGHTED AVERAGE FOR R&D PROPERTIES.....
23 1,322,843 96%
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INDUSTRIAL PROPERTIES:

38 Cabot Boulevard (14)..... 6201 Columbia Park Road, Building Two..... 2000 South Club Drive, Building Three..... 40-46 Harvard Street..... 25-33 Dartmouth Street..... 1950 Stanford Court, Building One..... 2391 West Winton Avenue..... 560 Forbes Boulevard (13)..... 430 Rozzi Place (13).....	Langhorne, PA Landover, MD Landover, MD Westwood, MA Westwood, MA Landover, MD Hayward, CA So. San Francisco, CA So. San Francisco, CA	100.0% 100.0 100.0 100.0 100.0 100.0 100.0 35.7 35.7	1972/84 1986 1988 1967/96 1966/96 1986 1974 early 1970's early 1970's	1 1 1 1 1 1 1 1 1	161,000 99,885 83,608 169,273 78,045 53,250 221,000 40,000 20,000	100% 87 100 90 87 100 27(15) 100 100
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SUBTOTAL/WEIGHTED AVERAGE FOR INDUSTRIAL PROPERTIES.....
9 926,061 78%(15)
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DEVELOPMENT PROPERTIES:

Class A Office Buildings: BDM International Buildings (16).. 201 Spring Street (17).... R&D Properties: 7700 Boston Boulevard, Building Twelve (18)..... 7501 Boston Boulevard, Building Seven (19)..... Sugarland Building Two (20)..... Sugarland Building One (20).....	Reston, VA Lexington, MA Springfield, VA Springfield, VA Herndon, VA Herndon, VA	25.0% 100.0 100.0 100.0 100.0 100.0	1999 1997 1997 1997 1986/97 1985/97	2 1 1 1 1 1	440,000 102,000 80,514 75,756 59,585 52,533	-- -- -- -- -- --
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SUBTOTAL/WEIGHTED AVERAGE FOR DEVELOPMENT PROPERTIES.....
7 810,388
=== ===== ===

TOTAL/WEIGHTED AVERAGE FOR OFFICE, INDUSTRIAL AND DEVELOPMENT PROPERTIES.....
72 8,689,475 94%(21)
=== ===== ===

PROPERTY NAME	ESCALATED RENT AS OF 12/31/96(2)	PERCENT OF ESCALATED RENT	ESCALATED RENT PER LEASED SQUARE FOOT(2)	ANNUAL NET EFFECTIVE RENT PER LEASED SQUARE FOOT(3)
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OFFICE PROPERTIES:

Class A Office Buildings: +*599 Lexington Avenue (4)..... +*Two Independence Square (5) (6)..... Democracy Center..... *One Independence Square (5)..... *Capital Gallery.....	\$ 51,470,410 21,185,671 15,047,361 12,650,434 12,229,487	26.8% 11.0 7.8 6.6 6.4	\$52.90 36.55 23.03 37.45 33.15	\$47.13 36.80 21.22 34.34 31.11
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*2300 N Street.. US International Trade Commission Building (5)(7).....	11,712,087	6.1	48.04	46.82
One Cambridge Center.....	6,673,165	3.5	27.35	24.79
*Ten Cambridge Center.....	6,015,824	3.1	27.93	25.57
*191 Spring Street.....	4,251,071	2.2	27.85	23.11
*Newport Office Park (8).....	3,986,701	2.1	24.50	22.26
*10 & 20 Bur- lington Mall Road.....	3,192,026	1.7	19.86	19.86
Lexington Office Park.....	3,131,736	1.6	20.53	18.45
Waltham Office Center.....	2,995,506	1.6	19.33	16.97
Three Cambridge Center.....	2,575,521	1.3	19.86	18.54
*Montvale Center (9).....	2,406,808	1.3	22.39	20.45
170 Tracer Lane.....	2,195,966	1.1	17.98	18.68
195 West Street.....	1,681,073	0.9	22.95	19.08
*Bedford Busi- ness Park.....	1,564,296	0.8	24.63	20.36
91 Hartwell Ave- nue.....	1,513,011	0.8	16.81	15.78
33 Hayden Ave- nue.....	1,318,024	0.7	21.24	19.71
Eleven Cambridge Center.....	1,128,814	0.6	14.19	13.47
100 Hayden Ave- nue.....	1,118,563	0.6	14.05	11.90
8 Arlington Street (10)....	1,098,034	0.6	19.63	18.91
32 Hartwell Ave- nue.....	1,080,172	0.6	35.39	34.94
204 Second Ave- nue.....	1,002,211	0.5	14.49	12.00
92 Hayden Ave- nue.....	812,518	0.4	19.83	19.14
	632,109	0.3	20.40	19.79

SUBTOTAL/WEIGHTED AVERAGE FOR CLASS A OFFICE BUILDINGS (11)....

\$174,668,599 90.9% \$32.15 \$29.70

R&D Properties:				
*Bedford Busi- ness Park.....	\$ 3,265,991	1.7%	\$ 8.51	\$ 9.18
7601 Boston Boulevard, Building Eight (5)(12)..	1,437,971	0.7	13.86	13.85
Fourteen Cam- bridge Center...	1,315,519	0.7	19.53	18.47
*Hilltop Busi- ness Center (13).....	1,030,288	0.5	7.95	8.93
7600 Boston Bou- levard, Building Nine.....	878,600	0.5	12.58	10.20
7500 Boston Bou- levard, Building Six(5).....	800,464	0.4	10.01	9.98
8000 Grainger Court, Building Five.....	759,790	0.4	8.40	7.58
7435 Boston Bou- levard, Building One.....	753,100	0.4	10.60	8.07
7451 Boston Bou- levard, Building Two.....	644,646	0.3	13.72	8.14
164 Lexington Road.....	598,478	0.3	9.33	7.97
7374 Boston Bou- levard, Building Four (5).....	595,823	0.3	10.39	10.14
8000 Corporate Court, Building Eleven.....	395,053	0.2	7.52	7.59
7375 Boston Bou- levard, Building Ten (5).....	342,999	0.2	12.77	7.82
17 Hartwell Ave- nue.....	198,000	0.1	6.60	6.60

SUBTOTAL/WEIGHTED AVERAGE FOR R&D PROPERTIES.....

\$ 13,016,722 6.8% \$10.22 \$ 9.75

INDUSTRIAL PROP- ERTIES:				
38 Cabot Boule- vard (14).....	\$ 865,613	0.5%	\$ 5.38	\$ 5.38
6201 Columbia Park Road, Building Two.....	694,935	0.4	8.03	6.39
2000 South Club Drive, Building Three.....	685,338	0.4	8.20	7.06

40-46 Harvard Street.....	677,818	0.4	4.46	4.87
25-33 Dartmouth Street.....	658,645	0.3	9.75	7.89
1950 Stanford Court, Building One.....	354,274	0.2	6.65	6.93
2391 West Winton Avenue.....	234,000	0.1	3.90	2.81
560 Forbes Boulevard (13).....	238,000	0.1	5.95	5.37
430 Rozzi Place (13).....	114,949	0.1	5.75	5.47

SUBTOTAL/WEIGHTED AVERAGE FOR INDUSTRIAL PROPERTIES.....	\$ 4,523,572	2.4%	\$ 6.25	\$ 5.27
=====				
DEVELOPMENT PROPERTIES:				
Class A Office Buildings:				
BDM				
International Buildings (16)..	--	--	--	--
201 Spring Street (17).....	--	--	--	--
R&D Properties:				
7700 Boston Boulevard, Building Twelve (18).....	--	--	--	--
7501 Boston Boulevard, Building Seven (19).....	--	--	--	--
Sugarland Building Two (20).....	--	--	--	--
Sugarland Building One (20).....	--	--	--	--

SUBTOTAL/WEIGHTED AVERAGE FOR DEVELOPMENT PROPERTIES.....				
=====				
TOTAL/WEIGHTED AVERAGE FOR OFFICE, INDUSTRIAL AND DEVELOPMENT PROPERTIES.....	\$192,208,893	100.0%	\$25.87(21)	\$23.91(21)
=====				

LOCATION	PERCENT OWNERSHIP	YEAR BUILT	NUMBER OF BUILDINGS	NUMBER OF ROOMS	SQUARE FOOTAGE	YEAR ENDED 12/31/96		YEAR ENDED 12/31/95			
						AVERAGE OCCUPANCY	AVERAGE DAILY RATE (ADR)	REVENUE PER AVAILABLE ROOM (REVPAR) (22)	AVERAGE DAILY RATE (ADR)	REVENUE PER AVAILABLE ROOM (REVPAR) (22)	
HOTEL PROPERTIES:											
Long Wharf Marriott.....	Boston, MA	100.0%	1982	1	402	420,000	86.0%	\$201.18	\$173.01	\$192.95	\$164.97
Cambridge Center Marriott.....	Cambridge, MA	100.0	1986	1	431	330,400	82.1	150.52	123.58	136.04	114.14
TOTAL/WEIGHTED AVERAGE FOR HOTEL PROPERTIES....				2	833	750,400	84.0%	\$174.97	\$147.44	\$163.50	\$138.67

LOCATION	PERCENT OWNERSHIP	YEAR BUILT	NUMBER OF BUILDINGS	NUMBER OF SPACES	SQUARE FOOTAGE	
GARAGE PROPERTY:						
Cambridge Center North Garage....	Cambridge, MA	100.0%	1990	1	1,170	332,442
STRUCTURED PARKING INCLUDED IN CLASS A OFFICE BUILDINGS.....				4,222	1,260,530	
TOTAL FOR GARAGE PROPERTY AND STRUCTURED PARKING.....				5,392	1,592,972	
TOTAL FOR ALL PROPERTIES.....				75	11,032,847	

+ This Property accounted for more than 10% of the Predecessor's revenue for the year ended December 31, 1996. For additional information about this Property, see the description of the Property under "Business and Properties--The Office Properties."

* Upon completion of the Offering, the Company expects to have outstanding approximately \$695.3 million of indebtedness secured by these Properties. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources."

- (1) These dates do not include years in which tenant improvements were made to the Properties, except with respect to 25-33 Dartmouth Street and 40-46 Harvard Street, whose interiors were completely rebuilt to satisfy tenant needs in 1996.
- (2) Escalated Rent represents the annualized monthly Base Rent in effect (after giving effect to any contractual increases in monthly Base Rent that have occurred up to December 31, 1996) plus annualized monthly tenant pass-throughs of operating and other expenses (but excluding electricity costs paid by tenants) under each lease executed as of December 31, 1996, or, if such monthly rent has been reduced by a rent concession, the monthly rent that would have been in effect at such date in the absence of such concession.
- (3) Annual Net Effective Rent Per Leased Square Foot represents the Base Rent for the month of December 1996, plus tenant pass-throughs of operating and other expenses (but excluding electricity costs paid by tenants), under each lease executed as of December 31, 1996, presented on a straight-line basis in accordance with GAAP, minus amortization of tenant improvement costs and leasing commissions, if any, paid or payable by the Company during such period, annualized.
- (4) The Company's New York offices are located in this building, where it occupies 12,896 square feet. Upon completion of the Offering, the Company expects to have outstanding approximately \$225 million of indebtedness secured by this Property.
- (5) The Property is leased on the basis of net usable square feet (which have been converted to net rentable square feet for purposes of this table) due to the requirements of the General Services Administration.
- (6) Upon completion of the Offering, the Company expects to have outstanding approximately \$122.2 million of indebtedness secured by this Property.
- (7) The Company's Washington, D.C. offices are located in this building, also known as 500 E Street, where it occupies 15,612 square feet.
- (8) The Company has signed a purchase and sale agreement with respect to this Property and anticipates closing simultaneously with the completion of the Offering. There can be no assurance that the Company will acquire this Property. See "Business and Properties--The Office Properties."
- (9) The Company owns a 75.0% general partner interest in the limited partnership that owns this property. Because of the priority of the Company's partnership interest, the Company expects to receive any partnership distributions that are made with respect to this Property.

- (10) The Property, which is used exclusively as the Company's headquarters, was constructed in two phases, circa 1860 and circa 1920.
- (11) The Class A Office Buildings contain 4,222 structured parking spaces.
- (12) The General Services Administration, the tenant of this Property, has an option to purchase this Property on September 30, 1999 for \$14.0 million and on September 30, 2014 for \$22.0 million.
- (13) The Company owns a 35.7% controlling general partnership interest in this Property.
- (14) The original building (100,000 net rentable square feet) was built in 1972, with an expansion building (61,000 net rentable square feet) completed in 1984.
- (15) The Company's Industrial Property in Hayward, California was 27.0% leased at December 31, 1996. The Company has entered into a lease with respect to the remaining space. Excluding this Property, the Industrial Properties had an occupancy rate of 94.0% at December 31, 1996.
- (16) The Company is acting as development manager of these Properties and will be the 25.0% member of a limited liability company that will own the Properties. The Company's economic interest increases above 25.0% if certain performance criteria are achieved. The Properties are expected to be completed in 1999 and are 70.0% pre-leased to BDM International.
- (17) The Property, which is currently under development by the Company, is expected to be completed in late 1997 and is 100% pre-leased to Media One of Delaware, Inc., formerly known as Continental Cablevision, Inc.
- (18) The Property, which is currently under development by the Company, is expected to be completed in late 1997 and is 100% pre-leased to Autometric, Inc.
- (19) The Property, which is currently under development by the Company, is expected to be completed in late 1997 and is 100% pre-leased to the General Services Administration (for the United States Customs Service).
- (20) The Property, which was acquired by the Company on November 25, 1996, is currently being redeveloped by the Company.
- (21) Does not include the Development Properties.
- (22) REVPAR is determined by dividing room revenue by available rooms for the applicable period.

DEVELOPMENT PARCELS

At the completion of the Offering, the Company will own, have under contract, or have an option to develop or acquire six parcels consisting of an aggregate of 47.4 acres of land. The Company believes that this land, some of which needs zoning or other regulatory approvals prior to development, will be able to support an aggregate of approximately 1.0 million square feet of development. The following chart provides additional information with respect to undeveloped parcels:

LOCATION	SUBMARKET	NO. OF PARCELS	ACREAGE	DEVELOPABLE SQUARE FEET (1)
Springfield, VA	Fairfax County, VA	3	9.4	130,000
Lexington, MA	Route 128 NW	1	6.8	50,000
Cambridge, MA	East Cambridge, MA	1	4.2	539,000
Andover, MA	Route 495 N	1	27.0	290,000
Total		6	47.4	1,009,000

(1) Represents the total square feet of development that the parcel(s) will support.

LOCATION OF PROPERTIES

The following chart shows the geographic location of the Company's Office and Industrial Properties, including the Development Properties, by net rentable square feet and 1996 Escalated Rent:

NET RENTABLE SQUARE FEET OF OFFICE AND INDUSTRIAL PROPERTIES

MARKET/SUBMARKET	NUMBER OF PROPERTIES	CLASS A OFFICE BUILDINGS	R&D PROPERTIES	INDUSTRIAL PROPERTIES	TOTAL	PERCENT OF TOTAL
GREATER BOSTON						
East Cambridge... Route 128 NW	5	555,149	67,362	--	622,511	7.2%
Bedford, MA....	3	90,000	383,704	--	473,704	5.5
Billerica, MA...	1	--	64,140	--	64,140	0.7
Burlington, MA..	2	152,552	--	--	152,552	1.8
Lexington, MA (2).....	10	790,957	30,000	--	820,957	9.5
Route 128/MA Turnpike						
Waltham, MA....	6	307,390	--	--	307,390	3.5
Route 128 SW						
Westwood, MA....	2	--	--	247,318	247,318	2.9
Route 128 South						
Quincy, MA.....	1	168,829	--	--	168,829	1.9
Boston.....	1	30,526	--	--	30,526	0.4
Subtotal.....	31	2,095,403	545,206	247,318	2,887,927	33.2
GREATER WASHINGTON, D.C.						
SW Washington, D.C.(3).....	4	1,557,647	--	--	1,557,647	17.9
West End Washington, D.C.	1	276,906	--	--	276,906	3.2
Montgomery County, MD						
Bethesda, MD....	3	680,000	--	--	680,000	7.8
Gaithersburg, MD (4).....	1	122,157	--	--	122,157	1.4
Fairfax County, VA						
Herndon, VA (5).....	2	--	112,118	--	112,118	1.3
Reston, VA (6)..	2	440,000	--	--	440,000	5.1
Springfield, VA (3)(7).....	11	--	789,428	--	789,428	9.1
Prince George's County, MD						
Landover, MD....	3	--	--	236,743	236,743	2.7
Subtotal.....	27	3,076,710	901,546	236,743	4,214,999	48.5
MIDTOWN MANHATTAN						
Park Avenue.....	1	1,000,070	--	--	1,000,070	11.5
GREATER SAN FRANCISCO						
Hayward, CA....	1	--	--	221,000	221,000	2.5
San Francisco, CA (8).....	11	--	144,479	60,000	204,479	2.4
Subtotal.....	12	--	144,479	281,000	425,479	4.9
BUCKS COUNTY, PA.....	1	--	--	161,000	161,000	1.9
Total.....	72	6,172,183	1,591,231	926,061	8,689,475	100.00%
Percent of Total.....		71.0%	18.3%	10.7%	100.0%	
Number of Office and Industrial Properties.....		36	27	9	72	

1996 ESCALATED RENT OF OFFICE AND INDUSTRIAL PROPERTIES
(1)

MARKET/SUBMARKET	CLASS A OFFICE BUILDINGS	R&D PROPERTIES	INDUSTRIAL PROPERTIES	TOTAL	PERCENT OF TOTAL
GREATER BOSTON					
East Cambridge... Route 128 NW	\$ 13,792,266	\$ 1,315,519	\$ --	\$ 15,107,785	7.9%
Bedford, MA....	1,513,011	3,265,991	--	4,779,002	2.5
Billerica, MA...	--	598,478	--	598,478	0.3
Burlington, MA..	3,131,736	--	--	3,131,736	1.6
Lexington, MA (2).....	12,161,399	198,000	--	12,359,399	6.5
Route 128/MA Turnpike					
Waltham, MA....	6,633,408	--	--	6,633,408	3.5

Route 128 SW Westwood, MA....	--	--	1,336,463	1,336,463	0.7
Route 128 South Quincy, MA.....	3,192,026	--	--	3,192,026	1.7
Boston.....	1,080,172	--	--	1,080,172	0.6
Subtotal.....	41,504,018	5,377,988	1,336,463	48,218,469	25.1
GREATER WASHINGTON, D.C.					
SW Washington, D.C.(3).....	52,738,757	--	--	52,738,757	27.4
West End Washington, D.C.	11,712,087	--	--	11,712,087	6.1
Montgomery County, MD					
Bethesda, MD....	15,047,361	--	--	15,047,361	7.8
Gaithersburg, MD (4).....	2,195,966	--	--	2,195,966	1.1
Fairfax County, VA					
Herndon, VA (5).....	--	--	--	--	--
Reston, VA (6)..	--	--	--	--	--
Springfield, VA (3)(7).....	--	6,608,446	--	6,608,446	3.4
Prince George's County, MD					
Landover, MD....	--	--	1,734,547	1,734,547	0.9
Subtotal.....	81,694,171	6,608,446	1,734,547	90,037,164	46.8
MIDTOWN MANHATTAN					
Park Avenue.....	51,470,410	--	--	51,470,410	26.8
GREATER SAN FRANCISCO					
Hayward, CA....	--	--	234,000	234,000	0.1
San Francisco, CA (8).....	--	1,030,288	352,949	1,383,237	0.7
Subtotal.....	--	1,030,288	586,949	1,617,237	0.8
BUCKS COUNTY, PA.....					
	--	--	865,613	865,613	0.5
Total.....	\$174,668,599	\$13,016,722	\$4,523,572	\$192,208,893	100.0%
Percent of					
Total.....	90.9%	6.8%	2.4%	100.0%	
Number of Office and Industrial Properties.....					
	36	27	9	72	

- (1) Escalated Rent represents the annualized monthly Base Rent in effect (after giving effect to any contractual increases in monthly Base Rent that have occurred up to December 31, 1996) plus annualized monthly tenant pass-throughs of operating and other expenses (but excluding electricity costs paid by tenants) under each lease executed as of December 31, 1996, or, if such monthly rent has been reduced by a rent concession, the monthly rent that would have been in effect at such date in the absence of such concession.
- (2) Does not include 1996 Escalated Rent for one Class A Office Building currently under development by the Company.
- (3) Certain of such Properties are leased on the basis of net usable square feet (which has been converted to net rentable square feet for purposes of this table) due to the requirements of the General Services Administration.
- (4) The Company will own a 75.0% general partner interest in the limited partnership that will own this property. Because of the priority of the Company's partnership interest, the Company expects to receive any partnership distributions that are made with respect to this Property.
- (5) Includes net rentable square feet for two R&D Properties currently under redevelopment by the Company.
- (6) Includes net rentable square feet for two Class A Office Buildings currently under development by the Company. The Company is acting as development manager of, and will be a 25.0% member of, the limited liability company that will own the Properties. The Company's economic interest may increase above 25.0% depending upon the achievement of certain performance goals.
- (7) Does not include 1996 Escalated Rent for two Office Properties currently under development by the Company.
- (8) The Company will own a 35.7% controlling general partnership interest in the nine R&D Properties and two Industrial Properties located in Greater San Francisco, California.

The following table sets forth the 1996 Escalated Rent Per Leased Square Foot and Annual Net Effective Rent Per Leased Square Foot of the Properties by location and type of property.

MARKET/SUBMARKET	NUMBER OF PROPERTIES	1996 ESCALATED RENT PER LEASED SQUARE FOOT(1)				1996 ANNUAL NET EFFECTIVE RENT PER LEASED SQUARE FOOT(2)			
		CLASS A OFFICE BUILDINGS	R&D PROPERTIES	INDUSTRIAL PROPERTIES	TOTAL	CLASS A OFFICE BUILDINGS	R&D PROPERTIES	INDUSTRIAL PROPERTIES	TOTAL
GREATER BOSTON									
East Cambridge.....	5	\$24.84	\$19.53	\$ --	\$24.27	\$21.94	\$18.47	\$ --	\$21.57
Route 128 NW									
Bedford, MA.....	3	16.81	8.51	--	10.09	15.78	9.18	--	10.43
Billerica, MA.....	1	--	9.33	--	9.33	--	7.97	--	7.97
Burlington, MA.....	2	20.53	--	--	20.53	18.45	--	--	18.45
Lexington, MA(3).....	10	19.76	6.60	--	19.15	17.95	6.60	--	17.42
Route 128/MA Turnpike									
Waltham, MA.....	6	21.58	--	--	21.58	19.12	--	--	19.12
Route 128 SW									
Westwood, MA.....	2	--	--	6.09	6.09	--	--	5.80	5.80
Route 128 South									
Quincy, MA.....	1	19.86	--	--	19.86	19.86	--	--	19.86
Boston.....	1	35.39	--	--	35.39	34.94	--	--	34.94
Subtotal.....	31	21.71	9.86	6.09	18.02	19.67	10.04	5.80	16.57
GREATER WASHINGTON, D.C.									
SW Washington, D.C.(4)..	4	34.50	--	--	34.50	32.97	--	--	32.97
West End Washington, D.C.	1	48.04	--	--	48.04	46.82	--	--	46.82
Montgomery County, MD									
Bethesda, MD.....	3	23.03	--	--	23.03	21.22	--	--	21.22
Gaithersburg, MD(5)....	1	17.98	--	--	17.98	18.68	--	--	18.68
Prince George's County, MD									
Landover, MD.....	3	--	--	7.77	7.77	--	--	5.28	5.28
Fairfax County, VA									
Herndon, VA(6).....	2	--	--	--	--	--	--	--	--
Reston, VA(7).....	2	--	--	--	--	--	--	--	--
Springfield, VA(4)(8)..	11	--	11.04	--	11.04	--	9.65	--	9.65
Subtotal.....	27	32.06	11.04	7.77	26.72	30.57	9.65	5.28	25.19
MIDTOWN MANHATTAN									
Park Avenue.....	1	52.90	--	--	52.90	47.13	--	--	47.13
GREATER SAN FRANCISCO									
Hayward, CA.....	1	--	--	3.90	3.90	--	--	2.81	2.81
San Francisco, CA(9)...	11	--	7.95	5.88	7.29	--	8.93	5.40	7.82
Subtotal.....	12	--	7.95	4.89	6.48	--	8.93	4.11	6.61
BUCKS COUNTY, PA.....	1	--	--	5.38	5.38	--	--	5.38	5.38
Total.....	72	\$32.15	\$10.22	\$6.25	\$25.87	\$29.70	\$ 9.75	\$5.27	\$23.91

- (1) Escalated Rent Per Leased Square Foot represents the annualized monthly Base Rent in effect (after giving effect to any contractual increases in monthly Base Rent that have occurred up to December 31, 1996) plus annualized monthly tenant pass-throughs of operating and other expenses (but excluding electricity costs paid by tenants) under each lease executed as of December 31, 1996, or, if such monthly rent has been reduced by a rent concession, the monthly rent that would have been in effect at such date in the absence of such concession, presented on a per leased square foot basis.
- (2) As used throughout this Prospectus, Annual Net Effective Rent Per Leased Square Foot represents the Base Rent for the month of December 1996, plus annualized monthly tenant pass-throughs of operating and other expenses (but excluding electricity costs paid by tenants) under each lease executed as of December 31, 1996, presented on a straight-line basis in accordance with GAAP, minus amortization of tenant improvement costs and leasing commissions, if any, paid or payable by the Company during such period, annualized.
- (3) Does not include rents for one Development Property.
- (4) Certain of such Properties are leased on the basis of net usable square feet (which has been converted to net rentable square feet for purposes of this table) due to the requirements of General Services Administration.
- (5) The Company will own a 75.0% general partner interest in the limited partnership that will own this Property. Because of the priority of the Company's partnership interest, the Company expects to receive any partnership distributions that are made with respect to this Property.
- (6) Does not include rents for two R&D Properties currently under redevelopment by the Company.
- (7) Does not include 1996 Escalated Rent for two Class A Office Buildings currently under development by the Company. The Company is acting as development manager of, and will be the 25.0% member of, the limited liability company that will own the Properties. The Company's economic interest may increase above 25.0% depending upon the achievement of certain performance goals.
- (8) Does not include rents for two Office Properties currently under development by the Company.
- (9) The Company will own a 35.7% controlling general partnership interest in the nine R&D Properties and two Industrial Properties located in Greater

TENANTS

TENANT DIVERSIFICATION

The Properties currently are leased to over 367 tenants that are engaged in a variety of businesses, including financial services, investment banking, publishing, computer technology, health care services, accounting and law. The following table sets forth information regarding the leases with respect to the 25 largest tenants at the Properties, based on the amount of square footage leased by such tenants as of December 31, 1996:

TENANT	PROPERTY	REMAINING LEASE TERM IN MONTHS	TOTAL NET RENTABLE SQUARE FEET	PERCENTAGE OF AGGREGATE LEASED SQUARE FEET	
General Services Administration(1)	National Aeronautics and Space Administration(2)....	Two Independence Square	187	569,337	7.7%
U.S. International Trade Commission(3)(4).....	The U.S. International Trade Commission Building		8	217,772	2.9
U.S. Customs Service(5).....	7601 Boston Boulevard, Building Eight		213	103,750	1.4
U.S. Department of State(6).....	7500 Boston Boulevard, Building Six		38	79,971	1.1
U.S. Department of State(7).....	7374 Boston Boulevard, Building Four		45	57,321	0.8
U.S. Customs Service(8).....	7375 Boston Boulevard, Building Ten		8	11,398	0.2
Total GSA Square Footage.....				1,039,549	14.0
Shearman & Sterling.....	599 Lexington Avenue		128	355,849	4.8
Office of the Comptroller of the Currency(9).....	One Independence Square		113	331,518	4.5
ComputerVision.....	Bedford Business Park	40-101		273,704	3.7
Lockheed Martin Corporation(10).....	8000 Grainger Court, Building Five, 7435 Boston Boulevard, Building One, 7451 Boston Boulevard, Building Two, 7375 Boston Boulevard, Building Ten, and Capital Gallery	21-66		267,355	3.7
Camp Dresser & McKee, Inc.	One and Ten Cambridge Center		39	214,725	2.9
Shaw, Pittman, Potts & Trowbridge.....	2300 N Street		117	204,154	2.7
The Stride Rite Corporation.....	191 Spring Street		115	162,700	2.2
J.I. Case Company.....	38 Cabot Boulevard		18	161,000	2.2
Medisense, Inc.	Bedford Business Park		114	150,000	2.0
Jones, Day, Reavis & Pogue.....	599 Lexington Avenue		62	144,289	1.9
Output Technologies, Inc.	40-46 Harvard Street		79	128,105	1.7
Mercer Management Consulting, Inc.(11)...	33 Hayden Avenue and 2300 N Street	59-62		119,215	1.6
Harvard Pilgrim Health Care, Inc.	100 Hayden Avenue and 170 Tracer Lane	38-47		115,448	1.6
Citibank, N.A.	599 Lexington Avenue		72	114,350	1.5
American PCS, L.P.	Democracy Center		116	108,591	1.5
State Street Bank Realty, Inc.....	Newport Office Center		71	85,366	1.1
The National Gallery of Art.....	2000 South Club Drive, Building Three		22	83,608	1.1
Open Software Foundation.....	Eleven Cambridge Center		24	79,616	1.1
Commercial Union Insurance Companies ...	Newport Office Center		55	70,878	1.0
Logica North America, Inc.	32 Hartwell Avenue		58	69,154	0.9
Biogen, Inc.	Fourteen Cambridge Center		74	67,362	0.9
Harte-Hanks Data Technologies, Inc.	164 Lexington Road		69	64,140	0.9
US Enrichment Corporation.....	Democracy Center		23	63,666	0.9
PAREXEL International Corporation.....	195 West Street		56	63,500	0.9

(1) All General Services Administration ("GSA") leases are full faith and credit obligations of the United States Government. The GSA accounted for approximately 15.6% of total Escalated Rent of Office and Industrial Properties for 1996.
 (2) Lease with the GSA for a net usable square footage amount of 488,374.
 (3) Lease with the GSA for a net usable square footage amount of 198,388.
 (4) The Company is currently negotiating a ten-year lease extension with the tenant.
 (5) Lease with the GSA for a net usable square footage amount of 99,155.
 (6) Lease with the GSA for a net usable square footage amount of 77,142.

- (7) Lease with the GSA for a net usable square footage amount of 47,629.
- (8) Lease with the GSA for a net usable square footage amount of 9,911.
- (9) Lease measured in net usable square footage of 293,736.
- (10) LMC Properties, Inc., a subsidiary of Lockheed Martin Corporation, leases 179,059 of the 267,355 square feet shown. Lockheed Martin Corporation guarantees such leases.
- (11) As of December 31, 1996, Mercer Management Consulting, Inc. had 26 months remaining under its lease at 33 Hayden Avenue. On April 2, 1997, Mercer Management Consulting, Inc. signed a 36 month extension to such lease.

LEASE DISTRIBUTION

The following table sets forth information relating to the distribution of the Company's leases based on square feet, as of December 31, 1996:

SQUARE FEET UNDER LEASE	NUMBER OF LEASES	PERCENT OF ALL LEASES	TOTAL LEASED SQUARE FEET	PERCENTAGE OF AGGREGATE LEASED SQUARE FEET	ANNUAL ESCALATED RENT	PERCENTAGE OF AGGREGATE ANNUAL ESCALATED RENT
2,500 or less.....	142	34.7%	204,857	2.8%	\$ 4,116,394	2.1%
2,501-5,000.....	80	19.6	289,494	3.9	6,730,057	3.5
5,001-7,500.....	39	9.5	240,386	3.2	5,527,156	2.9
7,501-10,000.....	23	5.6	191,504	2.6	4,902,928	2.6
10,001-20,000.....	43	10.5	600,200	8.1	14,260,801	7.4
20,001-40,000.....	36	8.8	1,008,203	13.6	22,019,658	11.5
40,001 +.....	46	11.2	4,895,807	65.9	134,651,899	70.1
Total.....	409	100.0%	7,430,451	100.0%	\$192,208,893	100.0%
	===	=====	=====	=====	=====	=====

LEASE EXPIRATIONS OF OFFICE AND INDUSTRIAL PROPERTIES

The following table sets forth a schedule of lease expirations for leases in place as of December 31, 1996, for each of the ten years beginning with 1997, for the Office and Industrial Properties, on an aggregate basis by property type and submarket, assuming that none of the tenants exercise renewal options and excluding an aggregate of 448,636 square feet of unleased space. As of December 31, 1996, the average lease term for the portfolio was 5.8 years.

OFFICE PROPERTIES
(MARKET/SUBMARKET)

CLASS A OFFICE BUILDINGS	1997	1998	1999	2000	2001	2002	2003	2004	2005
GREATER BOSTON									
(1)									
East Cambridge									
Square footage of expiring leases.....	66,561	106,387	63,691	217,684	2,912	4,227	25,644	0	0
Percentage of total rentable sq. ft.....	11.99%	19.16%	11.47%	39.21%	0.52%	0.76%	4.62%	0.00%	0.00%
Annual escalated rent (2).....	\$1,709,941	\$1,658,720	\$1,508,874	\$6,691,092	\$ 84,064	\$ 0	\$ 577,244	\$ 0	\$ 0
No. of tenants whose leases expire.....	10	5	10	3	1	1	1	0	0
Annualized escalated rent per leased sq. ft.	\$ 25.69	\$ 15.59	\$ 23.69	\$ 30.74	\$ 28.87	\$ 0.00	\$ 22.51	\$ 0.00	\$ 0.00
Annualized escalated rent per leased sq. ft. w/future step-ups (3).....	\$ 25.69	\$ 15.59	\$ 24.04	\$ 30.83	\$ 28.87	\$ 0.00	\$ 29.53	\$ 0.00	\$ 0.00
Company Quoted Rental Rate per sq. ft. (4).....	\$ 27.92								
Route 128 NW									
Square footage of expiring leases.....	107,302	31,569	114,624	100,517	208,810	42,380	0	0	90,000
Percentage of total rentable sq. ft.....	11.52%	3.39%	12.31%	10.79%	22.42%	4.55%	0.00%	0.00%	9.66%
Annual escalated rent (2).....	\$2,064,829	\$ 618,056	\$1,827,219	\$1,958,038	\$3,925,467	\$ 912,825	\$ 0	\$ 0	\$1,513,011
No. of tenants whose leases expire.....	26	10	7	9	16	3	0	0	1
Annualized escalated rent per leased sq. ft.	\$ 19.24	\$ 19.58	\$ 15.94	\$ 19.48	\$ 18.80	\$ 21.54	\$ 0.00	\$ 0.00	\$ 16.81
Annualized escalated rent per leased sq. ft. w/future step-ups (3).....	\$ 20.59	\$ 19.71	\$ 17.49	\$ 21.09	\$ 19.73	\$ 21.98	\$ 0.00	\$ 0.00	\$ 18.22
Company Quoted Rental Rate per sq. ft. (4).....	\$ 27.73								
Route 128/Massachusetts Turnpike									
Square footage of expiring leases.....	43,402	27,883	53,830	85,215	90,674	6,386	0	0	0
Percentage of total rentable sq. ft.	14.12%	9.07%	17.51%	27.72%	29.5%	2.08%	0.00%	0.00%	0.00%
Annual escalated rent (2).....	\$ 883,936	\$ 515,460	\$1,048,487	\$1,875,565	\$2,181,934	\$ 128,026	\$ 0	\$ 0	\$ 0
No. of tenants whose leases expire.....	9	7	9	4	3	2	0	0	0
Annualized escalated rent per leased sq. ft.	\$ 20.37	\$ 18.49	\$ 19.48	\$ 22.01	\$ 24.06	\$ 20.05	\$ 0.00	\$ 0.00	\$ 0.00
Annualized escalated rent per leased sq. ft. w/future step-ups (3).....	\$ 20.37	\$ 18.50	\$ 19.53	\$ 22.06	\$ 25.95	\$ 22.19	\$ 0.00	\$ 0.00	\$ 0.00
Company Quoted Rental Rate per sq. ft. (4).....	\$ 26.48								
Route 128 South									
Square footage of expiring leases.....	4,500	0	0	0	70,878	85,366	0	0	0

Percentage of total rentable sq. ft.	2.67%	0.00%	0.00%	0.00%	41.98%	50.56%	0.00%	0.00%	0.00%
Annual escalated rent (2).....	\$ 18,000	\$ 0	\$ 0	\$ 0	\$1,599,766	\$1,574,260	\$ 0	\$ 0	\$ 0
No. of tenants whose leases expire.....	1	0	0	0	1	1	0	0	0
Annualized escalated rent per leased sq. ft.	\$ 4.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 22.57	\$ 18.44	\$ 0.00	\$ 0.00	\$ 0.00
Annualized escalated rent per leased sq. ft. w/future step-ups (3).....	\$ 4.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 22.57	\$ 20.69	\$ 0.00	\$ 0.00	\$ 0.00
Company Quoted Rental Rate per sq. ft. (4).....	\$ 22.00								
GREATER WASHINGTON, D.C.									
Southwest Washington, D.C.									
Square footage of expiring leases.....	288,199	48,855	40,204	87,733	51,848	1,892	41,678	52,838	0
Percentage of total rentable sq. ft.	18.50%	3.20%	2.58%	5.63%	3.33%	0.12%	2.68%	3.39%	0.00%
Annual escalated rent (2).....	\$7,998,349	\$1,410,423	\$1,362,607	\$3,087,920	\$1,727,079	\$ 70,084	\$1,379,243	\$1,914,405	\$ 0
No. of tenants whose leases expire.....	17	5	5	10	8	3	1	1	0
Annualized escalated rent per leased sq. ft.	\$ 27.75	\$ 28.29	\$ 33.89	\$ 35.20	\$ 33.31	\$ 37.04	\$ 33.09	\$ 36.23	\$ 0.00
Annualized escalated rent per leased sq. ft. w/future step-ups (3).....	\$ 27.76	\$ 28.31	\$ 33.89	\$ 35.33	\$ 34.33	\$ 40.66	\$ 33.09	\$ 44.94	\$ 0.00
Company Quoted Rental Rate per sq. ft. (4).....	\$ 34.64								
CLASS A OFFICE BUILDINGS									
	2006	2007 & BEYOND							

GREATER BOSTON (1)									
East Cambridge									
Square footage of expiring leases.....	21,519	46,524							
Percentage of total rentable sq. ft.	3.88%	8.38%							
Annual escalated rent (2).....	\$ 587,469	\$ 974,862							
No. of tenants whose leases expire.....	1	1							
Annualized escalated rent per leased sq. ft.	\$ 27.30	\$ 20.95							
Annualized escalated rent per leased sq. ft. w/future step-ups (3).....	\$ 31.80	\$ 20.95							
Company Quoted Rental Rate per sq. ft. (4).....									
Route 128 NW									
Square footage of expiring leases.....	162,700	0							
Percentage of total rentable sq. ft.	17.47%	0.00%							
Annual escalated rent (2).....	\$ 3,986,701	\$ 0							
No. of tenants whose leases expire.....	1	0							
Annualized escalated rent per leased sq. ft.	\$ 24.50	\$ 0.00							
Annualized escalated rent per leased sq. ft. w/future step-ups (3).....	\$ 29.14	\$ 0.00							
Company Quoted									

Rental Rate per sq. ft. (4).....			
Route 128/Massachusetts Turnpike			
Square footage of expiring leases.....	0		0
Percentage of total rentable sq. ft.	0.00%		0.00%
Annual escalated rent (2).....	\$ 0	\$	0
No. of tenants whose leases expire.....	0		0
Annualized escalated rent per leased sq. ft.	\$ 0.00	\$	0.00
Annualized escalated rent per leased sq. ft. w/future step-ups (3).....	\$ 0.00	\$	0.00
Company Quoted Rental Rate per sq. ft. (4).....			
Route 128 South			
Square footage of expiring leases.....	0		0
Percentage of total rentable sq. ft.	0.00%		0.00%
Annual escalated rent (2).....	\$ 0	\$	0
No. of tenants whose leases expire.....	0		0
Annualized escalated rent per leased sq. ft.	\$ 0.00	\$	0.00
Annualized escalated rent per leased sq. ft. w/future step-ups (3).....	\$ 0.00	\$	0.00
Company Quoted Rental Rate per sq. ft. (4).....			
GREATER WASHINGTON, D.C.			
Southwest Washington, D.C.			
Square footage of expiring leases.....	331,518		582,905
Percentage of total rentable sq. ft.	21.28%		37.42%
Annual escalated rent (2).....	\$12,639,392	\$21,149,255	
No. of tenants whose leases expire.....	1		3
Annualized escalated rent per leased sq. ft.	\$ 38.13	\$	36.28
Annualized escalated rent per leased sq. ft. w/future step-ups (3).....	\$ 39.22	\$	38.58
Company Quoted Rental Rate per sq. ft. (4).....			

whose leases expire.....	5	9	9
Annualized escalated rent per leased sq. ft.	\$ 21.04	\$ 35.86	\$ 41.04
Annualized escalated rent per leased sq. ft. w/future step-ups (3).....	\$ 26.39	\$ 37.99	\$ 43.11
Company Quoted Rental Rate per sq. ft. (4).....			

R&D PROPERTIES

GREATER BOSTON

East Cambridge

Square footage of expiring leases.....	0	0	0	0	0	0	67,362	0
Percentage of total rentable sq. ft.	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	0.00%
Annual escalated rent (2).....	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$1,315,519	\$ 0
No. of tenants whose leases expire.....	0	0	0	0	0	0	1	0
Annualized escalated rent per leased sq. ft.	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 19.53	\$ 0.00
Annualized escalated rent per leased sq. ft. w/future step-ups (3).....	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 25.86	\$ 0.00
Company Quoted Rental Rate per sq. ft. (4).....	\$ 25.00							

GREATER BOSTON

East Cambridge

Square footage of expiring leases.....	0	0	0
Percentage of total rentable sq. ft.	0.00%	0.00%	0.00%
Annual escalated rent (2).....	\$ 0	\$ 0	\$ 0
No. of tenants whose leases expire.....	0	0	0
Annualized escalated rent per leased sq. ft.	\$ 0.00	\$ 0.00	\$ 0.00
Annualized escalated rent per leased sq. ft. w/future step-ups (3).....	\$ 0.00	\$ 0.00	\$ 0.00
Company Quoted Rental Rate per sq. ft. (4).....			

leased sq. ft. w/future step- ups (3).....	\$	9.58	\$	8.73	\$	9.82	\$	9.42	\$	13.86	\$	9.24	\$	18.45	\$	10.12	\$	0.00	\$	9.20	
Company Quoted Rental Rate per sq. ft. (4).....	\$	11.37																			
		2007 & BEYOND																			

Route 128 NW

Square footage of expiring leases.....		0																			
Percentage of total rentable sq. ft.		0.00%																			
Annual escalated rent (2).....	\$	0																			
No. of tenants whose leases ex- pire.....		0																			
Annualized esca- lated rent per leased sq. ft.	\$	0.00																			
Annualized esca- lated rent per leased sq. ft. w/future step- ups (3).....	\$	0.00																			
Company Quoted Rental Rate per sq. ft. (4).....																					

GREATER WASHING-
TON, D.C.
Fairfax County,
VA

Square footage of expiring leases.....		103,750																			
Percentage of total rentable sq. ft.		16.39%																			
Annual escalated rent (2).....	\$	1,437,971																			
No. of tenants whose leases ex- pire.....		1																			
Annualized esca- lated rent per leased sq. ft...	\$	13.86																			
Annualized esca- lated rent per leased sq. ft. w/future step- ups (3).....	\$	13.86																			
Company Quoted Rental Rate per sq. ft. (4).....																					

GREATER SAN FRAN-
CISCO

Square footage of expiring leases.....		0																			
Percentage of total rentable sq. ft.		0.00%																			
Annual escalated rent (2).....	\$	0																			
No. of tenants whose leases ex- pire.....		0																			
Annualized esca- lated rent per leased sq. ft...	\$	0.00																			
Annualized esca- lated rent per leased sq. ft. w/future step- ups (3).....	\$	0.00																			
Company Quoted Rental Rate per sq. ft. (4).....																					

TOTAL R&D PROPER-
TIES

Square footage of expiring leases.....		103,750																			
Percentage of total rentable sq. ft.		7.84%																			
Annual escalated rent (2).....	\$	1,437,971																			
No. of tenants whose leases ex- pire.....		1																			
Annualized esca- lated rent per leased sq. ft...	\$	13.86																			

Annual escalated rent (2).....	\$	0
No. of tenants whose leases ex- pire.....		0
Annualized esca- lated rent per leased sq. ft.	\$	0.00
Annualized esca- lated rent per leased sq. ft. w/future step- ups (3).....	\$	0.00
Company Quoted Rental Rate per sq. ft. (4).....		

	1997	1998	1999	2000	2001	2002	2003	2004
GREATER SAN FRANCISCO								
Square footage of expiring leases.....	0	20,000	40,000	0	60,000	0	0	0
Percentage of total rentable sq. ft.	0.00%	7.12%	14.23%	0.00%	21.35%	0.00%	0.00%	0.00%
Annual escalated rent (2).....	\$ 0	\$ 114,949	\$ 238,000	\$ 0	\$ 234,000	\$ 0	\$ 0	\$ 0
No. of tenants whose leases expire.....	0	1	1	0	1	0	0	0
Annualized escalated rent per leased sq. ft.	\$ 0.00	\$ 5.75	\$ 5.95	\$ 0.00	\$ 3.90	\$ 0.00	\$ 0.00	\$ 0.00
Annualized escalated rent per leased sq. ft. w/future step-ups (3).....	\$ 0.00	\$ 5.75	\$ 5.95	\$ 0.00	\$ 3.90	\$ 0.00	\$ 0.00	\$ 0.00
Company Quoted Rental Rate per sq. ft. (4).....	\$ 4.75							
BUCKS COUNTY, PA								
Square footage of expiring leases.....	0	161,000	0	0	0	0	0	0
Percentage of total rentable sq. ft.	0.00%	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Annual escalated rent (2).....	\$ 0	\$ 865,613	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
No. of tenants whose leases expire.....	0	1	0	0	0	0	0	0
Annualized-escalated rent per leased sq. ft.	\$ 0.00	\$ 5.38	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Annualized escalated rent per leased sq. ft. w/future step-ups (3).....	\$ 0.00	\$ 5.38	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Company Quoted Rental Rate per sq. ft. (4).....	\$ 7.50							
TOTAL INDUSTRIAL PROPERTIES								
Square footage of expiring leases.....	63,341	319,971	63,904	77,811	70,829	0	128,105	0
Percentage of total rentable sq. ft.	6.84%	34.55%	6.90%	8.40%	7.65%	0.00%	13.83%	0.00%
Annual escalated rent (2).....	\$ 449,523	\$ 2,121,129	\$ 355,298	\$ 676,644	\$ 360,458	\$ 0	\$ 560,520	\$ 0
No. of tenants whose leases expire.....	2	7	2	2	2	0	1	0
Annualized escalated rent per leased sq. ft.	\$ 7.10	\$ 6.63	\$ 5.56	\$ 8.70	\$ 5.09	\$ 0.00	\$ 4.38	\$ 0.00
Annualized escalated rent per leased sq. ft. w/future step-ups (3).....	\$ 7.10	\$ 6.71	\$ 5.56	\$ 8.70	\$ 5.09	\$ 0.00	\$ 6.32	\$ 0.00
Company Quoted Rental Rate per sq. ft. (4).....	\$ 5.65							
TOTAL OFFICE AND INDUSTRIAL PROPERTIES								
Square footage of expiring leases (6).....	812,485	856,374	548,201	1,039,151	652,626	732,175	336,858	68,675
Percentage of total rentable sq. ft.	10.31%	10.87%	6.96%	13.19%	8.28%	9.29%	4.28%	0.87%
Annual escalated rent (2).....	\$17,728,383	\$12,218,095	\$9,229,776	\$21,014,271	\$13,313,000	\$27,033,687	\$5,931,610	\$2,446,323
No. of tenants whose leases expire.....	117	64	58	57	44	27	11	5
Annualized escalated rent per leased sq. ft.	\$ 21.82	\$ 14.27	\$ 16.84	\$ 20.22	\$ 20.40	\$ 36.92	\$ 17.61	\$ 35.62

Annualized esca- lated rent per leased sq. ft. w/future step- ups (3).....	\$	22.00	\$	14.40	\$	17.43	\$	20.59	\$	21.30	\$	40.16	\$	20.65	\$	42.80
Company Quoted Rental Rate per sq. ft. (4).....	\$	25.39														

		2005		2006		2007 & BEYOND
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GREATER SAN FRAN-
CISCO

Square footage of expiring leases.....		0		0		0
Percentage of total rentable sq. ft.		0.00%		0.00%		0.00%
Annual escalated rent (2).....	\$	0	\$	0	\$	0
No. of tenants whose leases ex- pire.....		0		0		0
Annualized esca- lated rent per leased sq. ft.	\$	0.00	\$	0.00	\$	0.00
Annualized esca- lated rent per leased sq. ft. w/future step- ups (3).....	\$	0.00	\$	0.00	\$	0.00
Company Quoted Rental Rate per sq. ft. (4).....						

BUCKS COUNTY, PA

Square footage of expiring leases.....		0		0		0
Percentage of total rentable sq. ft.		0.00%		0.00%		0.00%
Annual escalated rent (2).....	\$	0	\$	0	\$	0
No. of tenants whose leases ex- pire.....		0		0		0
Annualized-esca- lated rent per leased sq. ft.	\$	0.00	\$	0.00	\$	0.00
Annualized esca- lated rent per leased sq. ft. w/future step- ups (3).....	\$	0.00	\$	0.00	\$	0.00
Company Quoted Rental Rate per sq. ft. (4).....						

TOTAL INDUSTRIAL
PROPERTIES

Square footage of expiring leases.....		0		0		0
Percentage of total rentable sq. ft.		0.00%		0.00%		0.00%
Annual escalated rent (2).....	\$	0	\$	0	\$	0
No. of tenants whose leases ex- pire.....		0		0		0
Annualized esca- lated rent per leased sq. ft.	\$	0.00	\$	0.00	\$	0.00
Annualized esca- lated rent per leased sq. ft. w/future step- ups (3).....	\$	0.00	\$	0.00	\$	0.00
Company Quoted Rental Rate per sq. ft. (4).....						

TOTAL OFFICE AND
INDUSTRIAL PROP-
ERTIES

Square footage of expiring leases (6).....		134,971		1,041,166		1,177,242
Percentage of total rentable sq. ft.....		1.71%		13.21%		14.94%
Annual escalated rent (2).....	\$	2,839,289	\$	33,335,123	\$	45,492,465
No. of tenants whose leases ex-						

	5	10	10
pire.....			
Annualized esca- lated rent per leased sq. ft.	\$ 21.04	\$ 32.02	\$ 38.64
Annualized esca- lated rent per leased sq. ft. w/future step- ups (3).....	\$ 26.39	\$ 33.84	\$ 40.54
Company Quoted Rental Rate per sq. ft. (4).....			

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- (1) The Company owns one Office Property in Boston which is used exclusively as the Company's headquarters.
- (2) Escalated Rent represents the annualized monthly Base Rent in effect (after giving effect to any contractual increases in monthly Base Rent that have occurred up to December 31, 1996) including annualized monthly tenant pass-throughs of operating and other expenses (but excluding electricity costs paid by tenants) under each lease executed as of December 31, 1996, or, if such monthly rent has been reduced by a rent concession, the monthly rent that would have been in effect at such date in the absence of such concession. For purposes of this table, pass-throughs of operating and other expenses are estimated to remain constant.
- (3) Represents Escalated Rent as described in footnote (2) above, but also reflects contractual increases in monthly Base Rent that occur after December 31, 1996.
- (4) Represents weighted average rental rates per square foot quoted by the Company as of January 1, 1997, based on total net rentable square feet of Company Properties in the submarket. These rates have not been adjusted to a full-service equivalent rate in markets in which the Company's rates are not quoted on a full-service basis.
- (5) Mandatory expansion rights for Orrick Herrington & Sutcliffe LLP and Shearman & Sterling totaling 83,000 square feet have been reflected in this lease expiration schedule.
- (6) As of May 22, 1997, 365,786 square feet, or 45% of the total 812,485 square feet expiring, has been renewed at an average rent of \$29.73 per square foot.

HISTORICAL TENANT IMPROVEMENTS AND LEASING COMMISSIONS

The following table sets forth certain historical information regarding recurring tenant improvement and leasing commission costs for tenants at the Office and Industrial Properties during the years ending December 31, 1992 through December 31, 1996.

	1992	1993	1994	1995	1996	WEIGHTED AVERAGE
OFFICE PROPERTIES						
Class A Office Buildings						
RENEWALS						
Number of leases.....	39	34	30	36	45	
Square feet.....	298,580	163,008	239,441	78,216	226,941	
Tenant improvement costs per square foot.....	\$ 1.63	\$ 0.47	\$ 2.70	\$ 0.48	\$ 2.80	\$ 1.87
Leasing commission costs per square foot.....	0.30	0.26	0.93	1.32	1.67	0.83
Total tenant improvement and leasing commission costs per square foot....	\$ 1.93	\$ 0.73	\$ 3.63	\$ 1.80	\$ 4.47	\$ 2.70
NEW LEASES						
Number of leases.....	38	43	57	58	60	
Square feet.....	374,558	288,287	451,018	690,297	782,782	
Tenant improvement costs per square foot.....	\$10.50	\$10.43	\$10.53	\$ 8.08	\$10.33	\$ 9.80
Leasing commission costs per square foot.....	2.06	2.38	2.02	3.59	2.88	2.75
Total tenant improvement and leasing commission costs per square foot....	\$12.56	\$12.81	\$12.55	\$11.67	\$13.21	\$12.55
TOTAL						
Number of leases.....	77	77	87	94	104	
Square feet.....	673,138	451,295	690,459	768,513	970,072	
Tenant improvement costs per square foot.....	\$ 6.57	\$ 6.83	\$ 7.81	\$ 7.30	\$ 8.99	\$ 7.66
Leasing commission costs per square foot.....	1.28	1.62	1.64	3.36	2.41	2.15
Total tenant improvement and leasing commission costs per square foot....	\$ 7.85	\$ 8.45	\$ 9.45	\$10.66	\$11.40	\$ 9.81
R&D Properties						
RENEWALS						
Number of leases.....	7	11	9	10	11	
Square feet.....	58,400	20,890	49,552	31,492	139,254	
Tenant improvement costs per square foot.....	\$ 2.73	\$ 2.22	\$ 0.74	\$ 1.35	\$ 0.98	\$ 1.41
Leasing commission costs per square foot.....	0.12	2.36	0.59	1.12	0.65	0.70
Total tenant improvement and leasing commission costs per square foot....	\$ 2.85	\$ 4.58	\$ 1.33	\$ 2.47	\$ 1.63	\$ 2.11
NEW LEASES						
Number of leases.....	28	26	20	16	16	
Square feet.....	126,670	146,067	228,780	145,581	198,442	
Tenant improvement costs per square foot.....	\$ 3.42	\$ 4.02	\$ 0.19	\$ 7.23	\$15.01	\$ 6.04
Leasing commission costs per square foot.....	0.84	1.66	0.34	0.75	1.62	1.01
Total tenant improvement and leasing commission costs per square foot....	\$ 4.26	\$ 5.68	\$ 0.53	\$ 7.98	\$16.63	\$ 7.05
TOTAL						
Number of leases.....	35	37	29	26	27	
Square feet.....	185,070	166,957	276,332	177,073	337,676	
Tenant improvement costs per square foot.....	\$ 3.21	\$ 3.79	\$ 0.29	\$ 6.18	\$ 9.23	\$ 4.83
Leasing commission costs per square foot.....	0.61	1.74	0.39	0.81	1.22	0.93
Total tenant improvement and leasing commission costs per square foot....	\$ 3.82	\$ 5.53	\$ 0.68	\$ 6.99	\$10.45	\$ 5.76
INDUSTRIAL PROPERTIES						
RENEWALS						
Number of leases.....	1	0	2	4	3	
Square feet.....	13,367	0	13,367	71,283	46,117	
Tenant improvement costs per square foot.....	\$ 2.27	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.21
Leasing commission costs per square foot.....	0.00	0.00	0.32	0.06	0.57	0.24

Total tenant improvement and leasing commission costs per square foot....	\$ 2.27	\$ 0.00	\$ 0.32	\$ 0.06	\$ 0.57	\$ 0.45
=====						
NEW LEASES						
Number of leases.....	3	4	4	9	5	
Square feet.....	31,106	241,500	119,160	237,105	82,031	
Tenant improvement costs per square foot.....	\$ 1.00	\$ 0.12	\$ 1.58	\$ 0.19	\$ 1.09	\$ 0.54
Leasing commission costs per square foot.....	1.33	0.16	2.08	1.09	1.25	0.97

Total tenant improvement and leasing commission costs per square foot....	\$ 2.33	\$ 0.28	\$ 3.66	\$ 1.28	\$ 2.34	\$ 1.51
=====						
TOTAL						
Number of leases.....	4	4	6	13	8	
Square feet.....	44,473	241,500	132,521	308,388	128,148	
Tenant improvement costs per square foot.....	\$ 1.38	\$ 0.12	\$ 1.42	\$ 0.15	\$ 0.70	\$ 0.48
Leasing commission costs per square foot.....	0.93	0.16	1.90	0.85	1.01	0.84

Total tenant improvement and leasing commission costs per square foot....	\$ 2.31	\$ 0.28	\$ 3.32	\$ 1.00	\$ 1.71	\$ 1.32
=====						

TOTAL OFFICE AND INDUSTRIAL PROPERTIES	1992	1993	1994	1995	1996	WEIGHTED AVERAGE
RENEWALS						
Number of leases(1)...	47	45	41	50	59	
Square feet(1).....	370,347	183,898	302,360	180,991	412,312	
Tenant improvement costs per square foot.....	\$1.83	\$0.67	\$2.26	\$0.44	\$1.87	\$1.60
Leasing commission costs per square foot.....	0.26	0.50	0.85	0.79	1.20	0.75
Total tenant improvement and leasing commission costs per square foot.....	\$2.09	\$1.17	\$3.11	\$1.23	\$3.07	\$2.35
NEW LEASES						
Number of leases(2)...	69	73	81	83	81	
Square feet(2).....	532,334	675,854	796,958	1,072,983	1,063,235	
Tenant improvement costs per square foot.....	\$8.26	\$5.36	\$6.25	\$6.22	\$10.49	\$7.44
Leasing commission costs per square foot.....	1.73	1.43	1.55	2.65	2.52	2.09
Total tenant improvement and leasing commission costs per square foot.....	\$9.99	\$6.79	\$7.80	\$8.87	\$13.01	\$9.53
TOTAL						
Number of leases.....	116	118	122	133	140	
Square feet.....	902,681	859,752	1,099,318	1,253,974	1,475,547	
Tenant improvement costs per square foot.....	\$5.62	\$4.35	\$5.15	\$5.39	\$8.09	\$5.93
Leasing commission costs per square foot.....	1.12	1.23	1.36	2.38	2.16	1.74
Total tenant improvement and leasing commission costs per square foot.....	\$6.74	\$5.58	\$6.51	\$7.77	\$10.25	\$7.67

- (1) Does not include retained tenants that have relocated to new space or expanded into new space.
(2) Includes retained tenants that have relocated or expanded into new space.

HISTORICAL CAPITAL EXPENDITURES

For each of the years 1997 and 1998, the Company projects the cost of building improvements and equipment upgrades (excluding the costs of tenant improvements) at the Office and Industrial Properties to be approximately \$1,642,000 (or \$0.20 per square foot), which cost is expected to be paid from operating cash flows.

The following table sets forth certain historical information regarding recurring capital expenditures at the Office and Industrial Properties for the years ending December 31, 1992 through December 31, 1996.

	YEAR ENDED DECEMBER 31,					ANNUAL AVERAGE
	1992	1993	1994	1995	1996	
Recurring capital expenditures.....	\$1,425	\$1,547	\$1,812	\$1,618	\$1,803	\$1,642

(IN THOUSANDS)

The following table sets forth historical capital expenditures at the Hotel Properties incurring during the years ending December 31, 1992 through December 31, 1996. The average cost is presented below:

	YEAR ENDED DECEMBER 31,					ANNUAL AVERAGE
	1992	1993	1994	1995	1996	
Hotel improvements, equipment upgrades and replacements.....	\$3,182	\$836	\$1,917	\$4,420	\$3,041	\$2,679

(IN THOUSANDS)

Hotel improvements, equipment upgrades and replacements..... \$3,182 \$836 \$1,917 \$4,420 \$3,041 \$2,679

TENANT RELATIONS

The Company believes that its relationship with tenants contributes in large part to its success in attracting, expanding and retaining its quality and diverse tenant base. The Company strives to develop and maintain good relationships with tenants through its active management style and by being responsive to individual tenants' needs. The Company services tenants primarily through its on site, professional management staff. Management believes that tenant satisfaction fosters long-term tenant relationships and creates expansion opportunities, which, in turn, enhance the Company's ability to maintain and increase occupancy rates.

HISTORICAL LEASE RENEWALS

The following table sets forth certain historical information regarding tenants at the Properties who renewed an existing lease at or prior to the expiration of the existing lease:

	1993	1994	1995	1996	TOTAL/ WEIGHTED AVERAGE 1993-1996
Number of leases expired during calendar year.....	95	105	95	104	100
Aggregate net rentable square footage of expiring leases.....	916,164	1,395,922	1,008,579	892,486	1,053,288
Number of lease renewals...	49	45	53	62	52
Aggregate net rentable square footage of lease renewals.....	336,156	452,885	444,229	451,504	421,194
Percentage of leases renewed.....	51.6%	42.9%	55.8%	59.6%	52.0%
Percentage of expiring net rentable square footage renewed.....	36.7%	32.4%	44.1%	50.6%	40.0%

THE OFFICE PROPERTIES

The Office Properties consist of the 36 Class A Office Buildings, including three Development Properties, and the 27 R&D Properties, including four Development Properties. The Company's 36 Class A Office Buildings contain approximately 6.2 million net rentable square feet in urban and suburban settings in Greater Boston, Greater Washington, D.C. and midtown Manhattan. The Company's Class A Office Buildings include 599 Lexington Avenue in midtown Manhattan, which has approximately 1.0 million net rentable square feet. As of December 31, 1996, the Class A Office Buildings (excluding the Development Properties) had an occupancy rate of 96%. Thirty-five of the Class A Office Buildings including Development Properties (consisting of approximately 6.1 million rentable square feet), have been built or substantially redeveloped since 1980.

The 27 R&D Properties contain approximately 1.6 million net rentable square feet and consist primarily of suburban properties located in the Springfield, Virginia submarket of Greater Washington, D.C. and the East Cambridge and Route 128 Northwest submarkets of Greater Boston. Seventeen of the R&D Properties (including Development Properties), totaling approximately 1.4 million net rentable square feet, have been built or substantially renovated since 1980. As of December 31, 1996, the R&D Properties (excluding the Development Properties) had an occupancy rate of 96%.

Management believes that the location and quality of construction of the Office Properties, as well as the Company's reputation for providing a high level of tenant service, have enabled the Company to attract and retain a diverse tenant base. As of January 1, 1997, the Office Properties were leased to 353 tenants, and no single tenant, other than the General Services Administration, whose lease obligations are full faith and credit obligations of the United States government, accounted for more than approximately 9.3% of the aggregate Escalated Rent of the Company's Office and Industrial Properties.

GREATER BOSTON OFFICE MARKET

Greater Boston, the seventh largest metropolitan area in the United States, has a strong and diverse economy and is a nationally recognized center of higher education, technological entrepreneurship, investment management, health care and research and development. Economic growth during the 1990's substantially increased demand for office space while there has been little addition to the total office space supply of approximately 103 million square feet in this market area defined by the cities and towns within or adjacent to the US I-495 outer circumferential highway. This has resulted in substantial absorption of available space accompanied by rising rents. Between 1992 and 1996, according to information provided by Spaulding & Slye, the office space availability rate in this market (space currently available direct from landlord or by sublease, or scheduled to become available within 12 months) declined from 16.0% to 8.3% while average quoted rents increased 23%, and the Direct Vacancy Rate was only 5.0% at the end of 1996. During this same 1992-96 period office space supply grew by only 1.3% (351,000 square feet) and there was net absorption of approximately 10.8 million square feet at a relatively steady rate (approximately 1.8 million square feet in 1992, 2.2 million square feet annually 1993-95, and 2.3 million square feet in 1996).

The Company expects this positive office space demand-supply relationship to further strengthen due to the growing economy and anticipated increases in population and employment. Between 1996 and 2001 the population of metropolitan Boston is expected to grow by approximately 231,000, with an increase in total employment of approximately 106,000, an increase in office employment alone of approximately 56,000, and substantial resulting need for office space. The Company believes this expected growth in demand will result in further increases in rental rates in Greater Boston generally and particularly in the three submarkets in which the Company's Greater Boston office properties are concentrated, which are already experiencing low vacancy rates and have substantial limitations on potential increases in supply because of limited sites available for development and significant regulatory obstacles to development. These submarkets are East Cambridge, a market area directly across the Charles River from downtown Boston that includes MIT, and two submarkets adjacent to each other along the west/northwest quadrant of "Route 128," the inner circumferential highway known for its concentration of high-technology firms. According to Spaulding & Slye, the Direct Vacancy rates at the end of 1996 of these submarkets, and their supply sizes, were as follows: 1.8% Direct Vacancy in the 6.5 million square feet East Cambridge submarket; 2.6% Direct Vacancy in the 11.5 million square feet Route 128/West submarket; and 5.3% Direct Vacancy in the 7.2 million square feet Route 128 Northwest submarket.

The Greater Boston economy is strong and competitive due to its diversity. The Greater Boston market is characterized by four core industry groups: (i) information technology, (ii) financial services, (iii) health care, and (iv) research and development, including both academic and commercial research. Local businesses within these industry groups successfully compete both nationally and internationally. Growth in the area has centered around the emergence of a large number of small to medium-sized companies within these industry groups.

Over 60 colleges and universities are located within the Greater Boston area, attracting to the region in excess of 240,000 students from both within the United States and abroad. These colleges and universities, including Harvard University, MIT, Tufts University, Brandeis University, Boston College, Northeastern University and Boston University, contribute \$5 billion annually to the local economy and draw a diverse and talented student population to the region. Many graduates remain in the area, providing local businesses with a highly-educated, top-quality workforce.

According to the Massachusetts Department of Employment and Training, the Boston area's employment base has expanded by 22% since 1992 to its current size of almost 2 million jobs. The service sector continues to increase its share of the region's economy, currently accounting for 39% of the employment base. As a result of the steady growth in the Boston economy, the local unemployment rate has fallen from 7.0% in 1992 to 3.4% in 1996.

In addition to its expanding economy, Massachusetts has a high and rising standard of living. Per capita income in the State is growing at a faster pace than both the nation and the New England region as a whole. According to the U.S. Commerce Department, per capita income in Massachusetts grew by 6.4% to \$28,021 in 1995, which was the second largest gain in the nation for that year, and grew another 4.5% to \$29,288 in 1996.

The Company believes that the prospects for continued economic growth in the region are excellent because of the diverse mix of companies in the area, which has helped to create an economy which is both broad and deep, the local availability of venture and growth capital, the vitality of the City of Boston as a business, cultural and residential center, and the major improvements in transportation infrastructure currently underway.

COMPANY'S HEADQUARTERS

The Company's only Office Property in downtown Boston is Eight Arlington Street, an historic, six-story Class A office building that serves as the Company's headquarters. The building has a brownstone structure and is situated among numerous other historic brick and brownstone buildings in Boston's Back Bay. The building is directly across from the Boston Public Garden and is only a short walk from Beacon Hill and the downtown Boston financial district. The Property contains approximately 26,990 rentable square feet of office space, as well as 3,536 square feet of storage space. The building is located on an approximately 8,000 square foot parcel of land, with executive parking for four cars available on site. The building was originally constructed in two phases in 1860 and 1920 and was completely renovated by the Company in 1989.

EAST CAMBRIDGE OFFICE SUBMARKET

The Cambridge office market contains 9.8 million square feet and accounts for 9% of Greater Boston's 103.3 million square foot office supply. According to Spaulding & Slye, the availability rate in Cambridge as a whole fell from 12% in 1992 to 5.5% in 1996, with 909,000 square feet absorbed while only 300,000 square feet were added to the supply. The presence of both Harvard University and MIT attracts existing firms and is a source of new business formation. In addition, the City benefits from proximity to Logan Airport and to Boston across the Charles River as well as from its own urban attractions. Office development has also been aided by the availability of rapid transit and has concentrated along areas served by the Red and Green Lines of the Metropolitan Boston Transit Authority (the "MBTA").

The East Cambridge submarket accounted for the majority of the growth in supply that occurred in Cambridge during the 1980's and with 6.5 million square feet, East Cambridge is now this city's largest and most active submarket, accounting for 67% of the total office space inventory. The office development in East Cambridge was in significant part the result of city government initiatives that were accompanied by substantial roadway, open space and other infrastructure improvements and expansions of supporting retail and business services. According to Spaulding & Slye, the availability rate in this submarket fell from 10.7% in 1992 to 5.7% in 1996 and the Direct Vacancy was only 1.8% at the end of 1996. The positive impact of supply reductions on rent levels lagged behind absorption but is now becoming evident; during 1992-1994 asking rents continued their post-1980's decline, and reached a low of \$18.67 per square foot in 1994, before rebounding sharply during the succeeding two years and reaching \$26.70 per square foot at the end of 1996. The Company believes these rent levels are still 20-25% below current replacement cost rents and will continue to increase significantly.

The Company's East Cambridge Office Properties consist of four Class A Office Buildings and one R&D Property.

The following graph provides information regarding availability rates and average asking rental rates at year end for each of the years from 1992 through 1996 for office buildings in the East Cambridge office submarket.

East Cambridge Office Submarket
Average Quoted Market Rent &
Availability Rate

[GRAPH APPEARS HERE]

Year	Availability Rate	Rent
1992	11%	\$20.54
1993	9%	19.03
1994	9%	18.67
1995	6%	21.64
1996	6%	26.70

Description of the Company's Cambridge Center Development Project

All of the Company's Properties in East Cambridge are located in Cambridge Center, a major mixed-use urban center developed by the Company on a 24-acre site at the center of Kendall Square, Cambridge, Massachusetts, directly across the Charles River from downtown Boston and immediately adjacent to the East Campus of MIT. The Company has developed this project in close cooperation with the City of Cambridge after

being selected as developer by the Cambridge Redevelopment Authority through a public competition. It is the centerpiece of the revitalized Kendall Square area and the Company believes it is the premier office development in the Cambridge market. As of December 31, 1996, the Company's East Cambridge Office Properties had an occupancy rate of 100%.

The master plan for Cambridge Center provides for over 2.7 million square feet of new development. The primary office and high-end research and development uses are supported by many services and amenities included in the development, which include: the Company's 431-room Marriott(R) Hotel with health club, meeting, function and conference facilities; extensive tenant and visitor parking providing the highest parking ratio available in the East Cambridge market; direct rapid transit service by the Kendall Station of the MBTA Red Line; major new urban parks and plazas constructed specifically for Cambridge Center; and a wide range of restaurants, shops and business services both directly in the development and in the immediately surrounding Kendall Square area.

Cambridge Center is separated by public streets and other public rights of way into three "superblock" development parcels, and the Company's properties are located on the "East Parcel" and the "North Parcel." The remaining "West Parcel" thus far has only one completed building, developed at Cambridge Center by the Company in cooperation with the Whitehead Institute for Biomedical Research, which owns the building. The Whitehead Institute is a world-renowned biomedical research foundation affiliated with MIT. The balance of the West Parcel consists of approximately four acres of undeveloped land on which the Company controls all development rights.

Description of Cambridge Center East Parcel Properties

The Company's three properties on the triangular East Parcel are the twelve-story One Cambridge Center office building, the 25-story Cambridge Center Marriott(R) Hotel at Two Cambridge Center, and the four-story Three Cambridge Center office building. These three buildings frame the major central public plaza of the project whose fourth side opens south onto Main Street facing a major entrance to MIT. The Company's main marketing center for Cambridge Center is at street level on the east side of the plaza, and a main entrance to the MBTA Red Line Kendall Station is on the west side of the plaza. More specific information about the two Office Properties on the East Parcel follows below. For information on the Cambridge Center Marriott Hotel, see "-- The Hotel Properties."

One Cambridge Center. This 12-story, 215,385 rentable square foot Class A office building, built by the Company in 1987, stands at the apex of the Cambridge Center development at the angled intersection of Main Street and Broadway. The building's east facade faces downtown Boston over the Longfellow Bridge and features a recessed and angled curtain wall between two columnar brick elements. The curtain wall includes at its base a two-story high private atrium, which is part of space on the second and third floors of the building under long term lease to Ernst & Young US LLP, for their Center for Business Innovation. Other major tenants include the corporate headquarters of Camp, Dresser & McKee Inc. ("CDM"), an internationally active environmental engineering and development company, and computer software and consulting firms including ON Technology, Inc. and Harlequin Incorporated. While six of the floors in the building are occupied on a full-floor basis, the office floors can be subdivided into suites as small as 1,000 square feet or less, and the smallest current tenant occupies a suite of only 885 square feet.

Three Cambridge Center. This four-story, 107,484 square foot Class A office building, completed by the Company in 1987, provides 60,960 square feet of office space on its upper three floors and 46,524 square feet of retail space on the street level and connected lower level. The major office tenant at present is The Hartford Fire Insurance Company (the "Hartford") which leases 35,687 square feet on the third and fourth floors of the building for a term that expires November 30, 1997. The Hartford has advised the Company that it will be relocating to a suburban building at the end of its lease term. By March, 1997, all of the space to be vacated by The Hartford was committed under letters of intent to two replacement tenants, at rents significantly higher than those being paid by The Hartford and with expected downtime between the departure of The Hartford and the start of rent under the new leases averaging less than one month. While no binding agreements will be established until final lease documents are executed with these tenants, the Company believes these transactions will be

successfully completed. As with One Cambridge Center, all of the floors in the building are easily subdividable. The balance of approximately 25,273 square feet of office space in the building not under lease to The Hartford is currently leased to ten tenants ranging in size from 918 square feet to 4,227 square feet.

The retail space in Three Cambridge Center is leased in its entirety for a term running through June, 2012, to The Harvard Cooperative Society ("The Coop") and houses the main branch of the "MIT Coop," the academic bookstore and retail store serving MIT. The MIT Coop is managed for The Coop by Barnes & Noble, and provides a wide range of retail goods that enhance the attractiveness of Cambridge Center as an office location, including an 8,500 square foot food court.

Description of Cambridge Center North Parcel Properties

The Company has four Properties on the Cambridge Center North Parcel. Three of these Properties are set along and complete the streetfront facing on Broadway, a main vehicular route through Cambridge that runs from the Longfellow Bridge from Boston to Harvard Square to the west. Running from east to west these properties are the seven-story Class A office building at Ten Cambridge Center; the six-level North Garage, which is set back from Broadway behind a handsomely landscaped park; and the four-story Class A office building at Eleven Cambridge Center. The fourth property is the two-story research and development building at Fourteen Cambridge Center on the northern corner of the parcel bordered by Binney Street.

Ten Cambridge Center. This seven-story, 152,664 square foot office building's exterior of brick, glass and pre-cast concrete features a two-story colonnade the full length of the 183-foot long facade on Broadway, with distinctive inverted-T pre-cast concrete elements between brick columns. The building, which was completed by the Company in 1990, is designed in all respects to function as a multi-tenant building consistent in quality and subdivision flexibility with the Company's East Parcel buildings described above. The building is leased in its entirety to CDM, which has its corporate headquarters at One Cambridge Center.

Cambridge Center North Garage. This 1,170-space, six-level parking garage, completed by the Company in 1990, is set in a highly landscaped setting in the middle of the North Parcel. It is set back from Broadway over 100 feet behind a heavily-landscaped park which features a perennial garden surrounding a central open lawn and which received the 1990 Urban Landscape Award from the Massachusetts Horticultural Society. The garage provides parking spaces for occupants of and business visitors to buildings at Cambridge Center and also provides monthly parking to individuals in the Kendall Square area and transient day parking. In order to assist the Company in maintaining its qualifications as a REIT under federal tax law, following the Offering the Company will lease this Property, pursuant to a lease with a participation in the gross receipts of the Property, to Kinney Systems, Inc.

Eleven Cambridge Center. This four-story, 79,616 square foot office building is on the southwest corner of the North Parcel facing Broadway. The brick and punched-window exterior is set back from Broadway behind a ten-foot deep planter and the entrance to the building is at the center of this landscaped zone through a three-story curtain wall into a lobby atrium of the same height. As with Ten Cambridge Center, the building, which was built by the Company in 1984, is designed to function in every respect as a multi-tenant building with no modifications required to do so. The building is currently leased in its entirety to the Open Software Foundation, originally founded in 1988 by a consortium of leading computer companies and which now has a membership of over 200 firms worldwide.

Fourteen Cambridge Center. This two-story, 67,362 square feet R&D Property with a brick exterior was built by the Company in 1983 to provide headquarters offices, research laboratories and supporting facilities for Biogen, Inc. Since that time Biogen has grown substantially and relocated most of its office functions to other buildings at Cambridge Center and in the immediately surrounding area. The building has extensive special HVAC and utility services (including steam and gas) that provide it with the capacity to service high intensity research and production facilities for the biotechnology industry and allied research needs. The building's entrance is through a major curtain wall element in its long west side flanked by extensive landscaping, opening onto a two-story skylight-topped central atrium featuring a monumental central staircase providing access directly to the second level.

ROUTE 128 NORTHWEST SUBMARKET

The Route 128 Northwest office submarket comprises six towns (Lexington, Lincoln, Concord, Bedford, Burlington and Billerica) with office locations primarily accessed by circumferential Route 128 and radial Route 2 on the south and Route 3 on the north. Construction activity during the 1980's nearly tripled this submarket's office supply, and it's 1996 total of 7.2 million square feet of space accounts for 16% of the total Greater Boston supply of approximately 45.2 million square feet. Together with the 11.5 million square feet of space in the adjacent Route 128/Massachusetts Turnpike submarket to the south it defines the preferred core of the suburban Boston office market area.

According to information from Spaulding & Slye, approximately one million square feet of space were absorbed between 1992 and 1996 with no increase in supply, with a resulting dramatic decrease in the availability rate from 23.7% to 9.4% during this period and a direct vacancy rate at the end of 1996 of only 5.3%. Asking rents during this period increased from \$16.30 per square foot in 1992 to \$22.50 per square foot in 1996, with the greatest increase occurring during the years 1994-1996 when 922,000 square feet of space were absorbed and asking rent increased from \$17.01 to \$22.50. The Company believes that vacancy will continue to decline in the face of growing demand and limited increases in supply with resulting further increases in market rents.

The Company's Route 128 Northwest Office Properties consist of eleven Class A Office Buildings and four R&D Properties.

The following graph provides information regarding availability rates and average asking rental rates at year end for each of the years from 1992 through 1996 for office buildings in the Route 128 Northwest Office Submarket.

Route 128 NW Office Submarket
Average Quoted Market Rent &
Availability Rate

[GRAPH APPEARS HERE]

Year	Availability Rate	Rent
- - - - -	-----	----
1992	24%	\$16.30
1993	18%	16.13
1994	22%	17.01
1995	13%	21.10
1996	9%	22.50

Description of Route 128 Northwest Office Properties

Route 2 Corridor Properties in the Route 128 Northwest Submarket

Route 2 is a state highway that is part of a major radial route from Boston and Cambridge to circumferential Route 128, the western suburbs and beyond. In the Route 128 Northwest submarket the Company owns four buildings and has a fifth building under construction within the Route 2 corridor in Lexington inside of Route 128 (Hayden Avenue/Spring Street). Significant characteristics of this area are the high visibility and identity of the office buildings, proximity to executive bedroom suburbs, the short (five mile) distance to Cambridge and the

desirability of a Lexington corporate address. All of these Properties have excellent access off Route 2 with direct visibility from Route 2 or Route 128.

191 Spring Street. This 162,700 square foot, four-story building is located on a prominent hillside overlooking the Route 2 and Route 128 interchange in Lexington, Massachusetts. The Class A office building was originally built in 1971 as the headquarters of a subsidiary of the Xerox Corporation. The Company purchased the 32.8 acre property in 1985 with a leaseback of the building to Xerox through September, 1994, and then obtained entitlements required for the development of two additional buildings, one of which is currently under construction at 201 Spring Street, as described under "Business and Properties--Development Properties." In 1994, after Xerox's lease expiration, the Company totally renovated the building to meet modern office standards, including all new window systems and the addition of a 2,800 square foot, three story atrium and a four story glass entrance tower. The building is now 100% leased as the corporate headquarters of The Stride Rite Corporation. The site provides 560 parking spaces.

33 Hayden Avenue. This three-story, Class A office building is located directly off Route 2 in Lexington, Massachusetts, with easy access to Boston and efficient floor plates. Mercer Management Consulting, Inc. and its predecessor, The TBS Group, Inc., have occupied the building since its construction in 1979. The building has a red brick facade and features a three story skylit atrium with two glass elevators. The 79,564 square foot building is located on a 10 acre parcel with 262 parking spaces and is surrounded by wooded conservation land.

92 Hayden Avenue. This is a two-story, 30,980 square foot, Class A office building that provides the opportunity for a small tenant to have the visibility and identity of a large corporate user. The building was originally built in 1968 as the regional headquarters of the Burroughs Corporation. In 1984 the Company purchased the Property and performed a major renovation which included the addition of a two story atrium, new windows and mechanical systems and new first class finishes in the tenant and common spaces. The Property is situated on a 6.34 acre parcel of land and has 103 parking spaces. The primary tenant in the building is Rath & Strong, Inc., a management consulting firm (21,366 square feet).

100 Hayden Avenue. The Company developed this 2 1/2 story, Class A office building in 1985 on the same parcel as 92 Hayden Avenue, Lexington, Massachusetts. This brick building has rounded corners at the offset in the efficient floor plan and a compact lobby space with a two story atrium. The Property contains approximately 55,924 rentable square feet and has 204 parking spaces. The Property is leased in its entirety to Harvard Pilgrim Health Care, Inc.

Hartwell Avenue Area Properties in the 128 Northwest Submarket

Hartwell Avenue is a commercially zoned office, research and development district established by the Town of Lexington adjacent to Hanscom Field which has become a major center of electronic and air defense technology and research with leading defense contractors, such as Lincoln Laboratory, Instrumentation Laboratories, The MITRE Corporation and the Air Force's EDS at Hanscom Field. The Company owns three buildings along Hartwell Avenue.

17 Hartwell Avenue. This single story R&D building was constructed in 1968. The building is a metal framed, brick veneer structure located on a 5.25 acre site in Lexington, Massachusetts. The Property contains approximately 30,000 rentable square feet and 100 parking spaces. The Property is located one mile from the Route 4 and Route 128 interchange. Kendall Company has been the sole tenant in the building for 20 years, and does new product research for tapes and adhesives at this location. For a discussion of certain environmental matters regarding this Property, see "--Environmental Matters."

32 Hartwell Avenue. This single story, Class A office building contains approximately 69,154 rentable square feet of office and research and development space. The building was originally built as the regional sales office of Hewlett-Packard Corporation in 1968, with additions completed in each of 1976 and 1979 to accommodate their expansion. The building, which is a metal framed, brick veneer structure, was completely refurbished by the Company in 1987 with all new windows, mechanical systems and interior improvements. The Property consists of 5.8 acres of land, including 311 parking spaces. The building is leased in its entirety to Logica North America Inc.

91 Hartwell Avenue. This Property is a handsome three-story, Class A office building with approximately 122,328 rentable square feet of office space located on a 15 acre wooded site. The large floor plates, split cores and three skylit atria make the building particularly attractive and efficient for large tenants. The building was built by the Company in 1985 and has 427 parking spaces. The Company made substantial renovations to the Property in 1995 and 1996, including major landscaping, new lobby finishes, a new 2,000 square foot food service facility and showers and locker rooms. Primary tenants at the Property include RESTRAC, Inc. (60,093 square feet) and Workgroup Technology Corporation (29,042 square feet). For a discussion of certain environmental matters regarding this Property, see "--Environmental Matters."

Other Properties in the Route 128 Northwest Submarket

Lexington Office Park. These Properties are two Class A office buildings of 84,500 square feet each on a 21 acre site in Lexington, Massachusetts, adjacent to the interchange of Route 4 with Route 128. The Properties' proximity to the highway and its central location in the northwest high tech market have resulted in high levels of occupancy throughout the buildings' history. The buildings, which were built by the Company in the period from 1981 to 1983, are three-story, steel frame structures, with brick veneer exteriors. The L-shaped, mirror-image buildings face each other across a center drop-off court facing on to a scenic pond on the well-landscaped site that includes 14 acres of conservation land. The site also includes 558 parking spaces. The largest tenants at this Property include Weather Services Corporation (13,049 square feet) and Waterfield Technology Group, Inc. (12,857 square feet).

10 & 20 Burlington Mall Road. These Properties, comprised of two Class A office buildings of distinctive curved design, are located directly adjacent to the Route 3/3A interchange of Route 128 and have a signalized entrance drive, are less than 1/2 mile from the Burlington Mall, a major suburban retail center, and directly across the street from the 420 room Burlington Marriott(R). The buildings were built by the Company during the two year period from 1984 to 1986 and are steel frame structures with brick veneer exteriors. 10 Burlington Mall Road is a three story building which contains approximately 57,405 rentable square feet. 20 Burlington Mall Road is a four story building which contains approximately 95,147 rentable square feet. Both buildings have skylit atrium lobbies and floor plans particularly well suited to multi-tenant occupancy. Structured and surface parking totaling 516 spaces is available at the site. Primary tenants at these Properties include NOVASOFT Systems, Inc., (27,676 square feet), Lernout & Hauspie Speech Products USA, Inc. (16,088 square feet), Information Builders, Inc. (11,658 square feet) and Aerotek, Inc. (9,488 square feet).

Bedford Business Park. This complex of three Properties contains approximately 473,000 rentable square feet, comprised of 90,000 square feet of Class A office space in a 3-story building completed by the Company in 1981, a two-story R&D Building containing 50,000 rentable square feet, and a complex of attached two-story structures containing 333,000 net rentable square feet. The Properties are located on a 22 acre site in Bedford, Massachusetts, directly off of the Route 3/Route 62 interchange, approximately five minutes up Route 3 from Route 128. The Properties have frontage on Route 3 and provide tenants with high visibility and identity. The original property acquired by the Company consisted of four structures, totaling 203,000 square feet which were constructed from 1962 to 1968. The Company has renovated these buildings on lease turnovers and expanded the property with additional structures totaling 270,000 square feet from 1978 to 1981. A total of 1,281 parking spaces are available on the property. Primary tenants at the Properties include ComputerVision Corporation (273,704 square feet), MediSense, Inc., (150,000 square feet), and Iris Graphics, Inc., a division of Scitex (50,000 square feet).

164 Lexington Road. This is a two story R&D building which contains 64,140 rentable square feet of office and research and development space. The building was acquired by the Company in November of 1995 and major improvements were made in 1996, including roof replacement. In July of 1996, Harte-Hanks Data Technologies Inc., leased and occupied the entire building. The building is located on a 4.2 acre site with 210 parking spaces, easily accessible from the Route 62 interchange of Route 3, five miles north of the Route 3/Route 128 interchange. The building has frontage on and is highly visible from the Middlesex Turnpike.

ROUTE 128/MASSACHUSETTS TURNPIKE SUBMARKET

The Route 128/Massachusetts Turnpike office submarket, which includes such cities and towns as Waltham, Wellesley, Newton, Needham and Watertown, has consistently been a preferred suburban location in Greater Boston. Inventory has remained steady at approximately 11.4 million square feet from 1992 to 1996 with the only addition to supply being a new 39,000 square foot building completed during the third quarter of 1996, which was 100% pre-leased when built.

According to Spaulding & Slye, the Route 128/Massachusetts Turnpike office submarket steadily improved from 1992 to 1995, with the movement into the area of a number of software and health care companies, including Parametric Technologies, Atria, SAP America, Tufts Associated Health Plan, and Harvard Pilgrim Health Care. The availability rate decreased from 13.6% in 1992 to 9.1% in 1995. In 1996 the absorption level increased to 531,000 square feet, more than doubling the level for the previous year, and the availability rate declined to 4.7%, a record low and the lowest of any suburban submarket with the direct vacancy rate falling to 2.6%.

Historically, the Route 128/Massachusetts Turnpike submarket has consistently commanded higher rental rates than other suburban submarkets in the Greater Boston area. The average quoted rental rate for first class office space was \$23.70 per square foot in 1996, the highest rental rate among the suburban office submarkets in Greater Boston.

The Company's Route 128/Massachusetts Turnpike Office Properties consist of six Class A Office Buildings.

The following graph provides information regarding availability rates and average asking rental rates at year end for each of the years from 1992 through 1996 for office buildings in the Route 128/Massachusetts Turnpike office submarket.

Route 128/Massachusetts Turnpike
Office Submarket
Average Quoted Market Rent &
Availability Rate

[GRAPH APPEARS HERE]

Year	Availability Rate	Rent
1992	13.6%	\$17.93
1993	11.1%	16.62
1994	11.1%	17.47
1995	9.1%	21.25
1996	4.7%	23.70

Description of Route 128/Massachusetts Turnpike Properties

195 West Street. This Property provides a unique office environment in the Waltham/Route 128 market. The three story, 63,500 square foot, Class A office building is located on a 7.7 acre wooded site bordering 28 acres of conservation land in Weston. The building is sited to minimize impacts on the land and thus achieves the effect of a wooded country setting, even though the Property is only a short distance from Route 128 and the major arterial routes of Route 2 and the Massachusetts Turnpike. The building, which was constructed by the Company in 1990, has an attractive red brick facade with grey granite accent pieces. The building contains a

beautiful three story skylit atrium space with glass railings, monumental stair and patterned granite floor. There are 188 surface parking spaces and 42 basement garage parking spaces on the Property. The sole tenant in the building is PAREXEL International Corporation.

Waltham Office Center. This complex consists of three Class A office buildings totaling 129,658 square feet and located on a 8.23 acre site on Totten Pond Road in Waltham, Massachusetts, directly adjacent to the Winter Street/Totten Pond Road interchange off Route 128. The two three-story buildings at 486 and 504 Totten Pond Road each contains approximately 32,000 rentable square feet of office space, while 470 Totten Pond Road is a five-story building which contains approximately 65,000 rentable square feet. The buildings have precast concrete facades with highly articulated punched window openings and were constructed during the two year period from 1968 to 1970. The building common areas and tenant spaces were fully renovated by the Company in 1987 and 1988. Waltham Office Center is a multi-tenant complex characterized by a large number of small to medium size tenants and a long history of nearly full occupancy. Larger tenants at these Properties include Sungard Financial Systems, Inc. (41,912 square feet), Atlantic Aerospace Electronics Corporation (18,736 square feet) and New England Telephone and Telegraph Company (17,642 square feet).

170 Tracer Lane. This three-story, Class A office building contains 73,258 square feet of office space. The Property is located directly off of the Trapelo Road interchange with Route 128 at the Waltham/Lexington municipal boundary. The Property has considerable frontage directly on Route 128 which provides high visibility for its angular design and for tenant signage facing this major highway. The building has a brick veneer exterior and a three story skylit atrium at its entrance. Built by the Company in 1980, the building is situated on a 9.7 acre parcel of land which include 227 parking spaces. The primary tenant at this Property is Harvard Pilgrim Health Care, Inc. (59,524 square feet).

204 Second Avenue. This 3 1/2 story, Class A office building located on a 1.8 acre site in Waltham, Massachusetts. The building abuts Route 128 which is less than 50 yards away, providing premier visibility, signage and identification for the primary tenant. The building contains approximately 41,557 square feet of office space and was built in 1981. The Company substantially renovated the lobby and common areas in 1993. Parking is available on the premises at a ratio of 3.3 spaces per 1,000 rentable square feet. The primary tenant at this Property is Ikon Office Solutions (formerly A-Copy, Inc., a division of ALCO Standard Corporation) (20,004 square feet).

ROUTE 128 SOUTH OFFICE SUBMARKET

According to Spaulding & Slye, the Route 128 South office submarket consists of approximately 10.0 million square feet, and supply has remained stable from 1992 through 1996. Availability has declined during this same period from 191,000 square feet in 1992 to 79,000 square feet in 1996.

Route 128 South Office Submarket
Average Quoted Market Rent &
Availability Rate

[GRAPH APPEARS HERE]

Year	Availability Rate	Rent
1992	14.3%	\$15.26
1993	13.1%	14.21
1994	10.2%	15.36
1995	9.5%	17.27
1996	9.1%	16.83

DESCRIPTION OF ROUTE 128 SOUTH OFFICE PROPERTY

Newport Office Park. This six-story Class A office building was built in 1988 and contains 168,829 rentable square feet. The Property is situated less than five miles south of Boston, in North Quincy, Massachusetts. The building has frontage on the scenic waterways of the Neponset River and Sagamore Creek. The interior of the building includes a dramatic full height atrium which serves as an entrance, and the exterior of the building is constructed of reflective glass. The building is leased in its entirety to State Street Bank Realty, Inc. and Commercial Union Insurance Companies, in addition to a 4,500 square foot cafe. The Company has signed a purchase and sale agreement with respect to this Property and anticipates closing the purchase simultaneously with the completion of the Offering. There can be no assurances, however, that the Company will acquire this Property.

GREATER WASHINGTON, D.C. OFFICE MARKET

Greater Washington, D.C., which includes the District of Columbia and the adjacent areas of Northern Virginia and suburban Maryland, is the fifth largest metropolitan area in the country and the heart of the nation's federal government and policy-making activities. The region's workforce is the most highly educated of metropolitan areas nationwide and has the highest participation of women in the labor force and the highest concentration of scientists and engineers, with the second largest concentration of high technology firms. Business service industries, including technology-intensive knowledge-based industries such as information management and data communications, have been the economy's engines of growth in the 1990's, expanding by 26.5% from 1992 to 1996, and in 1996 the area had a median household income of \$48,100, the highest in the country.

Employment increases associated with growth in the private economy, particularly the service sector which as a whole grew 15% in the past five years, have more than offset the job reductions resulting from the substantial downsizing of the government sector during this period, and non-government employment now accounts for approximately three-quarters of the area's total employment. Unemployment in Greater Washington, D.C. fell from 5.4% in 1992 to 3.4% in 1996, well below the national 1996 rate of 5.4%. The Company believes that these trends and resulting increasing demand for office space will continue in light of the composition of the region's economy and anticipated population and employment growth. The Washington, D.C. metropolitan area population is expected to increase by 552,000 between 1996 and 2001, with growth in total employment of approximately 175,000 and growth in office-based employment of approximately 88,500.

The growth in business demand for office space over the last five years, combined with relatively limited increases in supply, is directly reflected in vacancy reductions and strengthening rents. According to Spaulding & Slye, total office space supply in the Greater Washington, D.C. area was 244.7 million square feet in 1996 compared to 239.6 million square feet in 1992, an increase of 5.1 million square feet (an annual increase of approximately 0.5% per year), while during the same period the market absorbed approximately 14.1 million square feet, resulting in a decrease in the vacancy rate from 14.4% in 1992 to 10.4% in 1996. The absorption was particularly strong in 1995 and 1996, with approximately 9.2 million square feet of absorption and an increase in average asking rent from \$20.85 per square foot to \$22.76 per square foot. The Company believes that for the foreseeable future space absorption will continue to substantially outstrip growth in supply and that further reductions in vacancy rates will be accompanied by proportionally greater increases in rent levels.

SOUTHWEST WASHINGTON, D.C. SUBMARKET

The 9.0 million square feet of Class A office space in the Southwest Washington, D.C. submarket accounts for approximately 10% of the total Class A office supply in Washington, D.C. and this submarket has been one of the strongest submarkets in Greater Washington, D.C. over the past five years, according to Spaulding and Slye.

According to Spaulding & Slye, the availability rate in this submarket averaged 5.6% between 1992 and 1995 and had fallen to a low of 4.5% in 1995 before it increased to 9.0% in 1996 (when Blue Cross-Blue Shield put its owner-occupied 526,000 square foot building on the market). In comparison, the availability rate in the Washington, D.C. market as a whole averaged 10.3% between 1992 and 1995 and was 11.4% in 1996. The

asking rental rate in the Southwest Washington, D.C. submarket increased from \$28.86 per square foot in 1992 to \$31.00 per square foot in 1996 while the asking rental rate in the Washington, D.C. market as a whole declined from \$30.13 per square foot in 1992 to \$27.11 per square foot in 1996. The Company believes the relative strength of the Southwest Washington, D.C. submarket reflects the accessibility to major government offices and the comparatively limited supply of private office space as a proportion of total office space (including government-owned buildings) in this submarket.

The Company does not believe that the 1996 availability rate described in the preceding paragraph was indicative of the condition of this submarket in 1996. According to Grubb & Ellis the vacancy rate at year-end 1996 was 5.1% with a positive absorption of 144,796 square feet of space and an average asking rent of \$33.19. In addition, the Company does not believe that the Blue Cross-Blue Shield building is competitive with the Company's Properties in this submarket.

The Company's Southwest Washington, D.C. Office Properties consist of five Class A Office Buildings.

The following graph provides information regarding availability rates and average asking rental rates at year end for each of the years from 1992 through 1996 for office buildings in the Southwest Washington, D.C. office submarket.

Southwest Washington, D.C. Office Submarket
Average Quoted Market Rent &
Availability Rate

[GRAPH APPEARS HERE]

Year	Availability Rate	Rent
1992	4.7%	\$28.86
1993	6.5%	36.84
1994	6.5%	34.61
1995	4.5%	32.81
1996	9.0%	31.00

Description of Southwest Washington, D.C. Properties

Independence Square. These Properties are two Class A office buildings developed by the Company. Independence Square is located in the southwest office market of downtown Washington, D.C. in close proximity to numerous government agencies and buildings. METRO rail access is available within one block of the building. Both buildings have limestone colored, pre-cast concrete exteriors with curtain wall elements. The lobbies of the buildings are two stories with marble walls and terrazzo floors.

One Independence Square. This Property is a nine-story building which serves as the headquarters for the Office of the Comptroller of Currency. Built by the Company in 1991, the building has approximately 337,794 net rentable square feet of office space. The building is situated on a 1.17 acre parcel of land. The four level, below ground garage has 389 parking spaces which are leased to the building's tenant. This Property has only one tenant, the Office of the Comptroller of Currency.

Two Independence Square. The revenue from this Property amounted to more than 10% of the Predecessor's revenue for the year ended December 31, 1996. This Property is a nine-story building with a below-grade concourse level. The building is the headquarters for the National Aeronautics and Space Administration. Built by the Company in 1992, the building has approximately 579,600 net rentable square feet

of office (569,337 square feet) and retail (10,263 square feet) space. The building is located on a 2.2 acre site. There are 700 parking spaces available in the three level, below ground garage which are leased to the building's tenant. The Property has only one office tenant, the General Services Administration (for use and occupancy by the National Aeronautics and Space Administration) (569,337 square feet). With respect to Two Independence Square, the Company was awarded a Certificate of Merit and Excellence in construction from the Associated Builders and Contractors.

One tenant at Two Independence Square occupies approximately 98.5% of the rentable square feet. As of December 31, 1996, the General Services Administration, on behalf of The National Aeronautics and Space Administration occupied 569,337 square feet pursuant to a lease which expires July 19, 2012, with one 10-year renewal option. The General Services Administration's rent for 1996 was approximately \$21.1 million. The GSA's lease provides for annual adjustments to reflect inflation and increases in real estate taxes with respect to the \$20.0 million base rent component and an annual 4% increase on the \$1.1 million parking component of the rent.

The annual Escalated Rent per square foot of Two Independence Square for the years ended December 31, 1992, 1993, 1994, 1995, and 1996 was \$16.03, \$35.79, \$36.39, 37.02 and \$37.06, respectively. The occupancy rate of the Property for each such year was 100%.

The aggregate tax basis of depreciable real property of Two Independence Square for federal income tax purposes was \$68.7 million as of December 31, 1996. Depreciation is computed on the Straight-Line Method over the estimated life of the real property which range from 15-39 years. For the tax year ending September 30, 1997, Two Independence Square was taxed by the District of Columbia at a rate equal to \$2.15 per \$100 of assessed value, resulting in a total tax for such period equal to \$3,066,717.

The leases of two tenants in this Property expire in the year 2002, such leases cover 1,352 net rentable square feet. For the year ended December 31, 1996 the Escalated Rent under such leases was \$47,458, representing 0.2% of the total Escalated Rent of the Property. No other leases at this Property expire in the period from January 1, 1997, through December 31, 2006.

The Property is subject to a mortgage as set forth under "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources--Mortgage Indebtedness." Such mortgage has a yield maintenance prepayment penalty.

In the Company's opinion, this Property is adequately covered by insurance.

Other than normally recurring capital expenditures, the Company has no plans with respect to material renovation, improvement or redevelopment of Two Independence Square.

Capital Gallery. This two-building, Class A office complex is located in Southwest Washington, D.C., in the heart of the federal government district. The Property is located one block from the Mall and approximately eight blocks from the Capitol Building. Virtually every major government agency is in close proximity to these Properties. The Properties are accessible by the METRO rail for which there is a stop located within the front plaza area. The Virginia Rail Express has a platform at the rear of the buildings. The buildings, which were constructed by the Company in 1981, are connected by a three-story gallery which serves as both a pedestrian way and a shopping arcade. The exteriors of both buildings are precast concrete facades. The buildings are situated on a 125,452 square foot site which includes a landscaped plaza in the rear of the buildings. The buildings contain approximately 398,469 rentable square feet of both office (384,662 square feet) and retail (13,847 square feet) space. A below ground parking garage contains 466 parking spaces on three levels. Primary tenants at these Properties include American Nurses Foundation (52,838 square feet), Mathematica Policy Research, Inc. (41,678 square feet) and The Graduate School, United States Department of Agriculture (73,458 square feet).

The U.S. International Trade Commission Building. The U.S. International Trade Commission Building at 500 E Street is a Class A office building located in Southwest, Washington, D.C. Built in 1987 by the Company, the building is situated on a 1.09 acre parcel of land between 4th and 6th Streets. Directly across the street from the building is the Department of Transportation and access to the METRO rail. The building is located southwest of Capitol Hill, approximately four blocks from the Mall. The building was designed by the nationally renowned architectural firm of Kohn Pedersen Fox and has pre-cast concrete, curtain wall exteriors. The building is a nine-story structure with approximately 243,798 net rentable square feet. Eight of the nine stories are leased by the General Services Administration (for use and occupancy by the U.S. Trade Commission

and the Social Security Administration). The General Services Administration's lease accounts for 217,772 net rentable square feet, or 89.3% of the aggregate net rentable square feet in the building. Within the space leased by the General Services Administration are several column-free, two-story courtrooms, as well as extensive library facilities and special purpose areas. The Property has a below ground parking garage with 214 parking spaces on five levels.

WEST END WASHINGTON, D.C. SUBMARKET

The West End submarket is a geographical area bounded by DuPont Circle on the north, New Hampshire Avenue on the east, Foggy Bottom and Pennsylvania Avenue on the south and Rock Creek and Georgetown on the west. The West End is a blend of residential, commercial office and retail uses which is a transition area between the predominantly commercial office uses in the abutting Central Business District to the east and the predominantly residential uses in Georgetown to the west. The West End submarket contains approximately 4.3 million square feet of commercial office space, with more than 2.7 million square feet constructed since 1980. Large law firms, consulting firms and associations are the principal tenants in the West End.

According to Spaulding & Slye, availability rates in the West End office submarket have declined from 11.2% in 1994 to 7.7% in 1996.

The Company does not believe that the asking rent for 1996 in the graph below reflects asking rents in this submarket in 1996. According to Grubb & Ellis, the average asking rent in this submarket at year-end 1996 was \$30.89, with absorption of 6,925 square feet and a vacancy rate of 8.1%.

West End Washington, D.C.
Office Submarket
Average Quoted Market Rent &
Availability Rate

[GRAPH APPEARS HERE]

Year	Availability Rate	Rent
- - - - -	- - - - -	- - - - -
1992	6.0%	\$28.77
1993	7.6%	28.10
1994	11.2%	28.95
1995	10.3%	26.00
1996	7.7%	26.31

Description of West End Washington, D.C. Property

2300 N Street. 2300 N Street is a Class A office building located in the West End, Washington, D.C. Built in 1986 by the Company, the building is situated on a 1.1-acre parcel of land on the south side of N Street between 23rd and 24th Streets. The building was designed by the nationally renowned architectural firm of Skidmore Owings and Merrill and has a brick and architectural precast concrete exterior wall. The building has a three-level underground garage with parking for 275 vehicles. It is located across the street from the headquarters of U.S. News & World Report and abuts the luxury Park Hyatt hotel. The eight-story building contains approximately 279,240 rentable square feet and is the headquarters for the law firm of Shaw, Pittman, Potts & Trowbridge which leases approximately 206,488 rentable square feet, which includes 2,334 rentable square feet of storage space. Other tenants include Mercer Management Consulting, Inc. (36,048 square feet) and Wilkinson, Barker, Knauer & Quinn (33,110 square feet).

MONTGOMERY COUNTY, MARYLAND SUBMARKETS

Montgomery County had a total of approximately 35 million square feet of office space at the end of 1996, accounting for 69% of the total suburban Maryland office stock of approximately 50.9 million square feet. According to Spaulding & Slye, there has been significant improvement in the suburban Maryland market in the past two years, with virtually no increase in supply, absorption of 2.4 million square feet, a decline in availability from 19.4% to 14.7% and an increase in average asking rent from \$18.90 per square foot to \$21.00 per square foot. The Company's Properties in this area are located within two submarkets in Montgomery County, the Bethesda-Rock Spring submarket and the Gaithersburg I-270 submarket.

BETHESDA-ROCK SPRING OFFICE SUBMARKET

The Bethesda-Rock Spring office submarket is the third largest in Montgomery County and suburban Maryland, with a total of 4.7 million square feet of office space at the end of 1996. According to Spaulding & Slye, supply has remained flat since the addition of 777,000 square feet during 1993. This supply addition, combined with cutbacks in defense spending that led to defense contractors putting substantial amounts of sublease space on the market in 1994, resulted in negative absorption in 1994 and caused availability to spike briefly to 25.6% at the end of that year. Since then the market has strengthened considerably, absorbing 396,000 square feet during 1995 and a record high 587,000 square feet during 1996, with some of the largest transactions in suburban Maryland in 1996 occurring in this submarket, including Principal Health Care, Wellspring Resources and Host Marriott(R). With no new supply during this period, the availability rate at the end of 1996 fell to 4.6% and the average asking rent was \$23.00 per square foot.

The following graph provides information regarding availability rates and average asking rental rates at year end for each of the years from 1992 through 1996 for office buildings in the Bethesda-Rock Spring office submarket.

Bethesda-Rock Spring Office Submarket
Average Quoted Market Rent &
Availability Rate

[GRAPH APPEARS HERE]

Year	Availability Rate	Rent
1992	8.7%	\$23.00
1993	18.8%	23.00
1994	25.6%	22.00
1995	17.1%	22.75
1996	4.6%	23.00

Description of Bethesda-Rock Spring Properties

Democracy Center. These Properties are three Class A office buildings which contain approximately 680,000 rentable square feet of office (669,098 square feet) and retail (10,902 square feet) space. The complex was designed by the national firm of Skidmore, Owings & Merrill and reflects the highest architectural standards. In 1985, the complex was voted the "Best Office Complex" by the National Association of Industrial and Office Parks.

The Properties are situated within Rock Spring Park in Bethesda, Maryland, the most prominent and attractive corporate office park in the metropolitan area. The three buildings are located on a carefully landscaped, 15 acre site where they are clustered around a 1 1/2 acre ceremonial plaza. The Properties have extensive frontage along and visibility from Interstate 270, the major thoroughfare in Montgomery County. The Properties are accessible via METRO rail and bus and are only 30 minutes from Washington National, Dulles International and Baltimore-Washington International Airports.

The three buildings, which were constructed by the Company, were completed in the years 1985, 1986 and 1988. The buildings are steel frame structures with pre-cast concrete exteriors. Two of the buildings are nine stories and the third building is fifteen stories. All three buildings are connected by a below ground public parking garage facility. The two levels in the garage facility, together with the surface parking area immediately adjacent to the complex, provide over 2,000 parking spaces. Primary tenants at these Properties include LMC Properties, Inc. (117,720 square feet), American PCS, L.P. (111,590 square feet) and United States Enrichment Corporation (63,666 square feet).

GAITHERSBURG I-270 OFFICE SUBMARKET

The Gaithersburg I-270 office submarket consists of 2.9 million square feet with inventory remaining steady since a 76,000 square foot building was completed in 1992. In 1994, this submarket was impacted by the departure of IBM, which previously had maintained a substantial presence in the area, and absorption slumped that year to negative 288,000 square feet with availability spiking to 31.1%. The following year transactions by government contractors led to a sharp turnaround, with record-high absorption of 415,000 square feet in 1995 and further positive absorption in 1996, leading to reduction in the availability rate to 13.8% by the end of 1996 and an upturn in average asking rents from \$17.12 per square foot in 1994 to \$19.40 per square foot in 1996.

The following graph provides information regarding availability rates and average asking rental rates at year end for each of the years from 1992 through 1996 for office properties in the Gaithersburg I-270 office submarket.

Gaithersburg I-270 Office Submarket
Average Quoted Market Rent &
Availability Rate

[GRAPH APPEARS HERE]

Year	Availability Rate	Rent
1992	18.4%	\$19.34
1993	21.1%	19.36
1994	31.1%	17.12
1995	16.6%	17.88
1996	13.8%	19.40

Description of Gaithersburg I-270 Property

Montvale Center. Montvale Center is a seven-story, Class A office building which contains approximately 120,112 net rentable square feet of corporate office and related space. The Property is located in Montgomery County, Maryland, two blocks from the major arterial roads in the County, Route 355 and Interstate 270. The building is located on a 5.8 acre site which has been landscaped to create a wooded, park-like environment. Built by the Company in 1987, the building is a steel frame, brick veneer structure which features a prominent two-

story glass and metal panel base and an arcade at the main entrance. Adjacent to the building are 401 parking spaces. A primary tenant at this Property is Integrated Telecom Technology, Inc. (17,000 square feet).

FAIRFAX COUNTY, VIRGINIA MARKET

The Fairfax County, Virginia office market had a total of approximately 61.7 million square feet of space at the end of 1996, up only 400,000 square feet over 1992. The Company's Properties in Fairfax County are in office/flex buildings in the Springfield, Virginia submarket which had a total of approximately 5.2 million square feet at the end of 1996 with no increase in supply since 1992. Continued positive absorption during this period reduced the availability rate from 17.9% in 1992 to 7.6% in 1996, and asking rental rates, after falling to \$7.65 per square foot in 1994, have increased substantially to \$9.96 per square foot at the end of 1996.

The following graph provides information regarding availability rates and average rental rates at year end for each of the years from 1992 through 1996 for office buildings in the Springfield, Virginia flex/office submarket.

Springfield, Virginia Flex/Office Submarket
Average Quoted Market Rent &
Availability Rate

[GRAPH APPEARS HERE]

Year	Availability Rate	Rent
1992	17.9%	\$8.65
1993	16.7%	8.14
1994	16.7%	7.65
1995	11.2%	9.04
1996	7.6%	9.96

Description of Fairfax County Properties

The Company's completed Fairfax County, Virginia Office Properties consist of 11 R&D Properties situated within the Company's Virginia 95 Business Park (the "Business Park") located in Springfield, Virginia. The Business Park is approximately fifteen miles from downtown Washington, D.C. The Business Park is situated on Interstate 95, the only highway which provides direct truck access to the downtown area. Only minutes from the Capital Beltway, the major markets of the Greater Washington, D.C. area, including Baltimore, Maryland and Richmond, Virginia, are easily accessible from the Business Park. All of the buildings are steel frame structures with brick cavity exterior walls, except for 8000 Corporate Court, Building Eleven which has concrete, tilt walls.

7601 Boston Boulevard, Building Eight. 7601 Boston Boulevard, Building Eight is a mezzanine style R&D building built by the Company in 1986. Located within the Business Park, the building is situated on a 7.3 acre parcel of land, which includes 328 off-street parking spaces. The building has approximately 103,750 rentable square feet of office (30,000 square feet), computer center (60,000 square feet) and storage (13,750 square feet) space. The building is fully leased to the General Services Administration (for use and occupancy by the United States Customs Service), which has an option to purchase this Property on September 30, 1999 for \$14.0 million and on September 30, 2014 for \$22.0 million.

7600 Boston Boulevard, Building Nine. 7600 Boston Boulevard, Building Nine is a mezzanine style R&D building located on a 4.32 acre site within the Business Park. Built by the Company in 1987, the building

contains approximately 69,832 rentable square feet of office (49,832 square feet), light assembly (15,000 square feet) and storage (5,000 square feet) space. Adjacent to the building are 249 off-street parking spaces. A primary tenant at this Property is ALLNEWSCO., Inc. (27,455 square feet).

7500 Boston Boulevard, Building Six. 7500 Boston Boulevard, Building Six is a mezzanine style R&D building situated on a 4.7 acre site within the Business Park. The building was built by the Company in 1985 and contains approximately 79,971 rentable square feet of office (34,829 square feet), light assembly (10,000 square feet) and storage (35,142 square feet) space. There are 245 off-street parking spaces adjacent to the building. The Property has one tenant, the General Services Administration (for use and occupancy by the Department of State).

8000 Grainger Court, Building Five. 8000 Grainger Court, Building Five is a mezzanine style R&D building containing approximately 90,885 rentable square feet of office (85,000 square feet) and light assembly (5,885 square feet) space. The building is located on a 6.5 acre site within the Business Park. The building was constructed by the Company in 1984. Adjacent to the building are 347 off-street parking spaces. The Property has two tenants, Lockheed Martin Corporation (57,065 square feet) and Price Waterhouse (33,400 square feet).

7435 Boston Boulevard, Building One. 7435 Boston Boulevard, Building One is a single story, R&D building located within the Business Park. The Property contains approximately 106,242 rentable square feet of office (76,346 square feet) and light assembly (29,896) space. Built by the Company in 1982, the building is located on a 7.48 acre, extensively landscaped site, which includes 314 off-street parking spaces. Primary tenants at this Property include ADT Security Systems, Mid-South, Inc. (23,439 square feet) and Lockheed Martin Corporation (18,350 square feet).

7451 Boston Boulevard, Building Two. 7451 Boston Boulevard, Building Two is a single story, R&D building located on a 5.2 acre site within the Business Park. The building contains approximately 47,001 rentable square feet of office (18,500 square feet) and light assembly (28,916 square feet) space. The building was constructed by the Company in 1982. Adjacent to the building are 166 off-street parking spaces. The building is fully leased to LMC Properties, Inc., a subsidiary of the Lockheed Martin Corporation.

7374 Boston Boulevard, Building Four. 7374 Boston Boulevard, Building Four is a mezzanine style, R&D building located on a 4.2 acre site within the Business Park. The building contains approximately 57,321 rentable square feet of office (40,500 square feet) and warehouse (16,821 square feet) space. There are 207 off-street parking spaces adjacent to the building. Built by the Company in 1984, the building is fully leased to General Services Administration (for use and occupancy by the Department of State).

8000 Corporate Court, Building Eleven. 8000 Corporate Court, Building Eleven is a single story, R&D building which was constructed by the Company in 1989. The building is situated on a five acre parcel of land within the Business Park and contains approximately 52,539 square feet of office (6,000 square feet), production (15,500 square feet) and warehouse (31,039 square feet) space. Adjacent to the building are 120 off-street parking spaces. This Property is entirely leased to Global InSync Corporation.

7375 Boston Boulevard, Building Ten. 7375 Boston Boulevard, Building Ten is a two-story, R&D building situated on a 2.8 acre parcel of land within the Business Park. The building was constructed by the Company in 1988 and contains approximately 26,865 rentable square feet of office (21,265 square feet) and restaurant (5,600 square feet) space. There are 157 off-street parking spaces adjacent to the building. Primary tenants at this Property include the General Services Administration (for use and occupancy by the United States Customs Service) (11,398 square feet) and Boston Cafe (5,600 square feet).

MIDTOWN MANHATTAN OFFICE MARKET

New York City is a world renowned business capital and cultural center, with service and retail industries driving its economy. New York remains the nation's leader in financial services and attracts international transactions and global businesses. A major gateway to the United States, its extensive transportation infrastructure includes three domestic and international airports, premier port and rail services and the nation's largest mass transit system.

Despite increasing costs, New York City's economy has remained competitive in the areas of retail/wholesale trade and business services, which combine for over one-half of the City's employment base. The services sector, particularly financial, legal, public relations and other business service industries, continue to be areas of growth. The employment base of this sector has increased by eight percent, or 87,000 net new jobs, during the past five years. This sector also provides high wage jobs which have contributed to the high level of consumption-based activity in the City's economy over the past several years.

Largely a result of growing opportunities in the services and retail/wholesale trade sectors, the unemployment rate in New York City has recovered steadily during the past five years. The City's unemployment rate has fallen from 11.0% in 1992 to 8.8% in 1996. This overall increase in employment has combined with a trend to locational preference for midtown Manhattan as compared to the Downtown/Wall Street area for office-based employers, leading to falling vacancy rates and increasing rent levels in this market area.

According to information provided by Insignia/ESG, the midtown Manhattan market in 1996 consisted of 194.6 million square feet of space, with supply up 3.1 million square feet (1.6%) over 1992 and absorption of 8.6 million square feet in the same period. The resulting net reduction in supply correlates with a decline in the availability rate (space currently vacant becoming available within 12 months directly or on sublease and additions to supply) from 1992 to 1996 from 16.5% to 13.4% in Midtown and an increase in asking rent from \$32.19 per square foot to \$33.31 per square foot over the same period.

Park Avenue Submarket

The Company's Property in New York City, the 1 million square foot Class A office building at 599 Lexington Avenue, is located within the Park Avenue submarket of the midtown Manhattan market area. The Park Avenue submarket, with 25.6 million square feet of office space in 1996 (an increase of only 200,000 square feet over 1992), is characterized by higher rent levels and lower availability rates than midtown Manhattan generally and has also seen greater improvement during the past five years. During the period 1992-96 the availability rate in this submarket declined from 15.1% to 11.4% and the average asking rent increased from \$40.36 per square foot to \$44.40 per square foot. The Company has maintained its Property in this submarket at very high occupancy rates throughout this period.

The following graph provides information regarding availability rates and average asking rental rates at year end for each of the years from 1992 through 1996 for office buildings in the Park Avenue office submarket.

Park Avenue Office Submarket
Average Quoted Market Rent &
Availability Rate

[GRAPH APPEARS HERE]

Year	Availability Rate	Rent
- - - - -	- - - - -	- - - - -
1992	15.1%	\$40.36
1993	13.1%	41.09
1994	8.2%	42.98
1995	12.5%	44.13
1996	11.4%	44.40

Description of Midtown Manhattan Property

599 Lexington Avenue. The revenue from this Property amounted to more than 10% of the Predecessor's revenue for the year ended December 31, 1996. 599 Lexington Avenue is a 50-story, 1 million square foot Class A office building that occupies the entire blockfront on the east side of Lexington Avenue between 52nd and 53rd Streets, directly across 53rd Street from Citicorp Center. The building was completed by the Company in 1984. Designed by architect Edward Larrabee Barnes, 599 Lexington Avenue has a finely detailed aluminum and glass curtain wall exterior and rises to its 653 foot height through a series of distinctive geometric setbacks. The building sits on a 45,000 square foot site including a triangular plaza in front of its main entrance facing the corner of 53rd Street and Lexington Avenue that includes an entrance to the City subway system providing direct access to two separate subway lines. The 50-foot tall glass-fronted marble lobby showcases a major three dimensional work by American artist Frank Stella. The ground floor of the building has approximately 24,500 square feet of retail space fronting on Lexington Avenue and 52nd and 53rd Streets. Approximately 80% of the 985,500 rentable square feet of office space is on virtually column-free floors of 21,000 square feet or more, which the Company believes enables tenants to house their operations with an unusually high level of efficiency. The building's setbacks at its upper levels provides a series of floors of 15,750 and then 7,600 square feet that can offer high visibility for small and medium-size tenancies on a multi-tenant or full floor occupancy basis.

Three tenants at the Property occupy approximately 61% of the net rentable square feet in the aggregate. As of December 31, 1996, Shearman & Sterling, a national law firm, leased 355,849 net rentable square feet (approximately 36% of the net rentable square feet) pursuant to a lease which expires August 31, 2007. Jones, Day, Reavis & Pogue, a national law firm, leased 144,289 net rentable square feet (approximately 14% of the net rentable square feet) pursuant to a lease which expires February 28, 2002. Citibank, N.A., a national bank, leased 114,350 square feet (approximately 11% of the net rentable square feet) pursuant to a lease which expires on December 31, 2002.

The average Escalated Rent per square foot of 599 Lexington Avenue for the years ended December 31, 1992, 1993, 1994, 1995, and 1996 was \$49.19, \$53.20, \$53.35, \$53.06, and \$52.22, respectively. The occupancy rate of the Property for each of such years was 99.2%, 100.0%, 97.2%, 99.7%, and 99.5%, respectively.

The aggregate tax basis of depreciable real property at 599 Lexington Avenue for federal income tax purposes was \$138.8 million as of December 31, 1996. Depreciation is computed on the straight-line method over the estimated life of the real property which range from 18 to 39 years. The aggregate tax basis of depreciable personal property associated with 599 Lexington Avenue for federal income tax purposes was \$6.0 million as of December 31, 1996. Depreciation is computed on the straight-line and double declining balance methods over the estimated useful life of the personal property of five or seven years. For the tax year ending June 30, 1997, 599 Lexington Avenue was taxed by the Borough of Manhattan at a rate equal to \$10.25 per \$100 of assessed value, resulting in a total tax for such period equal to \$10,819,961.

The Property is subject to a mortgage as set forth under "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources--Mortgage Indebtedness." Such mortgage is not prepayable. The mortgage lender has an option to purchase, at the maturity of the mortgage, a 33.33% interest in the Property in exchange for cancellation of the outstanding balance of the mortgage (which option, if exercised, would ascribe an implied value of approximately \$675.0 million to the Property as a whole). The mortgage requires that the Property be managed by a limited liability company (the "599 Manager") which is at all times controlled by Mr. Zuckerman or Mr. Linde. The economic interests in the 599 Manager will be 99.9% owned by the Company, and Messrs. Zuckerman and Linde will be the sole managing-members, and will hold the remaining 0.1% interest. In the event the 599 Manager is no longer controlled by Mr. Zuckerman and Mr. Linde, other than as a result of their respective deaths or incapacity, the mortgage lender could require the mortgage loan to be repaid in its entirety prior to maturity. Each of Messrs. Zuckerman and Linde have agreed to notify the Company at least six months prior to resigning as a managing-member of the 599 Manager.

For information concerning the expiration of leases with respect to 599 Lexington Avenue, see "Business and Properties--Tenants--Tenant Diversification."

In the Company's opinion 599 Lexington Avenue is adequately covered by insurance.

Other than normally recurring capital expenditures, the Company has no plans with respect to material renovation, improvement or redevelopment of 599 Lexington Avenue.

THE INDUSTRIAL PROPERTIES

The Company owns nine Industrial Properties aggregating a total of approximately 925,000 net rentable square feet. Typically, these Properties are located in business or Industrial parks near major freeways. At December 31, 1996, the aggregate occupancy rate for the Industrial Properties was 78%.

GREATER BOSTON INDUSTRIAL MARKET

Route 128 Southwest Submarket

The Route 128 Southwest Industrial submarket consists of four towns, Westwood, Dedham, Canton, and Needham, Massachusetts. Supply has remained flat at 4.9 million square feet during 1992-1996. Spaulding & Slye indicates that the submarket has experienced a steady recovery over the past five years. Its availability rate has decreased from 26.3% in 1992 to 6.3% in 1996, its lowest since 5.5% in 1986. Currently, there is 316,000 square feet of available space in the submarket.

Following low absorption levels of 43,000 square feet in 1992 and a negative 18,000 square feet in 1993, absorption in the Route 128 Southwest submarket increased to 373,000 square feet in 1994, which was followed by a record high level of 410,000 square feet in 1995. With the tightening of the submarket in the first quarter of 1996, combined with limited opportunities for tenants, the absorption level decreased during the year to 221,000 square feet.

In the Route 128 Southwest submarket of Greater Boston, the Company has two Industrial Properties.

The following graph provides information regarding availability rates and average asking rental rates at year end for each of the years from 1992 through 1996 for the industrial properties in the Route 128 Southwest industrial submarket.

Route 128 SW Industrial Submarket
Average Quoted Market Rent &
Availability Rate

[GRAPH APPEARS HERE]

Year	Availability Rate	Rent
- - - -	- - - - - - - - - - - - - - -	- - - -
1992	26.3%	\$5.47
1993	26.5%	4.66
1994	19.1%	5.62
1995	10.8%	5.56
1996	6.3%	7.08

40-46 Harvard Street. 40-46 Harvard Street is a warehousing and distribution facility located in Westwood, Massachusetts. The building contains approximately 139,839 rentable square feet of warehouse space on the first level and approximately 29,439 rentable square feet of office space on the mezzanine level which overlooks the warehouse. Located so as to service major arteries, the Property is situated one-quarter mile from

Route 128 and one-half mile from Interstate 95. Built in 1967, the building is a steel frame, brick wall on concrete masonry structure. 171 parking spaces are available on the premises. The primary tenant at this Property is Output Technologies, Inc. (128,105 square feet).

25-33 Dartmouth Street. 25-33 Dartmouth Street is a single story, multi-purpose facility located in Westwood, Massachusetts, one-quarter mile from Route 128. The Property is part of a large research and development and warehousing park and contains approximately 78,045 square feet of rentable space suitable for office, research and development or warehouse use. The building is situated on a 5.58 acre parcel of land, which includes 189 parking spaces. Built in 1966, the building is a steel frame, brick wall on concrete masonry structure. The primary tenant at this Property is SkyRock Services Corporation (56,747 square feet).

GREATER WASHINGTON, D.C. INDUSTRIAL MARKET

PRINCE GEORGE'S COUNTY MARYLAND/LANDOVER-CHEVERLY INDUSTRIAL SUBMARKET

The Central Prince George's County, Maryland industrial market includes a total of approximately 10.7 million square feet of space. This submarket has remained relatively stable over the past five years, with vacancy at 4.8% in 1992 and 5.1% in 1996, fluctuating below those levels during that period. Asking rents have increased moderately from \$4.25 per square foot in 1992 to \$4.55 per square foot in 1996.

The following graph provides information regarding availability rates and average asking rental rates at year end for each of the years from 1992 through 1996 for the industrial properties in the Landover/Cheverly, Maryland industrial submarket.

Landover/Cheverly Maryland Industrial Submarket
Average Quoted Market Rent &
Availability Rate

[GRAPH APPEARS HERE]

Year	Availability Rate	Rent
- - - - -	- - - - -	- - - - -
1992	4.8%	\$4.25
1993	1.4%	4.25
1994	3.3%	4.50
1995	0.9%	4.50
1996	5.1%	4.55

Description of Landover/Cheverly Maryland Submarket Properties

The Company has three Industrial Properties in this submarket. All of these Properties are located in Maryland 50 Industrial Park (the "Industrial Park") in Landover, Maryland, which was developed by the Company. The location of the Industrial Park is a well-situated "hub" for Greater Washington, D.C. The Industrial Park is less than one mile from Route 50 which provides direct access to downtown Washington. In addition, the Industrial Park is an established stop on the METRO bus line and is less than one mile from a METRO rail station.

6201 Columbia Park Road, Building Two. 6201 Columbia Park Road, Building Two is a single story, light assembly and distribution building located on a 6.5 acre, extensively landscaped site within the Industrial Park. The Property contains approximately 99,885 rentable square feet of office (12,000 square feet), warehouse (77,885 square feet) and service (10,000 square feet) space. The building is a steel frame, concrete tilt-wall structure which

was built by the Company in 1986. There are 248 off-street parking spaces adjacent to the building. The primary tenants at this Property include Circuit City Stores, Inc. (34,863 square feet) and Safeway, Inc (21,591 square feet).

2000 South Club Drive, Building Three. 2000 South Club Drive, Building Three is a single story, office and distribution building situated on a 6.88 acre, extensively landscaped parcel of land within the Industrial Park. The building is a steel frame, concrete tilt-wall structure which contains approximately 83,608 rentable square feet of warehouse (78,608 square feet) and office (5,000 square feet) space. The building was constructed by the Company in 1988. Adjacent to the building are 173 off-street parking spaces. This Property has as its sole tenant The National Gallery of Art.

1950 Stanford Court, Building One. 1950 Stanford Court, Building One is a single story, office and distribution building situated on a 3.4 acre, extensively landscaped site within the Industrial Park. Built by the Company in 1986, the building is a steel frame, concrete tilt-wall structure, which contains both office (5,000 square feet) and warehouse (48,250 square feet) space. Adjacent to the building are 91 off-street parking spaces. The primary tenant at this Property is Federal Express Corporation (32,750 square feet).

GREATER SAN FRANCISCO INDUSTRIAL MARKET

The Company's Industrial Properties in Greater San Francisco are located in two submarkets, North Peninsula and Hayward/Union City. Industrial space rents in this market area are quoted on a monthly rather than an annual basis.

NORTHERN PENINSULA INDUSTRIAL SUBMARKET

The Northern Peninsula submarket has a total of approximately 24.3 million square feet of space in South San Francisco, Brisbane, San Bruno and Burlingame. According to CB Commercial, consistent positive absorption of space between 1992-95 brought the availability rate down from 12.1% to 9.1% accompanied by the start of increasing rent levels. Absorption increased sharply to 950,000 square feet in 1996 with availability dropping to 5.1%, accompanied by the start of a more significant increase in rental levels which the Company expects to continue following the pattern of rent level increases lagging the rate of availability decline.

The following graphs provide information regarding availability rates and average asking rental rates at year end for each of the years from 1992 through 1996 for industrial properties in the Northern Peninsula industrial submarket, for each of warehouse/office and incubator space (incubator space is space that is subdividable into small spaces suitable for companies in the early stages of development). Rents in this submarket are quoted on a monthly basis but are shown annualized in the graph for ease of comparability.

Northern Peninsula Industrial Submarket
Warehouse/Office
Average Quoted Market Rent &
Availability Rate

[GRAPH APPEARS HERE]

Year	Availability Rate	Rent
1992	12.1%	\$4.20
1993	11.0%	4.32
1994	10.7%	4.56
1995	9.1%	4.80
1996	5.1%	5.40

Northern Peninsula Industrial Submarket
Incubator Space
Average Quoted Market Rent &
Availability Rate

[GRAPH APPEARS HERE]

Year	Availability Rate	Rent
-----	-----	-----
1992	12.1%	\$7.20
1993	11.0%	7.20
1994	10.7%	7.32
1995	9.1%	7.44
1996	5.1%	7.68

Description of Northern Peninsula Submarket Properties

The Company has three Properties in this submarket, all located in the Company's master planned Hilltop Industrial Park development (the "Industrial Park") in South San Francisco, California. Approximately twenty minutes south of downtown San Francisco, the Industrial Park is accessible from two interchanges off the Bayshore Freeway. Hotels, shopping and public transportation, as well as San Francisco International Airport, are easily accessible from the Industrial Park. The Properties at 560 Forbes Boulevard and 430 Rozzi Place described below provide space for tenants seeking warehouse and distribution facilities with related office space. The third Property, Hilltop Business Center, is easily subdividable down to relatively small space increments and meets tenant requirements for "incubator space" in such buildings which, according to CB Commercial, commands rent levels 50% or more higher than larger size warehouse/distribution spaces.

Hilltop Business Center. These Properties comprise a nine building office and warehouse complex located on a fully landscaped 14.2 acre site in the Industrial Park. The Properties contain approximately 144,579 aggregate rentable square feet and 568 parking spaces. Constructed in the early 1970's, all of the buildings are one-story structures with painted concrete, tilt-up panel exteriors. Primary tenants at these Properties include Bionike Technologies, Inc. (10,819 square feet), RJT Express, Inc. (5,000 square feet) and ABC Building Services, Inc. (4,500 square feet).

560 Forbes Boulevard. 560 Forbes Boulevard is an industrial and office building situated on a 5.5 acre parcel of land in the Industrial Park. The Property contains approximately 40,000 rentable square feet and 30 parking spaces. Built in the early 1970's, the building has painted concrete, tilt-up panel exterior walls. The Property has one tenant, Graphics Arts Center, Inc.

430 Rozzi Place. 430 Rozzi Place is a single story, office and Industrial building with approximately 20,000 rentable square feet. The building is situated on a 3.2 acre parcel of developed industrial land in the Industrial Park. There are ten parking spaces available on the premises. The building was constructed in the early 1970's and has a painted concrete, tilt-up panel exterior. This Property has one tenant, See's Candies, Inc.

HAYWARD/UNION CITY INDUSTRIAL SUBMARKET

Substantial absorption of space during 1992-96 in this submarket has resulted in a drop in the vacancy rate from 14.4% to 4.1% and a significant increase in asking rent levels even as there were additions to supply in the last two years. According to CB Commercial, supply was flat at approximately 22.0 million square feet during

1992-94 while an average of 442,000 square feet were absorbed each year during the first two years of that period increasing to 882,000 absorbed in 1994. During 1995, there was net absorption of 420,000 square feet on top of absorption of 497,000 square feet of new supply--i.e., total absorption of existing plus new supply of approximately 917,000 square feet--and this rose further to net absorption in 1996 of 1,399,000 square feet in a year in which 647,000 square feet was added to supply. Average asking rent (quoted in this market on a monthly basis) on a triple-net basis increased from \$0.24 per square foot in 1992 to \$0.33 per square foot in 1996 reflecting this significant reduction in available space.

The following graph provides information regarding availability rates and average asking rental rates at year end for each of the years from 1992 through 1996 for industrial properties in the Hayward/Union City submarket. Rents in this submarket are quoted on a monthly basis but are shown annualized in the graph for ease of comparability.

Hayward/Union City Industrial Submarket
Average Quoted Market Rent &
Availability Rate

[GRAPH APPEARS HERE]

Year	Availability Rate	Rent
-----	-----	-----
1992	13.4%	\$2.88
1993	11.4%	3.12
1994	7.3%	3.12
1995	7.5%	3.60
1996	4.1%	4.08

Description of Hayward/Union City Submarket Property

2391 West Winton Avenue. The Company's fourth Industrial Property in the San Francisco area is 2391 West Winton Avenue, a single story, industrial building which also offers mezzanine office space. The Property is located in Hayward, California, across the bay from San Francisco and just four miles from the Oakland Airport. The Property is part of the planned Hayward Industrial Park development. The Property contains approximately 221,000 rentable square feet and 257 parking spaces. Constructed in 1974, the building is situated on a 9.74 acre parcel of land and has a painted concrete, tilt-up panel exterior. This Property has one tenant, Viking Office Products, Inc.

LOWER BUCKS COUNTY, PENNSYLVANIA INDUSTRIAL MARKET

The Lower Bucks County industrial market totals approximately 18.5 million square feet of space and experienced significantly high vacancy rates in the beginning of the 1990's, but net absorption of 2.3 million square feet during 1993-96, plus absorption of approximately 600,000 square feet of additional supply, brought the availability rate down to 8.8% at the end of 1996.

The following graph provides information regarding availability rates and average asking rental rates at year end for each of the years from 1992 through 1996 for industrial properties in the Lower Bucks County industrial market.

Lower Bucks County Industrial Market
Average Quoted Market Rent &
Availability Rate

[GRAPH APPEARS HERE]

Year	Availability Rate	Rent
1992	18.2%	\$2.50
1993	18.9%	2.50
1994	5.3%	3.50
1995	4.7%	3.45
1996	8.8%	3.45

Description of Bucks County, Pennsylvania Property

The Company has one Industrial Property in the Bucks County, Pennsylvania market, 38 Cabot Boulevard. 38 Cabot Boulevard is a single story, industrial building located in Langhorne, Bucks County, Pennsylvania, approximately thirty miles northeast of Philadelphia. The Property contains approximately 161,000 rentable square feet. The building is located on a 9.4 acre parcel of developed industrial land. The building, which has a painted, concrete panel exterior, was originally built in 1972. In 1984, the Company completed an expansion building which added 61,000 rentable square feet to the Property. This Property has one tenant, J.I. Case Company.

THE HOTEL PROPERTIES

The Company owns two Hotel Properties in the Greater Boston area, one in downtown Boston on the Boston Harbor waterfront and one in East Cambridge that is part of the Company's Cambridge Center development. Both hotels are operated by Marriott International, Inc. under the Marriott(R) name. In order to assist the Company in maintaining its qualifications as a REIT under federal tax law, following the Offering the Company will lease the Hotel Properties, pursuant to separate leases with a participation in the gross receipts of the Hotel Properties, to a lessee (ZL Hotel LLC) in which Messrs. Zuckerman and Linde will be the sole member-managers. Messrs. Zuckerman Linde will have a 9.8% economic interest in such lessee and one or more unaffiliated public charities will have a 90.2% economic interest. Marriott International, Inc. will continue to operate the Hotel Properties under the Marriott(R) name pursuant to management agreements with ZL Hotel LLC.

GREATER BOSTON HOTEL MARKET

Over the past five years the Greater Boston hotel market has consistently ranked as one of the strongest lodging markets in the country, with high occupancy and average room rates resulting in revenues per available room ("REVPAR," the hotel industry standard of comparison) significantly higher than average. In 1996, according to Horwath Landauer/Smith Travel Research, the Greater Boston hotel market supply of approximately 34,500 rooms had an overall occupancy rate of 73.5% and an average room rate of \$105.51, ranking fourth in both of these categories out of the top 25 markets nationwide.

The strength of this market reflects the broad base of room demand in Boston as a national and international business, tourist and meeting destination. Business growth in Boston during 1992-96 has been strong as reflected in falling office vacancy rates and unemployment rates (see "--The Office Properties--Greater Boston Office Market"). Boston has grown steadily as a national and international tourist destination, with total visitors to Boston reaching a record 10.6 million in 1996 according to the Boston Convention and Tourist Bureau, up 21% over 1992. And Boston is an important meeting and convention site, ranked as a "first-tier" convention city even though as a result of the limited size of exhibition space available in its Hynes Convention Center it does not rank in the top 30 in the amount of prime exhibit space in its principal convention facility. The City and State have developed plans for a new convention center with an estimated cost of approximately \$700 million that would contain a 600,000 square foot main exhibit hall with 235,000 square feet of additional meeting space, which would more than triple the 193,000 square feet currently available in the Hynes Convention Center. There can be no assurances that this new convention center will be developed as planned.

BOSTON/CAMBRIDGE HOTEL SUBMARKET

The Company's completed Hotel Properties are located in downtown Boston and in East Cambridge, the latter directly across the Longfellow Bridge from Boston. The Boston/Cambridge lodging market, at the core of the metropolitan area, has a total of approximately 13,371 rooms and achieves higher occupancy and room rates than the Greater Boston market as a whole, with resulting higher REVPAR, as indicated in the following table which indicates the performance of that market during 1992-96:

BOSTON/CAMBRIDGE HOTEL SUBMARKET, 1992-1996

	1992	1993	1994	1995	1996
Occupancy.....	71.5%	74.6%	76.5%	77.4%	78.1%
Average Daily Rate.....	\$115.25	\$118.75	\$126.75	\$133.00	\$143.25
REVPAR.....	\$ 82.41	\$ 88.59	\$ 96.92	\$102.88	\$111.84
Percent Change.....		7.5%	9.4%	6.1%	8.7%
Available Room Supply.....	13,069	13,112	13,224	13,359	13,371
Percent Change.....		0.3%	0.9%	1.0%	0.1%

Source: Pinnacle Advisory Group

New additions to the Boston hotel market are underway and anticipated and if the proposed new Convention Center is constructed further additions to supply are expected. The Company believes that business, tourist and convention and meeting-driven demand will increase as well, supported by major transportation infrastructure improvements currently underway including the \$10.4 billion Central Artery/Ted Williams Tunnel project (which will improve access to downtown Boston and Logan International Airport and the urban quality of downtown Boston) and the \$1.2 billion Logan 2000 program (the modernization and facility expansion of Logan International Airport). The Company also believes that because of their excellent locations and the advantages of Marriott(R) brand strength and marketing programs and management, its Hotel Properties will continue to perform strongly and benefit directly from such growth in overall demand.

DESCRIPTION OF THE COMPANY'S HOTEL PROPERTIES

The two completed Hotel Properties have the following characteristics:

Long Wharf Marriott(R) Hotel. The 402 room Long Wharf Marriott(R) Hotel is an eight-story building located directly on the Boston Harbor waterfront. The hotel opened in March of 1982. The interior-corridor, atrium-style structure has a shape which is reminiscent of a ship, and the vast majority of guest rooms overlook either the waterfront or downtown Boston. Surrounding land uses consist of Boston Harbor to the east, the New England Aquarium to the south, Faneuil Hall Marketplace across Atlantic Avenue to the west and Columbus Waterfront Park to the north. The hotel is within easy walking distance of the heart of the business and financial district and most of Boston's major attractions, such as the Aquarium, Faneuil Hall, Downtown Crossing, the Old State House, the Fleet Center and Boston Common. The hotel has been operated as a Marriott(R) since its

opening, pursuant to a management agreement with Marriott(R) and has consistently achieved occupancy, average room rate and REVPAR levels among the highest of all Marriott(R) hotels. For the year ended December 31, 1996, the Long Wharf Marriott(R) Hotel had an occupancy rate of 85.7%, an ADR of \$201.18 and REVPAR of \$173.01.

Cambridge Center Marriott(R) Hotel. The 431 room Cambridge Center Marriott(R) Hotel is a 25-story building located in Kendall Square, Cambridge. The hotel opened in September 1986. The hotel is the centerpiece of the Cambridge Center development, an office and mixed-use development with 1.7 million square feet of rentable space, including the hotel and five other office and R&D buildings owned by the Company. For more information regarding Cambridge Center, see "--The Office Properties--Greater Boston Office Market--East Cambridge Office Submarket." The hotel is in the heart of Kendall square and is adjacent to the MIT campus. The hotel is easily accessible by public transportation connecting directly to downtown Boston (two rapid transit stops to the east) and Harvard Square in Cambridge (two stops to the west). The hotel has been operated as a Marriott(R) since its opening, pursuant to a management agreement with Marriott(R). For the year ended December 31, 1996, the Cambridge Center Marriott(R) Hotel had an occupancy rate of 82.6%, an ADR of \$150.52 and REVPAR of \$123.58.

SEASONALITY

The two hotels traditionally have experienced significant seasonality in their net operating income, with average weighted net operating income by quarter over the past three years as follows:

FIRST QUARTER -----	SECOND QUARTER -----	THIRD QUARTER -----	FOURTH QUARTER -----
14%	30%	31%	25%

MARRIOTT(R) IS A REGISTERED TRADEMARK OF MARRIOTT INTERNATIONAL, INC., WHICH HAS NOT ENDORSED OR APPROVED THE OFFERING OR ANY OF THE FINANCIAL RESULTS OF THE HOTELS SET FORTH IN THIS PROSPECTUS. INVESTORS IN THE COMPANY WILL NOT RECEIVE AN INTEREST IN MARRIOTT INTERNATIONAL, INC.

THE DEVELOPMENT PROPERTIES

The Company is currently developing the following seven properties for the Company's ownership:

BDM International Building and Phase II Building. The BDM International Building is an approximately 312,000 square foot, 12-story, Class A Office Building located in Reston, Virginia. The Reston market is an active area of expansion for the rapidly growing Northern Virginia computer, technology, and telecommunications industries. The Company is developing this property through its joint venture with Westbrook. The Company owns a 25.0% interest in the BDM International building, which economic interest may be increased above 25.0% depending upon the achievement of certain performance objectives. Completion of the BDM International Building is scheduled for February of 1999. Approximately 309,000 square feet of development is pre-leased to BDM International ("BDM") for a term of twelve years. (the building's remaining 3,000 square feet are ground-floor retail space). Associated with the development of the new headquarters for BDM International, the Company is also constructing a second, six story, 126,500 net rentable square feet building on the site. This building will be developed without a pre-leasing commitment in response to the significant unsatisfied demand for office space in the Reston, Virginia market. Parking (1548 spaces) for both the BDM International Building and the Phase II Building will be provided on-site in surface lots and a four story parking deck. Delivery of the Phase II building is scheduled for December 1998.

201 Spring Street. 201 Spring Street is a 102,000 net rentable square foot, Class A Office Building located in Lexington, Massachusetts, in the Route 128 Northwest submarket of Greater Boston. This building will be adjacent to the Company's existing Class A Office Building at 191 Spring Street. Completion of 201 Spring Street is scheduled for September, 1997. The building is currently 100% leased to MediaOne of Delaware, Inc., formerly Continental Cablevision, Inc.

7700 Boston Boulevard, Building Twelve and 7501 Boston Boulevard, Building Seven. On land owned by the Company in its Virginia-95 Office Park, the Company is in the process of completing two build-to-suit projects. These two R&D Properties contain approximately 80,514 and 75,756 rentable square feet, respectively. 7501 Boston Boulevard, Building Seven is being developed by the Company for the General Services Administration (specifically for use by the United States Customs Service). 7700 Boston Boulevard Building

Twelve will be the headquarters of Autometric, Inc. and has expansion potential for another 40,000 square feet of space. Both buildings are scheduled for completion in late 1997. 7501 Boston Boulevard, Building Seven and 7700 Boston Boulevard, Building Twelve are entirely pre-leased to the General Services Administration and Autometric, Inc. for terms of 10 and 15 years, respectively.

Sugarland Buildings One and Two. These single story office/flex buildings on extensively landscaped sites are located in the Sugarland Office Complex in Herndon, Virginia, within one mile of Reston Town Center and in the midst of the Reston-Herndon-Dulles high-technology area. Building One, constructed in 1985, contains approximately 52,533 net rentable square feet and is on a 4.67 acre parcel with 297 parking spaces. Building Two, also constructed in 1985, contains approximately 59,585 net rentable square feet and is on a 4.93 acre parcel with 234 parking spaces. The Company purchased the buildings vacant in 1996, made improvements to them and has approximately 72,000 square feet of the total of 112,161 net rentable square feet committed under signed leases or letters of intent with leases in negotiation.

In the aggregate, the Company estimates that the Stabilized Return on Cost for these projects will be approximately 12%.

DEVELOPMENT PARCELS

The Company expects that a significant portion of its future growth will come through development and redevelopment projects. For development opportunities, the Company seeks vacant land in desirable markets including, where appropriate, where it can add value by overcoming adverse zoning regulations or by locating tenants who will work with the Company towards a "build-to-suit" or significant pre-lease arrangement. The Company believes that its reputation in its current markets for developing properties for its own account and others will aid it in working with tenants on a "build-to-suit" or pre-lease basis. In addition to the seven Development Properties (See "--Summary Property Data" and "--The Office Properties--The Development Properties"), at the completion of the Offering the Company will own, have under contract, or have an option to develop or acquire six parcels consisting of an aggregate of 47.4 acres of land. The Company believes that this land, some of which needs zoning or other regulatory approvals prior to development, will be able to support an aggregate of approximately 1.0 million square feet of development. The following chart provides additional information with respect to the undeveloped parcels.

LOCATION	SUBMARKET	NO. OF PARCELS	ACREAGE	DEVELOPABLE SQUARE FEET(1)
Springfield, VA	Fairfax County, VA	3	9.4	130,000
Lexington, MA	Route 128 NW	1	6.8	50,000
Cambridge, MA	East Cambridge, MA	1	4.2	539,000
Andover, MA	Route 495 N	1	27.0	290,000
Total		6	47.4	1,009,000

(1) Represents the total square feet of development or additional development that the parcel(s) will support.

PROPOSED DEVELOPMENTS

The Company is currently pursuing a number of proposed development projects, including:

Cambridge Center Marriott(R) Residence Inn. Subject to obtaining necessary government approvals and resolving certain business matters, the Company intends to develop a 221 room limited-service Residence Inn by Marriott(R) on a site on the West Parcel at Cambridge Center (see "--The Office Properties--East Cambridge Office Submarket"). Marriott(R)'s Residence Inn is an extended-stay hotel. This property is subject, among other contingencies, to obtaining required approvals, permits, rezoning and negotiation of a management agreement with Marriott International, Inc., which currently manages the two Hotel Properties owned by the Company.

Reston Joint Venture. The Company is currently working with Westbrook on the development of a 370,000 square foot office building in Reston, Virginia, 60% pre-committed to Andersen Consulting, in which the Company would own a joint venture interest.

There can be no assurances that the Company will ultimately develop either of the above proposed developments.

DEVELOPMENT CONSULTING AND THIRD-PARTY PROPERTY MANAGEMENT

DEVELOPMENT CONSULTING

Because commercial real estate development is a highly complex and specialized business, many corporate and government entities that decide to develop a property primarily for their own use seek a development and project manager to assist with the design and execution of the project. The Company has found development consulting and project management to be a desirable way to leverage the Company's extensive experience in project and construction management, marketing, leasing, finance, governmental relations, tax, real estate law, and accounting. The Company's engagement in this type of activity has three distinct attractions:

- . Development consulting and project management can be a significant source of revenue that requires little incremental investment by the Company. To support the Company's own activities, the Company's offices in Boston and Washington, D.C. are staffed with professionals who are able to provide the full range of services needed for project design and execution. By taking on third party projects, the Company is able to fully utilize the talents of those individuals and add to their experience and knowledge base.
- . In addition to being a profitable source of revenue, the Company has achieved significant recognition in its primary markets for successful oversight of high-visibility projects. The Company believes that such recognition has added to the Company's credibility when bidding for build-to-suit projects or attempting to significantly pre-lease a project under construction.
- . The Company has been successful at retaining clients at the end of third-party development projects and becoming the property manager for the completed project. These property management engagements are excellent sources of incremental revenues without the need for large investment or risk.

The Company provided significant development consulting and project management in connection with the following projects:

Thurgood Marshall Federal Judiciary Building, Washington, D.C. Completed in 1992, this approximately 1.0 million square foot office building houses the Administrative Office of the United States Courts. The Company was selected after a public competition to provide comprehensive services to the Architect of the Capitol under a fee-for-services contract. Design and construction were completed on schedule in 37 months and the final cost was 7% below budget. The project, which the Company still manages under contract, received the 1995 Federal Government Design Award.

Health Care Financing Administration ("HCFA"), Woodlawn, Maryland. The Company and its co-developer, chosen over five other teams, designed and built the 920,000 square foot headquarters of HCFA on a 60-acre campus in Woodlawn, Maryland. The project was completed on time in 32 months and 8% under the approved budget amount.

The Acacia Mutual Life Building, Washington, D.C. The Company is acting as development manager for this project, which involves the substantial redevelopment of a 200,000 square foot, two building complex. Acacia Mutual Life Insurance Company, the owner of the building, selected the Company to oversee the design, financing and construction of the interior and parking structure. The law firm of Jones, Day, Reavis and Pogue has leased the complex as their new Washington, D.C. headquarters and will be occupying the building beginning in mid-1999.

National Institutes of Health, Bethesda, Maryland. The Company is acting as development manager for a new Clinical Research Center for the National Institutes of Health at its Bethesda, Maryland campus. The Company was selected by the General Services Administration in 1995 to provide this service from among four competitors. Scheduled for completion in the year 2002, the Clinical Research Center will contain approximately 850,000 square feet.

90 Church Street, New York, New York. The Company is acting as development consultant to the United States Postal Service (the "USPS") for the redevelopment of 90 Church Street. The base of the 15-story building will continue to be used as a United States Postal Service mail processing facility, but the tower portion is being renovated for new tenants who have already committed to occupy almost all of the building's available space. The Company is also master lessee of the building and as such is responsible for the daily operation of the building and all construction work in the building and acts as exclusive leasing agent.

Beth Israel Research Lab, Boston, Massachusetts. In 1992 Boston's Beth Israel Hospital retained the Company as development manager for the conversion of a 96,000 square foot former warehouse into a modern research laboratory facility. The Company established the project budget, supervised design, developed a fast-track schedule, hired and supervised the general contractor and delivered the facility for first occupancy only 20 months after getting the assignment.

Medical Information Technology ("Meditech") Headquarters, Norwood, Massachusetts. The Company served as Development Manager for Meditech on the development of a four building corporate campus on a 60-acre property in Norwood, Massachusetts. Approvals were obtained for a master plan which preserves open space and an existing nine hole golf course.

The Company is currently providing fee development services to the United States Postal Service in both New York and Boston, the National Institutes of Health in Bethesda, Maryland, The Acacia Life Insurance Company in Washington, D.C., the Fan Pier Land Company in Boston, and Westbrook in connection with existing and proposed joint ventures. The Company estimates that fees from these assignments during 1997 will be approximately \$5,800,000.

THIRD-PARTY PROPERTY MANAGEMENT AND TENANT SERVICES

The Company generally does not provide third-party property management services, but the Company has been willing to accept property management engagements in certain cases where the Company had a pre-existing relationship with a major tenant or client for whom the Company provided development services. In Greater Washington, D.C., the Company manages six properties for third parties and earns gross revenues of approximately \$936,000 per year. The Company served as development and project manager for all of these properties.

In addition, the Company earns fees for work performed for its tenants which has averaged more than \$700,000 per year and is expected to continue at that rate or above.

PARTIAL INTERESTS

Upon completion of the Offering, the Company will own less than a 100.0% fee interest in 14 of the Properties. The Company will own a 25.0% limited liability company membership interest in a two-building complex (one building of which is leased entirely to BDM International) in Reston, Virginia, which the Company is currently developing in partnership with Westbrook. The Company's economic interest in this property may be increased above 25.0%, depending upon the achievement of certain performance objectives. The Company will own a 75.0% partnership interest and will be the sole general partner of the limited partnership that will own 100.0% of the fee interest in Montvale Center in Gaithersburg, Maryland. Because of the priority of the Company's 75.0% partnership interest, the Company expects to receive substantially all of any partnership distributions that are made with respect to this property. The Company will own a 35.7% controlling general partnership interest in the nine Hilltop Business Center properties, 560 Forbes Boulevard in South San Francisco, California and 430 Rozzi Place in South San Francisco, California.

ENVIRONMENTAL MATTERS

Some of the Properties are located in urban and industrial areas where fill or current or historical industrial uses of the areas have caused site contamination at the Properties. Within the past 12 months,

independent environmental consultants were retained to conduct or update Phase I environmental assessments (which generally do not involve invasive techniques such as soil or ground water sampling) and asbestos surveys on all of the Properties. These environmental assessments have not revealed any environmental conditions that the Company believes will have a material adverse effect on its business, assets or results of operations, and the Company is not aware of any other environmental condition with respect to any of the Properties which the Company believes would have such a material adverse effect.

With respect to 17 Hartwell Avenue in Lexington, Massachusetts, the Company received a Notice of Potential Responsibility ("NOR") from the state regulatory authority on January 9, 1997, related to groundwater contamination. In addition, the Company received a Notice of Downgradient Property Status Submittal from each of two third parties concerning alleged contamination at two downgradient properties. 17 Hartwell Avenue is a 30,000 square foot office building occupied by Kendall Company, a division of Tyco International, which has been the tenant of the entire building for 20 years. The tenant received a similar NOR and has responded to the state regulatory authority that it will conduct an investigation. The lease with the tenant contains a provision pursuant to which the tenant indemnifies the Company against such liability. The Company has notified the state regulatory authority that it will cooperate with and monitor the tenant's investigation.

On January 15, 1992, 91 Hartwell Avenue in Lexington, Massachusetts was listed by the state regulatory authority as an unclassified Confirmed Disposal Site in connection with groundwater contamination. 91 Hartwell Avenue is a 122,328 square foot office building occupied by five tenants. A health risk assessment conducted in 1991 by an environmental consultant concluded that contamination at the property does not pose a human health hazard, and a letter to the state regulatory authority on August 26, 1992 concluded that no further remedial response action is necessary at the site. With respect to the 1992 listing, the Company has engaged a specially licensed environmental consultant to perform the necessary investigation and assessment and to prepare submittals to the state regulatory authority by August 2, 1997. There is evidence that the contamination may be migrating from an upgradient source, in which event the property may qualify for a Downgradient Property Status. Such status would eliminate the need for the August 2, 1997 submittal and may assist the Company in assigning responsibility for future investigation and/or remedial actions to the current or former owners of the upgradient properties.

The Company expects that any resolution of the environmental matters relating to 17 Hartwell Ave. and 91 Hartwell Ave. will not have a material impact on the financial position, results of operations or liquidity of the Company.

THE UNSECURED LINE OF CREDIT

The Company has obtained a commitment to establish a three-year, \$300 million Unsecured Line of Credit with BankBoston, N.A., as agent. The Company expects to enter into the Unsecured Line of Credit concurrently with the completion of the Offering. The Unsecured Line of Credit will be a recourse obligation of the Operating Partnership and will be guaranteed by the Company. The Company intends to use the Unsecured Line of Credit principally to fund growth opportunities and for working capital purposes. At the closing of the Offering, the Company expects to draw down approximately \$57.7 million under this line of credit.

The Company's ability to borrow under the Unsecured Line of Credit will be subject to the Company's ongoing compliance with a number of financial and other covenants. The Unsecured Line of Credit will require: the Company to maintain a ratio of unsecured indebtedness to unencumbered property value of not more than 60%; that the unencumbered properties must generate sufficient net operating income to maintain a debt service coverage ratio of at least 1.4 to 1 (based on a 25-year amortization with an assumed interest rate equal to the rate on seven-year U.S. Treasuries plus 2%, a total indebtedness to total asset value ratio of not more than 55%; that the ratio of EBITDA to debt service plus estimated capital expenditures and preferred dividends be at least 1.75 to 1; and certain other customary covenants and performance requirements. In addition, the Unsecured Line of Credit will restrict ownership of hotel properties to 25% of the Company's aggregate portfolio. The Unsecured Line of Credit will, except under certain circumstances, limit the Company's ability to make distributions up to 90% of its annual Funds from Operations.

The Unsecured Line of Credit will, at the Company's election, bear interest at a floating rate based on a spread over LIBOR ranging from 90 basis points to 110 basis points, depending upon the Company's applicable leverage ratio, or the Line of Credit Lender's prime rate, and will require monthly payments of interest only on prime rate loans, with interest on LIBOR loans payable on the last day of an interest period but not less often than quarterly. LIBOR loans may be for periods of between thirty and 180 days.

The commitment for the Unsecured Line of Credit is subject to final approval and satisfactory completion of the Offering, completion by the Line of Credit Lender of its due diligence and preparation and execution of an acceptable credit agreement.

MANAGEMENT

DIRECTORS AND EXECUTIVE OFFICERS

The Board of Directors of the Company will be expanded immediately following the completion of the Offering to include the director nominees named below, each of whom has been nominated for election and consented to serve. Upon election of the director nominees, there will be a majority of directors who are neither employees nor affiliates of the Company. Pursuant to the Certificate, the Board of Directors is divided into three classes of directors. The initial terms of the three classes will expire in 1998 (Mr. Zuckerman), 1999 (Messrs. Patricof and Turchin) and 2000 (Messrs. Linde and Seidenberg), respectively. Beginning in 1998, directors of each class will be chosen for three-year terms upon the expiration of their current terms and each year one class of directors will be elected by the stockholders. The Company believes that classification of the Board of Directors will help to assure the continuity and stability of the Company's business strategies and policies as determined by the Board of Directors. Holders of shares of Common Stock will have no right to cumulative voting in the election of directors. Consequently, at each annual meeting of stockholders, the holders of a majority of the shares of Common Stock will be able to elect all of the successors of the class of directors whose terms expire at that meeting.

The following table sets forth certain information with respect to the directors, director nominees and executive officers of the Company immediately following the completion of this Offering:

NAME	AGE	POSITION
Mortimer B. Zuckerman.....	59	Chairman of the Board
Edward H. Linde.....	55	President, Chief Executive Officer and Director
Alan J. Patricof.....	62	Director
Ivan G. Seidenberg.....	50	Director
Martin Turchin.....	55	Director
Raymond A. Ritchey.....	46	Senior Vice President
Robert E. Burke.....	59	Senior Vice President
David R. Barrett.....	55	Senior Vice President
Robert E. Selsam.....	50	Senior Vice President
David G. Gaw.....	45	Senior Vice President, Chief Financial Officer

The following is a biographical summary of the experience of the directors, director nominees and executive and senior officers of the Company:

Directors and Executive Officers

Mr. Mortimer B. Zuckerman serves as Chairman of the Board of Directors of the Company. Mr. Zuckerman co-founded the Company in 1970 after spending seven years at Cabot, Cabot & Forbes where he rose to the position of Senior Vice President and Chief Financial Officer. He is a graduate of McGill University, Montreal receiving an undergraduate degree in 1957 and a degree of law in 1961. He received an MBA with distinction from the Wharton School, University of Pennsylvania in 1961 and a Master of Law from Harvard University in 1962. Mr. Zuckerman serves as a Trustee for New York University, a Director and Member of the Executive Committee of WNET/Channel 13 New York, a Trustee of Memorial Sloan-Kittering Cancer Institute, a Trustee of the Institute For Advanced Studies at Princeton, a Member of the Harvard Medical School Board of Visitors, and a Member of the Council on Foreign Relations and the International Institute For Strategic Studies. He is also Chairman and Editor-in-Chief of U.S. News & World Report, Chairman of The Atlantic Monthly magazine, Chairman and Co-Publisher of the New York Daily News and Chairman of the Board of Applied Graphics Technologies (AGT) and a member of the Board of Directors of Snyder Communications.

Mr. Edward H. Linde serves as President, Chief Executive Officer and a Director of the Company. Mr. Linde co-founded the Company in 1970 after spending five years at Cabot, Cabot & Forbes where he became Vice President and Senior Project Manager. Mr. Linde serves as Chairman of the Board of Directors of the Massachusetts Government Land Bank and Co-Chairman of the Massachusetts Development Finance Agency. He is also a member of the Board of Directors of the CareGroup and the Beth Israel Deaconess Medical Center, an Overseer of the Boston Symphony Orchestra, a Member of the Massachusetts Institute of Technology Visiting Committee to the Department of Urban Studies and Planning (where he also was a Member of the MIT Corporation from 1990 to 1995) and a member of the Board of Fellows of the Harvard Medical School. Mr. Linde is a member of the Board of Applied Graphics Technologies (AGT). He received a BS in Civil Engineering from MIT in 1962 and an MBA from Harvard Business School, where he was a Baker Scholar, in 1964.

Mr. Alan J. Patricof will serve as a Director of the Company. Mr. Patricof is Chairman of the Board of Directors of Patricof & Co. Ventures, Inc., the company that he founded in 1969. He has more than 30 years of investment experience with a particular expertise in portfolio management. Mr. Patricof was Chairman of the White House Commission on the Small Business Administration and a member of the Blue Ribbon Commission of the National Association of Corporate Directors. He also serves as a director of Cellular Communications International, Inc., Cellular Communications of Puerto Rico, Inc., CoreComm Incorporated, Healthcare Direct, Inc., Johnny Rockets Group, Inc., Medscape, Inc., NTL Incorporated, and SCP Communications, Inc. Mr. Patricof received a BS in finance from Ohio State University and an MBA from Columbia University Graduate School of Business.

Mr. Ivan G. Seidenberg will serve as a Director of the Company. Mr. Seidenberg is Chairman and Chief Executive Officer of NYNEX, where he has held various positions since 1991. Mr. Seidenberg is a member of the Board of Directors of AlliedSignal Inc., American Home Products Corp., The Conference Board, CVS Corp., Pace University, The Museum of Television and Radio, The New York Hall of Science, The New York Hospital and Viacom, Inc., and a director nominee of Bell Atlantic. He is Chairman of the Federal Communications Commission's Network Reliability and Interoperability Council and a member of the Council on Foreign Relations and the Lincoln Center Consolidated Fund Committee. Mr. Seidenberg received a BA in mathematics from City University of New York and an MBA from Pace University.

Mr. Martin Turchin will serve as a Director of the Company. Mr. Turchin is Vice-Chairman of Insignia/Edward S. Gordon Co., Inc., a subsidiary of Insignia Financial Group, one of the nation's largest commercial real estate brokerage and management firms. Mr. Turchin has more than 30 years experience as a commercial real estate broker, consultant and advisor and has been involved in some of the largest real estate transactions in the United States. Mr. Turchin is a three time recipient of the Real Estate Board of New York's "Most Ingenious Deal of the Year Award." Mr. Turchin attended City College of the University of New York and St. John's Law School.

Mr. Raymond A. Ritchey serves as a Senior Vice President, Co-Manager of the Washington office and National Director of Acquisitions and Development for the Company. In this capacity, Mr. Ritchey is responsible for all marketing and new opportunity origination in the Washington area and directly oversees similar activities for the Company on a national basis. Mr. Ritchey joined the Company in 1980, leading the Company's expansion to become one of the dominant real estate firms in the Washington metropolitan area. For four years prior to joining the Company, Mr. Ritchey was one of the leading commercial real estate brokers in the Washington area with Coldwell Banker. He is a 1972 graduate of the U.S. Naval Academy and a 1973 graduate of the U.S. Naval Post Graduate School in Monterey, California.

Mr. Robert E. Burke serves as a Senior Vice President and Co-Manager of the Washington office for the Company. He joined the Company in 1979 to open its Washington area office serving as general manager in charge of operations of that office. Prior to 1979, Mr. Burke spent 7 1/2 years as General Manager of the John Fitzgerald Kennedy Library Corporation. He received dual degrees in 1960 when he earned a BS from Bates College and a Bachelor of Civil Engineering degree from Rensselaer Polytechnic Institute.

Mr. David R. Barrett serves as Senior Vice President and Manager of the Boston office of the Company. He joined the Company in 1976 after six years as a principal in a consulting firm specializing in housing and

urban development and after serving as Special Assistant to the Administrator of the Housing and Development Administration of the City of New York. He has been involved in all aspects of developing the Company's portfolio of properties and was directly responsible for the approval, design, construction and leasing of its Cambridge Center development. Mr. Barrett received a BA from Columbia College in 1963 and an LLB with honors from Harvard Law School in 1966 where he was an editor of the Harvard Law Review.

Mr. Robert E. Selsam is a Senior Vice President and Manager of the Company's New York office. He joined the Company in 1984, prior to which he was Director of Planning for the Metropolitan Transportation Authority of the State of New York. Mr. Selsam serves as Secretary and member of the Executive Committee of the New York Building Congress, is Executive Vice President and past Co-Chairman of the Associated Builders and Owners of New York, a member of the Executive Committee of the Association for a Better New York, and Vice President and Trustee of the New York Foundation for Architecture. He received a BA from the University of Pennsylvania in 1968 and a MS in Urban Planning from the Columbia University School of Architecture in 1970. Mr. Selsam has had direct involvement in all aspects of the Company's New York activities including development, leasing and building operations.

Mr. David G. Gaw is Senior Vice President and Chief Financial Officer for the Company, where he oversees a 40-person accounting, control and financial management department. He joined the Company in 1982 and has been involved in the Company's financial operations since then, including administering the Company's financings and banking relationships. From 1978 to 1982 he served as Vice President for the Norwood Group. Mr. Gaw received a BSBA from Suffolk University in 1973 and also received an MBA from Suffolk University in 1983.

Senior Officers

Mr. Frederick J. DeAngelis serves as Senior Vice President and General Counsel for the Company, where he oversees a staff of three lawyers and one paralegal. Mr. DeAngelis joined the Company in 1980 after serving as a partner at the firm of Lane & Altman in Boston. He received an AB in Economics (cum laude) from Holy Cross College in 1970 and a doctor of law degree (magna cum laude) from Boston College Law School in 1973.

Mr. Stephen R. Clineburg, who joined the Company in 1984, serves as Senior Vice President and Regional General Counsel, Washington region. From June 1972 through July 1984, Mr. Clineburg was an attorney at the Gulf Oil Corporation and before that had been a Vice President and Title Officer of the Real Title Corporation in Fairfax, Virginia. Mr. Clineburg graduated from Columbia University with a BA in English in 1963 and from the University of Virginia Law School in Charlottesville in 1966.

Mr. James C. Rosenfeld is a Senior Vice President of the Company, where he has been responsible for all suburban Boston project development. Prior to joining the Company in 1980, he worked for ten years at Cabot, Cabot and Forbes where he served as project manager on major commercial office building projects. Mr. Rosenfeld received an AB from Bowdoin College in 1965.

Mr. E. Mitchell Norville is Senior Vice President and Senior Project Manager-Washington for the Company. In that capacity he oversees development of the Company's projects, including its fee development work for third parties. He has had direct responsibility for the project management of such projects as Independence Square, the headquarters for HCFA, and the work being performed for the National Institute of Health. Mr. Norville joined the Company in 1984 following his graduation from the University of Virginia with an MBA. He also received a BS in Mechanical Engineering from Clemson University in 1980.

Mr. Peter D. Johnston is a Senior Vice President of the Company, where he has been responsible for the development of more than one million square feet of the Company's Washington, D.C., commercial projects. He joined Boston Properties in 1987 after receiving an MBA from the University of Virginia. Mr. Johnston also received a Bachelor of Business Administration from Roanoke College in 1981 as well as an MA degree from Hollins College in 1982.

Mr. John D. Camera, Jr. is Senior Vice President--Boston Construction Management for the Company and in that capacity oversees the Company's Boston area construction activities. Mr. Camera, who joined the Company in 1980, has more than 30 years of construction industry experience. He is a 1964 graduate of the

Worcester Polytechnic Institute where he received a BS in Civil Engineering. Following graduation he served in the U.S. Navy Civil Engineering Corps. During his time at the Company, he has been responsible for more than \$325 million of construction activity.

Mr. Jonathan B. Kurtis is Senior Vice President--Washington Construction Management for the Company. In that capacity he oversees all of the Company's Washington area construction activities and has been responsible for more than \$517 million of successfully completed construction undertaken by the Company. Mr. Kurtis joined the Company in 1984 following seven years of general contractor project management experience. He graduated from the University of Florida in Gainesville, Florida with a Bachelor of Building Construction in 1977.

Mr. John J. Baraldi is Senior Vice President and National Director of Property Management at the Company. In that capacity, and based on his 35 years of property management experience, he provides national leadership and guidance to the property managers responsible for each of the Company's geographical areas of activity. Mr. Baraldi joined the Company in 1975 after holding property management positions at Cabot, Cabot & Forbes and the General Foods Corporation.

Mr. David H. Boone is Senior Vice President and Director of Washington Area Property Management for the Company. In that capacity, he has direct responsibility for the property management of the Company's Washington properties. Mr. Boone joined the Company in 1986 after 23 years experience in building operations and property management with other firms. Mr. Boone has also served as commercial Vice President for BOMA (Building Owners & Managers Association) Washington, D.C. and on the Board of Governors for BOMA International.

Mr. William J. Wedge serves as Senior Vice President--Tax Counsel for the Company. He joined Boston Properties in 1984 after serving in the Tax Department of Coopers & Lybrand. Mr. Wedge graduated from Dartmouth College in 1977 with a B.A. in History and Government, received a JD (cum laude) from Suffolk Law School in 1981 and was awarded a Masters of Taxation (LLM) by Boston University Law School in 1984. Mr. Wedge is an Adjunct Professor of Law at Suffolk Law School. He oversees tax and corporate affairs for the Company.

COMMITTEES OF THE BOARD OF DIRECTORS

Audit Committee

Promptly following the consummation of the Offering, the Board of Directors will establish an Audit Committee. The Audit Committee will make recommendations concerning the engagement of independent public accountants, review with the independent public accountants the scope and results of the audit engagement, approve professional services provided by the independent public accountants, review the independence of the independent public accountants, consider the range of audit and non-audit fees and review the adequacy of the Company's internal accounting controls. The Audit Committee will initially consist of two or more non-employee directors.

Compensation Committee

Promptly following the completion of the Offering, the Board of Directors will establish a Compensation Committee to establish remuneration levels for executive officers of the Company and implement the Company's Stock Option Plan and any other incentive programs. The Compensation Committee will initially consist of two or more non-employee directors.

The Board of Directors may from time to time establish certain other committees to facilitate the management of the Company.

COMPENSATION OF DIRECTORS

The Company intends to pay its non-employee directors annual compensation of \$15,000 for their services. In addition, non-employee directors will receive a fee of \$1,000 for each Board of Directors meeting attended in person. Non-employee directors attending any committee meetings in person will receive an additional fee of \$1,000 for each committee meeting attended, unless the committee meeting is held on the day of a meeting of the Board of Directors. Non-employee directors will also receive an additional fee of \$250 for each telephonic meeting attended. Non-employee directors will also be reimbursed for reasonable expenses incurred to attend director and committee meetings. Officers of the Company who are directors will not be paid any directors' fees. Non-employee directors will receive, upon initial election to the Board of Directors, an option to purchase 10,000 shares of Common Stock, and annually thereafter will receive an option to purchase 5,000 shares of Common Stock. These options will become exercisable over two years.

EXECUTIVE COMPENSATION

The following table sets forth the annual base salary rates and other compensation expected to be paid in 1997 following the Offering to the Company's Chief Executive Officer and each of the Company's four other most highly compensated executive officers (the "Named Executive Officers").

NAME	TITLE	1997 BASE SALARY RATE	OPTIONS ALLOCATED(1)
Edward H. Linde.....	President and Chief Executive Officer	\$150,000	320,000
Raymond A. Ritchey.....	Senior Vice President	\$250,000	200,000
Robert E. Burke.....	Senior Vice President	\$250,000	160,000
David R. Barrett.....	Senior Vice President	\$240,000	120,000
Robert E. Selsam.....	Senior Vice President	\$221,500	80,000

(1) One third of these options, together with 320,000 options to be granted to Mr. Zuckerman, will be exercisable on each of the third, fourth and fifth anniversary of the date of grant, respectively.

OPTION GRANTS IN FISCAL YEAR 1997

NAME	INDIVIDUAL GRANTS				POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF SHARE PRICE APPRECIATION FOR OPTION TERM	
	OPTIONS GRANTED (#)(1)	PERCENT OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL YEAR	EXERCISE OR BASE PRICE (\$/SH)(2)	EXPIRATION DATE	5%(\$)	10%(\$)
Edward H. Linde.....	320,000	16.3%	25.00	(3)	5,030,400	12,748,800
Raymond A. Ritchey.....	200,000	10.3	25.00	(3)	3,144,000	7,968,000
Robert E. Burke.....	160,000	8.2	25.00	(3)	2,515,200	6,374,000
David R. Barrett.....	120,000	6.1	25.00	(3)	1,886,400	4,780,800
Robert E. Selsam.....	80,000	4.1	25.00	(3)	1,257,600	3,187,200

(1) One third of these options will be exercisable on each of the third, fourth and fifth anniversary of the date of grant, respectively.

(2)Based on the Offering price.

(3)The expiration date of the options is the ten year anniversary of the closing date of the Offering.

Mr. Zuckerman, Chairman of the Board, will also receive a grant of 320,000 options on the same terms and with the same realizable values as Mr. Linde.

EMPLOYMENT AND NONCOMPETITION AGREEMENTS

Mr. Linde, as President and Chief Executive Officer, will enter into an employment and noncompetition agreement with the Company (the "Employment Agreement"). Pursuant to the Employment Agreement, until the third anniversary of the Offering, Mr. Linde will devote substantially all of his business time to the business

and affairs of the Company. Mr. Linde will receive an annual base salary of \$150,000 and will be eligible for bonus compensation, including stock options, to be determined in the discretion of the Board of Directors. Mr. Linde's employment with the Company may be terminated for "cause" by the Company for: (i) gross negligence or willful misconduct; (ii) an uncured breach of any of his material duties under the Employment Agreement; (iii) fraud or other conduct against the material best interests of the Company; or (iv) a conviction of a felony if such conviction has a material adverse effect on the Company. Mr. Linde may terminate his employment for "good reason," which includes: (i) a substantial adverse change in the nature or scope of his responsibilities and authority under the Employment Agreement or (ii) an uncured breach by the Company of any of its material obligations under the Employment Agreement. If Mr. Linde's employment is terminated by the Company "without cause" or by Mr. Linde for "good reason," then Mr. Linde will be entitled to a severance amount equal to the product of (x) his base salary plus prior year's bonus multiplied by (y) the number of full and fractional years that the noncompetition agreement described below is in effect (but in any event at least one year's base salary plus prior year's bonus).

The Employment Agreement prohibits Mr. Linde while he is a director or an officer of the Company and for one year thereafter, but in any event until the third anniversary of the Offering, from (i) engaging, directly or indirectly, in the acquisition, development, construction, operation, management, or leasing of any commercial real estate property, (ii) intentionally interfering with the Company's relationships with its tenants, suppliers, contractors, lenders or employees or with any governmental agency, or (iii) soliciting the Company's tenants or employees. Pursuant to the Employment Agreement, however, Mr. Linde may engage in minority interest passive investments which include the acquisition, holding, and exercise of voting rights associated with investments made through (i) the purchase of securities that represent a non-controlling, minority interest in an entity or (ii) the lending of money, but without management of the property or business to which such investment directly or indirectly relates and without any business or strategic consultation with such entity. In addition, Mr. Linde may participate as an officer or director of any charitable organization, and he may continue to own and operate the one Excluded Property. The period that this noncompetition agreement is in effect may be terminated prematurely by the Company which will reduce the severance amount payable to Mr. Linde. In addition, the agreement provides that the noncompetition provision shall not apply if Mr. Linde's employment is terminated following certain changes of control of the Company; in such event, the severance amount payable to Mr. Linde will be determined by reference to the period of time that the noncompetition provision would have been in effect in the absence of such a change of control. See "Policies with Respect to Certain Activities--Conflict of Interest Policies--Excluded Property."

Messrs. Barrett, Burke, Ritchey, Rosenfeld and Selsam will enter into employment agreements similar to that of Mr. Linde, except that the geographic scope of their noncompetition provisions will be limited to the Company's markets at the time of termination of their employment. In addition, Mr. Zuckerman will enter into an agreement with the Company that contains noncompetition provisions of the same scope and duration as the noncompetition provisions of Mr. Linde's Employment Agreement.

STOCK OPTION PLAN

Prior to the completion of the Offering, the Company will adopt the Boston Properties, Inc. 1997 Stock Option and Incentive Plan (the "Plan") to provide incentives to attract and retain executive officers, directors, employees and other key personnel. The Plan will be administered by the Compensation Committee. The maximum number of shares available for issuance under the Plan will be 9.5% of the total number of shares of Common Stock and OP Units (other than OP Units owned by the Company) outstanding from time to time (initially 4,754,750 shares).

Stock Options

The Plan permits the granting of (i) options to purchase Common Stock intended to qualify as incentive stock options ("Incentive Options") under Section 422 of the Code and (ii) options that do not so qualify ("Non-Qualified Options"). The option exercise price of each option will be determined by the Committee but may not be less than 100% of the fair market value of the Common Stock on the date of grant in the case of incentive stock options, and may not be less than 25% of the fair market value of the Common Stock on the date of grant in the case of Non-Qualified Options. Plan participants may elect, with the consent of the Committee, to receive discounted Non-Qualified Options in lieu of cash compensation.

The term of each option will be fixed by the Committee and may not exceed ten years from date of grant in the case of an Incentive Option. The Committee will determine at what time or times each option may be exercised and, subject to the provisions of the Plan, the period of time, if any, after retirement, death, disability or termination of employment during which options may be exercised. Options may be made exercisable in installments, and the exercisability of options may be accelerated by the Committee.

Upon exercise of options, the option exercise price must be paid in full either in cash or by certified or bank check or other instrument acceptable to the Committee or, if the Committee so permits, by delivery of shares of Common Stock already owned by the optionee or delivery of a promissory note. The exercise price may also be delivered to the Company by a broker pursuant to irrevocable instructions to the broker from the optionee.

At the discretion of the Committee, stock options granted under the Plan may include a "re-load" feature pursuant to which an optionee exercising an option by the delivery of shares of Common Stock would automatically be granted an additional stock option (with an exercise price equal to the fair market value of the Common Stock on the date the additional stock option is granted) to purchase that number of shares of Common Stock equal to the number delivered to exercise the original stock option. The purpose of this feature is to enable participants to maintain an equity interest in the Company without dilution.

To qualify as Incentive Options, options must meet additional Federal tax requirements, including limits on the value of shares subject to Incentive Options which first become exercisable in any one calendar year, and a shorter term and higher minimum exercise price in the case of certain large stockholders.

Stock Options Granted to Non-employee Directors

The Plan provides for the automatic grant of Non-Qualified Options to non-employee directors. Each non-employee director will receive, upon initial election to the Board of Directors, a Non-Qualified Option to acquire 10,000 shares of Common Stock. Each non-employee director who is serving as a director of the Company on the fifth business day after each annual meeting of shareholders, beginning with the 1998 annual meeting, will automatically be granted on such day a Non-Qualified Option to acquire 5,000 shares of Common Stock. The exercise price of each such Non-Qualified Option is the fair market value of the Common Stock on the date of grant. One-half of each Non-Qualified Option shall be exercisable on each of the first and second anniversary date of grant. The Committee may also grant additional Non-Qualified Options to non-employee directors.

Restricted Stock

The Committee may also award shares of Common Stock to participants, subject to such conditions and restrictions as the Committee may determine. These conditions and restrictions may include the achievement of certain performance goals and/or continued employment with the Company through a specified restricted period. If the performance goals and other restrictions are not attained, the participants will forfeit their shares of restricted stock. The purchase price of shares of restricted stock will be determined by the Committee.

Deferred Stock Units

The Committee may also award deferred stock units which are ultimately payable in the form of shares of Unrestricted Stock. The deferred stock units may be subject to such conditions and restrictions as the Committee may determine. These conditions and restrictions may include the achievement of certain performance goals and/or continued employment with the Company through a specified restricted period. If the performance goals and other restrictions are not attained, the participants will forfeit their shares of deferred stock units. During the deferral period, subject to terms and conditions imposed by the Committee, the deferred stock units may be credited with dividend equivalent rights.

Unrestricted Stock

The Committee may also grant shares (at no cost or for a purchase price determined by the Committee) which are free from any restrictions under the Plan. Shares of unrestricted stock may be issued to participants in recognition of past services or other valid consideration, and may be issued in lieu of cash compensation to be paid to such participants.

Performance Share Awards

The Committee may also grant performance share awards to participants entitling the participants to receive shares of Common Stock upon the achievement of individual or Company performance goals and such other conditions as the Committee shall determine.

Dividend Equivalent Rights

The Committee may grant dividend equivalent rights, which entitle the recipient to receive credits for dividends that would be paid if the recipient had held specified shares of Common Stock. Dividend equivalent rights may be granted as a component of another award or as a freestanding award. Dividend equivalent rights credited under the Plan may be paid currently or be deemed to be reinvested in additional shares of Common Stock, which may thereafter accrue additional dividend equivalent rights at fair market value at the time of deemed reinvestment. Dividend equivalent rights may be settled in cash, shares, or a combination thereof, in a single installment or installments, as specified in the award. Awards payable in cash on a deferred basis may provide for crediting and payment of interest equivalents.

Other Stock-Based Awards

The Committee may also grant awards of capital stock other than Common Stock and other awards that are valued in whole or in part by reference to or are otherwise based on, Common Stock, including, without limitation, convertible preferred stock, convertible debentures, exchangeable securities, awards or options valued by reference to book value or subsidiary performance. These awards may be subject to such conditions and restrictions as the Committee may determine. These conditions and restrictions may include the achievement of certain performance goals and/or continued employment with the Company through a specified restricted period. If the performance goals and other restrictions are not attained, the participants will forfeit their awards.

Adjustments for Stock Dividends, Mergers, Etc.

The Committee will make appropriate adjustments in outstanding awards to reflect stock dividends, stock splits and similar events. In the event of a merger, liquidation, sale of the Company or similar event, the Committee, in its discretion, may provide for substitution or adjustments of outstanding awards, or may terminate all awards with payment of cash or in kind consideration.

Change of Control

The Committee may provide in each award agreement that the award becomes fully vested and non-forfeitable if, after a Change of Control of the Company (as defined in the Plan), the participant's employment is terminated by the Company (or its successor) without cause, or if the participant voluntarily resigns for "good reason" (as defined in the Plan).

Amendments and Termination

The Board of Directors may at any time amend or discontinue the Plan and the Committee may at any time amend or cancel outstanding awards for the purpose of satisfying changes in the law or for any other lawful purpose. However, no such action may be taken which adversely affects any rights under outstanding awards without the holder's consent. Further, Plan amendments shall be subject to approval by the Company's stockholders if and to the extent required by the Code to preserve the qualified status of Incentive Options or to preserve tax deductibility of compensation earned under stock options.

NEW PLAN BENEFITS

Approximately 284 employees and four non-employee directors are currently eligible to participate in the Plan. The table below shows the options that will be granted to employees and non-employee directors in connection with the Offering.

1997 STOCK OPTION AND INCENTIVE PLAN

NAME AND POSITION -----	NUMBER OF SHARES UNDERLYING STOCK OPTION(1) -----
Mortimer B. Zuckerman..... Chairman	320,000
Edward H. Linde..... President and Chief Executive Officer	320,000
Executive Group (6 persons).....	920,000
Non-Employee Director Group (4 persons).....	350,000
Non-Executive Officer Employee Group (approximately 240 persons).....	1,030,000

(1) All options will be granted to the employees and the non-employee directors at the initial public offering price of \$25.00. One-third of the options granted to officers and Mr. Zuckerman will be exercisable on each of the third, fourth and fifth anniversary of the date of grant, respectively. One-third of the options granted to employees who are not officers will be exercisable on each of the first, second and third anniversary of the date of grant, respectively. Other than the options granted to Mr. Zuckerman as described above, one-half of the options granted to non-employee directors will be exercisable on each of the first and second anniversary date of grant, respectively.

TAX ASPECTS UNDER THE U.S. INTERNAL REVENUE CODE

The following is a summary of the principal Federal income tax consequences of option grants under the Plan. It does not describe all Federal tax consequences under the Plan, nor does it describe state or local tax consequences.

INCENTIVE OPTIONS

Under the Code, an employee will not realize taxable income by reason of the grant or the exercise of an Incentive Option. If an employee exercises an Incentive Option and does not dispose of the shares until the later of (a) two years from the date the option was granted or (b) one year from the date the shares were transferred to the employee, the entire gain, if any, realized upon disposition of such shares will be taxable to the employee as long-term capital gain, and the Company will not be entitled to any deduction. If an employee disposes of the shares within such one-year or two-year period in a manner so as to violate the holding period requirements (a "disqualifying disposition"), the employee generally will realize ordinary income in the year of disposition, and, provided the Company complies with applicable withholding requirements, the Company will receive a corresponding deduction, in an amount equal to the excess of (1) the lesser of (x) the amount, if any, realized on the disposition and (y) the fair market value of the shares on the date the option was exercised over (2) the option price. Any additional gain realized on the disposition of the shares acquired upon exercise of the option will be long-term or short-term capital gain and any loss will be long-term or short-term capital loss depending upon the holding period for such shares. The employee will be considered to have disposed of his shares if he sells, exchanges, makes a gift of or transfers legal title to the shares (except by pledge or by transfer on death). If the disposition of shares is by gift and violates the holding period requirements, the amount of the employee's ordinary income (and the Company's deduction) is equal to the fair market value of the shares on the date of exercise less the option price. If the disposition is by sale or exchange, the employee's tax basis will equal the amount paid for the shares plus any ordinary income realized as a result of the disqualifying distribution. The exercise of an Incentive Option may subject the employee to the alternative minimum tax.

Special rules apply if an employee surrenders shares of Common Stock in payment of the exercise price of his Incentive Option.

An Incentive Option that is exercised by an employee more than three months after an employee's employment terminates will be treated as a Non-Qualified Option for Federal income tax purposes. In the case of an employee who is disabled, the three-month period is extended to one year and in the case of an employee who dies, the three-month employment rule does not apply.

NON-QUALIFIED OPTIONS

There are no Federal income tax consequences to either the optionee or the Company on the grant of a Non-Qualified Option. On the exercise of a Non-Qualified Option, the optionee has taxable ordinary income equal to the excess of the fair market value of the Common Stock received on the exercise date over the option price of the shares. The optionee's tax basis for the shares acquired upon exercise of a Non-Qualified Option is increased by the amount of such taxable income. The Company will be entitled to a Federal income tax deduction in an amount equal to such excess. Upon the sale of the shares acquired by exercise of a Non-Qualified Option, the optionee will realize long-term or short-term capital gain or loss depending upon his or her holding period for such shares.

Special rules apply if an optionee surrenders shares of Common Stock in payment of the exercise price of a Non-Qualified Option.

LIMITATION OF LIABILITY AND INDEMNIFICATION

The Company's directors and officers are and will be indemnified against certain liabilities under Delaware law, the Certificate of Incorporation and Bylaws of the Company and the Operating Partnership Agreement. The Certificate of Incorporation of the Company requires the Company to indemnify its directors and officers to the fullest extent permitted from time to time under Delaware law.

The Bylaws provide that directors and officers of the Company shall be, and, in the discretion of the Board of Directors, non-officer employees may be, indemnified by the Company to the fullest extent authorized by Delaware law, as it now exists or may in the future be amended, against all expenses and liabilities reasonably incurred in connection with service for or on behalf of the Company. The Bylaws also provide that the right of directors and officers to indemnification shall be a contract right and shall not be exclusive of any other right now possessed or hereafter acquired under any bylaw, agreement, vote of stockholders or otherwise. The Certificate contains a provision permitted by Delaware law that generally eliminates the personal liability of directors for monetary damages for breaches of their fiduciary duty, including breaches involving negligence or gross negligence in business combinations, unless the director has breached his or her duty of loyalty, failed to act in good faith, engaged in intentional misconduct or a knowing violation of law, paid a dividend or approved a stock repurchase in violation of the Delaware General Corporation Law ("DGCL") or obtained an improper personal benefit. The provision does not alter a director's liability under the federal securities laws. In addition, this provision does not affect the availability of equitable remedies, such as an injunction or rescission, for breach of fiduciary duty. The Company believes that this provision will assist the Company in attracting and retaining qualified individuals to serve as officers and directors.

The Operating Partnership Agreement also provides for indemnification of the Company and its directors and officers to the same extent indemnification is provided to directors and officers of the Company in the Company's Certificate and limits the liability of the Company and its directors and officers to the Operating Partnership and its partners, to the same extent that the liability of directors and officers of the Company to the Company and its stockholders is limited under their organizational documents.

INDEMNIFICATION AGREEMENTS

The Company has entered into indemnification agreements with each of its directors and executive officers. The indemnification agreements require, among other things, that the Company indemnify its directors and executive officers to the fullest extent permitted by law and advance to the directors and executive officers all related expenses, subject to reimbursement if it is subsequently determined that indemnification is not permitted. Under these agreements, the Company must also indemnify and advance all expenses incurred by directors and executive officers seeking to enforce their rights under the indemnification agreements and may cover directors and executive officers under the Company's directors' and officers' liability insurance. Although the form of indemnification agreement offers substantially the same scope of coverage afforded by law, as a traditional form of contract it may provide greater assurance to directors and executive officers that indemnification will be available.

POLICIES WITH RESPECT TO CERTAIN ACTIVITIES

The following is a discussion of certain investment, financing and other policies of the Company. These policies have been determined by the Company's Board of Directors and, in general, may be amended or revised from time to time by the Board of Directors without a vote of the stockholders.

INVESTMENT POLICIES

INVESTMENT IN REAL ESTATE OR INTERESTS IN REAL ESTATE

The Company will conduct all of its investment activities through the Operating Partnership and its affiliates. The Company's investment objectives are to provide quarterly cash distributions and achieve long-term capital appreciation through increases in the value of the Company. For a discussion of the Properties and the Company's acquisition and other strategic objectives, see "Business and Properties" and "Business and Growth Strategies."

The Company expects to pursue its investment objectives primarily through the ownership by the Operating Partnership of the Properties and other acquired properties. The Company currently intends to invest primarily in developments of commercial properties and acquisitions of existing improved properties or properties in need of redevelopment, and acquisitions of land which the Company believes has development potential. Future investment or development activities will not be limited to any geographic area or product type or to a specified percentage of the Company's assets. While the Company intends to diversify in terms of property locations, size and market, the Company does not have any limit on the amount or percentage of its assets that may be invested in any one property or any one geographic area. The Company intends to engage in such future investment or development activities in a manner that is consistent with the maintenance of its status as a REIT for federal income tax purposes. In addition, the Company may purchase or lease income-producing commercial and other types of properties for long-term investment, expand and improve the real estate presently owned or other properties purchased, or sell such real estate properties, in whole or in part, when circumstances warrant. The Company does not have a policy that restricts the amount or percentage of assets that will be invested in any specific property.

The Company may also participate with third parties in property ownership, through joint ventures or other types of co-ownership. Such investments may permit the Company to own interests in larger assets without unduly restricting diversification and, therefore, add flexibility in structuring its portfolio. The Company will not, however, enter into a joint venture or partnership to make an investment that would not otherwise meet its investment policies.

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

INVESTMENTS IN REAL ESTATE MORTGAGES

While the Company's current portfolio consists of, and the Company's business objectives emphasize, equity investments in commercial real estate, the Company may, at the discretion of the Board of Directors, invest in mortgages and other types of real estate interests consistent with the Company's qualification as a REIT. The Company does not presently intend to invest in mortgages or deeds of trust, but may invest in participating or convertible mortgages if the Company concludes that it may benefit from the cash flow or any appreciation in value of the property. Investments in real estate mortgages run the risk that one or more borrowers may default under such mortgages and that the collateral securing such mortgages may not be sufficient to enable the Company to recoup its full investment.

SECURITIES OR INTERESTS IN PERSONS PRIMARILY ENGAGED IN REAL ESTATE ACTIVITIES AND OTHER ISSUERS

Subject to the percentage of ownership limitations and gross income tests necessary for REIT qualification, the Company also may invest in securities of other REITs, other entities engaged in real estate activities or securities of other issuers, including for the purpose of exercising control over such entities.

DISPOSITIONS

The Company does not currently intend to dispose of any of the Properties, although it reserves the right to do so if, based upon management's periodic review of the Company's portfolio, the Board of Directors determines that such action would be in the best interests of the Company. Any decision to dispose of a Property will be made by the Company and approved by a majority of the Board of Directors. The tax consequences of the disposition of the Properties may, however, influence the decision of certain directors and executive officers of the Company who hold OP Units as to the desirability of a proposed disposition. See "Policies with Respect to Certain Activities--Conflict of Interest Policies" and "Operating Partnership Agreement--Tax Protection Provisions."

FINANCING POLICIES

The Company does not have a policy limiting the amount of indebtedness that the Company may incur. In addition, the Certificate and Bylaws do not limit the amount or percentage of indebtedness that the Company may incur. The Company has not established any limit on the number or amount of mortgages that may be placed on any single property or on its portfolio as a whole.

The Board of Directors will consider a number of factors when evaluating the Company's level of indebtedness and when making decisions regarding the incurrence of indebtedness, including the purchase price of properties to be acquired with debt financing, the estimated market value of its properties upon refinancing and the ability of particular properties and the Company as a whole to generate cash flow to cover expected debt service. See "Risk Factors--Impact of Debt on the Company" and "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources."

CONFLICT OF INTEREST POLICIES

The Company has adopted certain policies that are designed to eliminate or minimize certain potential conflicts of interest. In addition, the Company's Board of Directors is subject to certain provisions of Delaware law, which are also designed to eliminate or minimize conflicts. However, there can be no assurance that these policies or provisions of law will always be successful in eliminating the influence of such conflicts, and if they are not successful, decisions could be made that might fail to reflect fully the interests of all stockholders.

The Company has adopted a policy that, without the approval of a majority of the disinterested directors, it will not (i) acquire from or sell to any director, officer or employee of the Company, or any entity in which a director, officer or employee of the Company has an economic interest of more than five percent or a controlling interest, or acquire from or sell to any affiliate of any of the foregoing, any of the assets or other property of the Company, (ii) make any loan to or borrow from any of the foregoing persons or (iii) engage in any other transaction with any of the foregoing persons.

Pursuant to Delaware law, a contract or other transaction between the Company and a Director or between the Company and any other corporation or other entity in which a Director is a director or has a material financial

interest is not void or voidable solely on the grounds of such common directorship or interest, the presence of such Director at the meeting at which the contract or transaction is authorized, approved or ratified or the counting of the Director's vote in favor thereof if (i) the material facts relating to the common directorship or interest and as to the transaction are disclosed to the Board of Directors or a committee of the Board, and the Board or committee in good faith authorizes the transaction or contract by the affirmative vote of a majority of disinterested directors, even if the disinterested directors constitute less than a quorum, or (ii) the material facts relating to the common directorship or interest and as to the transaction are disclosed to the shareholders entitled to vote thereon, and the transaction is approved in good faith by vote of the shareholders, or (iii) the transaction or contract is fair and reasonable to the Company at the time it is authorized, ratified or approved.

See "Risk Factors--Conflicts of Interests."

EXCLUDED PROPERTY

The Operating Partnership is succeeding to all but one of the properties managed by the Company or in which the Company or affiliates of the Company, including Messrs. Zuckerman and Linde, hold ownership interests. One property (the "Excluded Property") is not being contributed to the Company. The Excluded Property is Sumner Square, a four building office complex located in Washington, D.C., NW (203,765 net rentable square feet).

Since the Excluded Property is located in the same market as certain of the the Company's Properties, it may compete with such Properties. Upon completion of the Offering, the Excluded Property will be managed by the Operating Partnership or the Development and Management Company in return for a management fee with customary terms that are approved by the Company's independent directors. In 1996, the management fee paid with respect to the Excluded Property was approximately \$314,000. There is no assurance, however, that the Excluded Property will continue to be managed by the Operating Partnership or the Development and Management Company or that fiduciary obligations will not require Messrs. Zuckerman and Linde, from time to time, to devote a significant amount of their time to the Excluded Property. See "Risk Factors--Conflicts of Interest."

The partnership that owns the Excluded Property and in which Messrs. Zuckerman and Linde and other affiliates of the Company hold indirect ownership interests (the "Partnership") has granted the Company an option to acquire the Excluded Property for a cash price equal to the sum of (i) \$1.00 over the outstanding indebtedness of the Partnership (to the extent not assumed by the Company), (ii) the net cash capital contributions made by the partners of the Partnership after the closing date of the Offering, with interest thereon, (iii) any expenses associated with the sale (not to exceed \$50,000), and (iv) real estate taxes incurred in connection with the transfer of the Excluded Property.

POLICIES WITH RESPECT TO OTHER ACTIVITIES

The Company has authority to offer Common Stock, Preferred Stock or options to purchase stock in exchange for property and to repurchase or otherwise acquire its Common Stock or other securities in the open market or otherwise, and the Company may engage in such activities in the future. As described under "Operating Partnership Agreement--Redemption of OP Units," the Company expects (but is not obligated) to issue Common Stock to holders of OP Units in the Operating Partnership upon exercise of their redemption rights. Except in connection with the Formation Transactions, the Company has not issued Common Stock, OP Units or any other securities in exchange for property or any other purpose, and the Board of Directors has no present intention of causing the Company to repurchase any Common Stock. The Company may issue Preferred Stock from time to time, in one or more series, as authorized by the Board of Directors without the need for stockholder approval. See "Description of Capital Stock--Preferred Stock." The Company has not engaged in trading, underwriting or agency distribution or sale of securities of other issuers other than the Operating Partnership and does not intend to do so. At all times, the Company intends to make investments in such a manner as to qualify as a REIT, unless because of circumstances or changes in the Code (or the Treasury Regulations), the Board of Directors determines that it is no longer in the best interest of the Company to qualify as a REIT. The Company has not made any loans to third parties, although it may in the future make loans to

third parties, including, without limitation, to joint ventures in which it participates. The Company intends to make investments in such a way that it will not be treated as an investment company under the 1940 Act. The Company's policies with respect to such activities may be reviewed and modified or amended from time to time by the Company's Board of Directors without a vote of the stockholders.

STRUCTURE AND FORMATION OF THE COMPANY

FORMATION TRANSACTIONS

Each Property that will be owned by the Company at the completion of the Offering is currently owned by a partnership (a "Property Partnership") of which Messrs. Zuckerman and Linde and others affiliated with Boston Properties, Inc. control the managing general partner and, in most cases, a majority economic interest. The other direct or indirect investors in the Property Partnerships include persons formerly affiliated with Boston Properties, Inc., as well as private investors (including former owners of the land on which the Properties were developed) who are not affiliated with Boston Properties, Inc.

Prior to or simultaneously with the completion of the Offering, the Company will engage in the transactions described below (the "Formation Transactions"), which are designed to consolidate the ownership of the Properties and the commercial real estate business of the Company in the Operating Partnership, to facilitate the Offering and to enable the Company to qualify as a REIT for federal income tax purposes commencing with the taxable year ending December 31, 1997.

- . Boston Properties, Inc., a Massachusetts company ("BP-Massachusetts") that was founded in 1970, will be reorganized to change its jurisdiction of organization to Delaware. This reorganization will be effected by merging BP-Massachusetts with and into Boston Properties, Inc., a Delaware corporation ("BP-Delaware"), immediately prior to the completion of the Offering. BP-Delaware was formed on March 24, 1997.
- . The Operating Partnership was organized as a Delaware limited partnership on April 8, 1997.
- . The Company will sell 31,400,000 shares of Common Stock in the Offering and will contribute approximately \$730.9 million, the net proceeds of the Offering, to the Operating Partnership in exchange for an equivalent number of OP Units.
- . Pursuant to one or more option, contribution or merger agreements, (i) certain Property Partnerships will contribute Properties to the Operating Partnership, or will merge into and with the Operating Partnership, in exchange for OP Units and the assumption of debt, and the partners of such Property Partnerships will receive such OP Units either directly as merger consideration or as a distribution from the Property Partnership, and (ii) certain persons, both affiliated and not affiliated with the Company, will contribute their direct and indirect interests in certain Property Partnerships to the Operating Partnership in exchange for OP Units.
- . Prior to the completion of the Offering, the Company will contribute substantially all of its Greater Washington, D.C. third-party property management business to Boston Properties Management, Inc. (the "Development and Management Company"), a subsidiary of the Operating Partnership. In order to retain qualification as a REIT, the Operating Partnership will own a 1.0% voting interest but will hold a 95.0% economic interest in the Development and Management Company. The remaining voting and economic interest will be held by officers and directors of the Development and Management Company. In addition, the other management and development operations of the Company will be contributed to the Operating Partnership.
- . In connection with the transactions described in the preceding two paragraphs, the Operating Partnership will issue a total of 18,650,000 OP Units.
- . The contribution to the Operating Partnership of the Properties or of the direct and indirect interests in the Property Partnerships is subject to all of the terms and conditions of the related option, merger and contribution agreements. With respect to direct or indirect contributions of interests to the Property Partnerships, the Operating Partnership will assume all the rights, obligations and responsibilities of the holders of such interests. The transfer of such interests is subject to the completion of the Offering. Any working capital or other cash balance of the Property Partnership as of immediately prior to the Offering will be distributed to the holders of such interests prior to the contribution to the Operating

Partnership. The contribution agreements with respect to such interests generally contain representations only with respect to the ownership of such interests by the holders thereof and certain other limited matters.

- The Operating Partnership will enter into a participating lease with ZL Hotel LLC. Marriott International, Inc. will continue to manage the Hotel Properties under the Marriott(R) name pursuant to management agreements with ZL Hotel LLC. Messrs. Zuckerman and Linde will be the sole member-managers of the lessee and will own a 9.8% economic interest in ZL Hotel LLC. ZL Hotel Corp. will own the remaining economic interests in ZL Hotel LLC. One or more unaffiliated public charities will own all of the capital stock of ZL Hotel Corp.
- The Company, through the Operating Partnership, expects to enter into the \$300 million Unsecured Credit Facility prior to or concurrently with the completion of the foregoing Formation Transactions.
- Approximately \$707.1 million of the net proceeds of the Offering, together with \$57.7 million drawn under the Unsecured Line of Credit, will be used by the Operating Partnership to acquire the Newport Office Park Property, repay certain mortgage debt secured by the Properties and to refinance existing indebtedness with respect to the Development Properties and certain parcels of land, the interest on which will continue to be capitalized during the development period.

As a result of the Formation Transactions, (i) the Company will own 33,983,541 OP Units, which will represent an approximately 67.9% economic interest in the Operating Partnership, and Messrs. Zuckerman and Linde and other persons with a direct or indirect interest in the Property Partnerships will own 16,066,459 OP Units, which will represent the remaining approximately 32.1% economic interest in the Operating Partnership and (ii) the Company will indirectly own a fee interest in all of the Properties. At the completion of the Formation Transactions, Messrs. Zuckerman and Linde will own an aggregate of 15,972,611 shares of Common Stock and OP Units.

In forming the Company, the Company will succeed to the ownership of each of the Properties or the interests therein based upon a value for such property determined by the Company. The valuation of the Company as a whole has been determined based primarily upon a multiple of estimated funds from operations and adjusted funds from operations attributable to all assets of the Company, including the Company's interests in the Development and Management Company. See "Risk Factors--No Assurance as to Value of Property."

CONSEQUENCES OF THE OFFERING AND THE FORMATION TRANSACTIONS

Upon completion of the Formation Transactions, the Company will own an indirect fee interest in all of the Properties. The Operating Partnership will hold substantially all of the assets of the Company. Based on the assumed initial public offering price of the Common Stock, (i) the purchasers of Common Stock in the Offering will own 92.4% of the outstanding Common Stock (or 62.7% assuming exchange of all OP Units for shares of Common Stock), (ii) the Company will be the sole general partner of the Operating Partnership and will own 67.9% of the interests in the Operating Partnership and (iii) Messrs. Zuckerman and Linde will beneficially own, directly or indirectly through affiliates (not including the Company), a total of 15,972,611 shares of Common Stock and OP Units (representing a 31.9% economic interest in the Company). Pursuant to the partnership agreement governing the Operating Partnership (the "Operating Partnership Agreement"), persons receiving OP Units in the Formation Transactions will have certain rights, beginning fourteen months after the completion of the Offering, to cause the Operating Partnership to redeem their OP Units for cash, or, at the election of the Company, to exchange their OP Units for shares of Common Stock on a one-for-one basis. See "Underwriting" for certain transfer restrictions with respect to the OP Units and to shares of Common Stock issued in exchange for such OP Units that are applicable to Messrs. Zuckerman and Linde and other senior officers of the Company.

The aggregate estimated value to be given by the Operating Partnership for the Properties or for interests in the Property Partnerships, and for the development and management business of the Company, is approximately \$1.91 billion, consisting of OP Units having a value of \$466.3 million and the assumption of \$1.45 billion of indebtedness. The aggregate book value of the interests and assets to be transferred to the Operating Partnership is approximately negative \$575.7 million. The Company does not believe that the book value of such interests and assets reflects the fair market value of such interests and assets. The aggregate book value of the interests and assets to be transferred to the Operating Partnership is a negative number because of the accumulated depreciation on such assets, which in the aggregate exceeded income during their ownership by members of the Boston Properties Predecessor Group.

No independent third-party appraisals, valuations or fairness opinions have been obtained by the Company in connection with the Formation Transactions. Accordingly, there can be no assurance that the value of the OP Units and cash received in the Formation Transactions by persons with interests in the Property Partnerships is equivalent to the fair market value of the interests and assets acquired by the Company and contributed to the Operating Partnership. See "Risk Factors--No Assurance as to Value of Property."

BENEFITS TO RELATED PARTIES

Certain affiliates of the Company will realize certain material benefits in connection with the Formation Transactions, including the following:

- . In respect of their respective ownership interests in the Property Partnerships and the development and management business of the Company, Messrs. Zuckerman and Linde will become beneficial owners of a total of 15,972,611 shares of Common Stock and OP Units, with a total value of approximately \$399.3 million based on the assumed initial public offering price of the Common Stock, which value may differ from the fair market value of such interests and assets. Other persons who will be officers of the Company at the completion of the Offering will receive 1,186,298 OP Units for their interests in the Property Partnerships.
- . Approximately \$749.9 million of indebtedness, of which \$707.1 million is secured by the Properties, and \$42.8 million is due to Messrs. Zuckerman and Linde for amounts loaned in connection with the Development Properties and certain parcels of land, and the related additional and accrued interest thereon, to be assumed by the Operating Partnership will be repaid in the Formation Transactions. A portion of this debt was previously guaranteed by Messrs. Zuckerman and Linde. In addition, guarantees by Messrs. Zuckerman and Linde with respect to certain other indebtedness that is not being repaid in the Formation Transactions may be released. To the extent such guarantees are not released, the Operating Partnership will agree to indemnify Messrs. Zuckerman and Linde for any damages that may arise due to the failure of the Operating Partnership to repay such amounts when due.
- . Messrs. Zuckerman and Linde and others receiving OP Units in connection with the Formation Transactions will have registration rights with respect to shares of Common Stock that may be issued in exchange for OP Units.
- . In connection with certain development projects or rights, Messrs. Zuckerman and Linde have direct or indirect personal liability, in certain instances, for the performance of contractual obligations by or for the benefit of the Operating Partnership. In connection with the Formation Transactions, they will be relieved of such personal liability or, to the extent they are not so relieved, the Operating Partnership will agree to cause such contractual obligations to be performed and to indemnify Messrs. Zuckerman and Linde and their affiliates for all damages and expenses that may arise from any failure to do so.

RESTRICTIONS ON TRANSFER

Under the Operating Partnership Agreement, persons receiving OP Units in the Formation Transactions are prohibited from transferring such OP Units, except under certain limited circumstances, for a period of one year. In addition, Messrs. Zuckerman and Linde and the other senior officers of the Company have agreed not to sell any shares of Common Stock owned by them at the completion of the Offering or acquired by them upon exchange of OP Units for a period of two years after the completion of the Offering without the consent of both Merrill Lynch, Pierce, Fenner & Smith Incorporated and Goldman, Sachs & Co. See "Operating Partnership Agreement--Transfer of OP Units; Substitute Limited Partners" and "Underwriting."

RESTRICTIONS ON OWNERSHIP OF COMMON STOCK

Due to limitations on the concentration of ownership of stock of a REIT imposed by the Internal Revenue Code of 1986, as amended (the "Code"), and to otherwise address concerns relating to concentration of capital stock ownership, the certificate of incorporation of the Company (the "Certificate") prohibits any stockholder from actually or beneficially owning more than 6.6% of the outstanding shares of Common Stock (the "Ownership Limit"), except that Messrs. Zuckerman and Linde and certain family members, affiliates and "look through entities" may actually and beneficially own up to 15.0% of the outstanding shares of Common Stock. The Company has adopted a Shareholder Rights Agreement. See "Risk Factors--Control of the Company" and "Description of Capital Stock--Restrictions on Transfers."

OPERATING PARTNERSHIP AGREEMENT

The following summary of the Operating Partnership Agreement describes the material provisions of such agreement. This summary is qualified in its entirety by reference to the Operating Partnership Agreement, which is filed as an exhibit to the Registration Statement of which this Prospectus is a part.

MANAGEMENT

The Operating Partnership was organized as a Delaware limited partnership on April 8, 1997. The Company is the sole general partner of, and will hold approximately 67.9% of the economic interests in, the Operating Partnership. The Company will hold a one percent general partner interest in the Operating Partnership and the balance will be held as a limited partner interest. The Company will conduct substantially all of its business through the Operating Partnership and its subsidiaries.

Pursuant to the Operating Partnership Agreement, the Company, as the sole general partner of the Operating Partnership, generally has full, exclusive and complete responsibility and discretion in the management, operation and control of the Operating Partnership, including the ability to cause the Operating Partnership to enter into certain major transactions, including acquisitions, developments and dispositions of properties and refinancings of existing indebtedness. No limited partner may take part in the operation, management or control of the business of the Operating Partnership by virtue of being a holder of OP Units. Certain restrictions apply to the Company's ability to engage in a Business Combination, as described more fully under "Extraordinary Transactions" below.

The limited partners of the Operating Partnership have agreed that in the event of any conflict in the fiduciary duties owed by the Company to its stockholders and by the Company, as general partner of the Operating Partnership, to such limited partners, the Company may act in the best interests of the Company's stockholders without violating its fiduciary duties to such limited partners or being liable for any resulting breach of its duties to the limited partners.

The Operating Partnership Agreement provides that all business activities of the Company, including all activities pertaining to the acquisition and operation of properties, must be conducted through the Operating Partnership, and that the Operating Partnership must be operated in a manner that will enable the Company to satisfy the requirements for being classified as a REIT.

REMOVAL OF THE GENERAL PARTNER; TRANSFER OF THE GENERAL PARTNER'S INTEREST

The Operating Partnership provides that the limited partners may not remove the Company as general partner of the Operating Partnership. The Company may not transfer any of its interests as general or limited partner in the Operating Partnership except (i) in connection with a merger or sale of all or substantially all of its assets pursuant to a transaction for which it has obtained the requisite approval in accordance with the terms of the Operating Partnership Agreement (ii) if the limited partners holding at least three-fourths of the OP Units (excluding OP Units owned by the Company) consent to such transfer or (iii) to certain affiliates of the Company.

AMENDMENTS OF THE OPERATING PARTNERSHIP AGREEMENT

Amendments to the Operating Partnership Agreement may be proposed by the Company or by limited partners owning at least 20% of the OP Units.

Generally, the Operating Partnership Agreement may be amended with the approval of the Company, as general partner, and limited partners (including the Company) holding a majority of the OP Units. Certain amendments that would, among other things, convert a limited partner's interest into a general partner's interest, modify the limited liability of a limited partner, alter the interest of a partner in profits or losses or the right to receive any distributions, alter or modify the redemption right described above, or cause the termination of the

Operating Partnership at a time or on terms inconsistent with those set forth in the Operating Partnership Agreement must be approved by the Company and each limited partner that would be adversely affected by such amendment. Notwithstanding the foregoing, the Company, as general partner, will have the power, without the consent of the limited partners, to amend the Operating Partnership Agreement as may be required to (1) add to the obligations of the Company as general partner or surrender any right or power granted to the Company as general partner; (2) reflect the admission, substitution, termination or withdrawal of partners in accordance with the terms of the Operating Partnership Agreement; (3) establish the rights, powers, duties and preferences of any additional partnership interests issued in accordance with the terms of the Operating Partnership Agreement; (4) reflect a change of an inconsequential nature that does not materially adversely affect the limited partners, or cure any ambiguity, correct or supplement any provisions of the Operating Partnership Agreement not inconsistent with law or with other provisions of the Operating Partnership Agreement, or make other changes concerning matters under the Operating Partnership Agreement that are not otherwise inconsistent with the Operating Partnership Agreement or law; or (5) satisfy any requirements of federal or state law. Certain provisions affecting the rights and duties of the Company as general partner (e.g., restrictions on the Company's power to conduct businesses other than owning OP Units; restrictions relating to the issuance of securities of the Company and related capital contributions to the Operating Partnership; restrictions relating to certain extraordinary transactions involving the Company or the Operating Partnership) may not be amended without the approval of a majority or, in certain instances, a supermajority of the OP Units not held by the Company.

TRANSFER OF OP UNITS; SUBSTITUTE LIMITED PARTNERS

The Operating Partnership Agreement provides that limited partners generally may transfer their OP Units without the consent of any other person, but may substitute a transferee as a limited partner only with the prior written consent of the Company as the sole general partner of the Operating Partnership. In addition, limited partners may not transfer OP Units in any event until the one-year anniversary of the Offering or in violation of certain regulatory and other restrictions set forth in the Operating Partnership Agreement. Notwithstanding the foregoing, Messrs. Zuckerman and Linde and the other senior officers of the Company have entered into agreements pursuant to which they may not transfer or dispose of OP Units or Common Stock without the consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated and Goldman, Sachs & Co. for a period of two years following the completion of the Offering.

REDEMPTION OF OP UNITS

Fourteen months after the completion of the Offering, the Operating Partnership will be obligated to redeem each OP Unit at the request of the holder thereof for cash equal to the fair market value of one share of Common Stock at the time of such redemption (as determined in accordance with the provisions of the Operating Partnership Agreement), provided that the Company may elect to acquire any such OP Unit presented for redemption for one share of Common Stock or an amount of cash of the same value. The Company presently anticipates that it will elect to issue Common Stock in connection with each such redemption rather than having the Operating Partnership pay cash. With each such redemption, the Company's percentage ownership interest in the Operating Partnership will increase. Persons other than the Company who acquire OP Units in the Formation Transactions will have certain rights, pursuant to a separate registration rights agreement, to have the issuance of shares of Common Stock that may be issued to them in exchange for their OP Units, or the resale of such shares by them, registered under the Securities Act. See "Shares Available for Future Sale."

ISSUANCE OF ADDITIONAL LIMITED PARTNERSHIP INTERESTS

The Company is authorized, without the consent of the limited partners, to cause the Operating Partnership to issue additional OP Units to the Company, to the limited partners or to other persons for such consideration and on such terms and conditions as the Company deems appropriate. If additional OP Units are issued to the Company, then the Company must (i) issue additional shares of Common Stock and must contribute to the Operating Partnership the entire proceeds received by the Company from such issuance or (ii) issue additional

OP Units to all partners in proportion to their respective interests in the Operating Partnership. In addition, the Company may cause the Operating Partnership to issue to the Company additional partnership interests in different series or classes, which may be senior to the OP Units, in conjunction with an offering of securities of the Company having substantially similar rights, in which the proceeds thereof are contributed to the Operating Partnership. Consideration for additional partnership interests may be cash or other property or assets. No limited partner has preemptive, preferential or similar rights with respect to additional capital contributions to the Operating Partnership or the issuance or sale of any partnership interests therein.

EXTRAORDINARY TRANSACTIONS

The Operating Partnership Agreement provides that the Company may not generally engage in any merger, consolidation or other combination with or into another person or sale of all or substantially all of its assets, or any reclassification, or any recapitalization or change of outstanding shares of Common Stock (a "Business Combination"), unless the holders of OP Units will receive, or have the opportunity to receive, the same consideration per OP Unit as holders of Common Stock receive per share of Common Stock in the transaction; if holders of OP Units will not be treated in such manner in connection with a proposed Business Combination, the Company may not engage in such transaction unless limited partners (other than the Company) holding at least 75% of the OP Units held by limited partners vote to approve the Business Combination. In addition, the Company, as general partner of the Operating Partnership, has agreed in the Operating Partnership Agreement with the limited partners that the Company will not consummate a Business Combination in which the Company conducted a vote of the stockholders unless the matter would have been approved had holders of OP Units been able to vote together with the stockholders on the transaction. The foregoing provision of the Operating Partnership Agreement would under no circumstances enable or require the Company to engage in a Business Combination which required the approval of the Company's stockholders if the Company's stockholders did not in fact give the requisite approval. Rather, if the Company's stockholders did approve a Business Combination, the Company would not consummate the transaction unless (i) the Company as general partner first conducts a vote of holders of OP Units (including the Company) on the matter, (ii) the Company votes the OP Units held by it in the same proportion as the stockholders of the Company voted on the matter at the stockholder vote, and (iii) the result of such vote of the OP Unit holders (including the proportionate vote of the Company's OP Units) is that had such vote been a vote of stockholders, the Business Combination would have been approved by the stockholders. As a result of these provisions of the Operating Partnership, a third party may be inhibited from making an acquisition proposal that it would otherwise make, or the Company, despite having the requisite authority under its Certificate of Incorporation, may not be authorized to engage in a proposed Business Combination.

TAX PROTECTION PROVISIONS

The Operating Partnership Agreement provides that, for a period of ten years following the Offering, the Operating Partnership may not sell or otherwise transfer a Designated Property in a taxable transaction without the prior written consent of Messrs. Zuckerman and Linde. The Operating Partnership is not required to obtain this consent if each of Messrs. Zuckerman and Linde do not continue to hold during this period at least 30% of his original OP Units. Since the consent of Messrs. Zuckerman and Linde is required only in connection with a taxable sale or other disposition of any Designated Property, the Operating Partnership will not be required to obtain such consent in connection with a "like-kind" exchange of any such property under Section 1031 of the Code or in connection with a number of other nontaxable transactions, such as a nontaxable reorganization or merger of the Operating Partnership or the formation of a joint venture involving a Designated Property pursuant to Section 721 of the Code.

Messrs. Zuckerman and Linde will recognize approximately \$120 million in gain as a result of the Formation Transactions. To avoid the recognition of additional gain, Messrs. Zuckerman and Linde (together with certain other Continuing Investors) have agreed to guarantee certain indebtedness of the Company in the amount of approximately \$135 million, which is represented by non-recourse liabilities on five of the Properties (2300 N Street, Ten Cambridge Center, the Garage Property, 191 Spring Street and Hilltop Business Center). Messrs. Zuckerman and Linde have also agreed to guarantee up to approximately \$57.7 million of any recourse

liabilities of the Operating Partnership (which will initially consist of amounts outstanding under the Unsecured Line of Credit) through a deficit restoration obligation set forth in the Operating Partnership Agreement. In addition to these guarantees, Messrs. Zuckerman and Linde also avoid the recognition of gain as a result of the allocation of their share of the Operating Partnership's non-recourse indebtedness in the amount of approximately \$695.3 million (including the approximately \$134.5 million noted above).

If the level of indebtedness of the Operating Partnership were to fall below the total indebtedness following the Offering (approximately \$753 million), Messrs. Zuckerman and Linde would recognize taxable gain under Section 752 of the Code. To reduce this risk to Messrs. Zuckerman and Linde while providing the Company with sole control over its level of indebtedness, the Operating Partnership has agreed to undertake to use its reasonable commercial efforts to cause its lenders to permit Messrs. Zuckerman and Linde to guarantee additional and/or substitute indebtedness following the Offering. The Operating Partnership, however, is under no obligation to Messrs. Zuckerman and Linde to maintain any specified debt or any specified level of indebtedness or to make any payments to Messrs. Zuckerman or Linde if a reduction in the indebtedness of the Operating Partnership were to result in the recognition of gain by Messrs. Zuckerman or Linde. See "Risk Factors--Conflicts of Interest."

EXCULPATION AND INDEMNIFICATION OF THE GENERAL PARTNER

The Operating Partnership Agreement generally provides that the Company, as general partner of the Operating Partnership, will incur no liability to the Operating Partnership or any limited partner for losses sustained or liabilities incurred as a result of errors in judgment or of any act or omission if the Company carried out its duties in good faith. In addition, the Company is not responsible for any misconduct or negligence on the part of its agents, provided the Company appointed such agents in good faith. The Company may consult with legal counsel, accountants, appraisers, management consultants, investment bankers and other consultants and advisors, and any action it takes or omits to take in reliance upon the opinion of such persons, as to matters that the Company reasonably believes to be within their professional or expert competence, shall be conclusively presumed to have been done or omitted in good faith and in accordance with such opinion.

The Operating Partnership Agreement also provides for indemnification of the Company, the directors and officers of the Company, and such other persons as the Company may from time to time designate against any judgments, penalties, fines, settlements and reasonable expenses actually incurred by such person in connection with the preceding unless it is established that: (1) the act or omission of the indemnified person was material to the matter giving rise to the preceding and either was committed in bad faith or was the result of active and deliberate dishonesty; (2) the indemnified person actually received an improper personal benefit in money, property or services; or (3) in the case of any criminal proceeding, the indemnified person had reasonable cause to believe that the act or omission was unlawful.

TAX MATTERS

The Company will be the tax matters partner of the Operating Partnership and, as such, will have the authority to make tax elections under the Code on behalf of the Operating Partnership.

TERM

The Operating Partnership will continue in full force and effect until December 31, 2095 or until sooner dissolved pursuant to the terms of the Operating Partnership Agreement.

PRINCIPAL STOCKHOLDERS

The following table sets forth certain information regarding the beneficial ownership of Common Stock (including Common Stock that may be issued in exchange for OP Units presented for redemption) by each director and director nominee, by each Named Executive Officer, by all directors (including director nominees) and executive officers of the Company as a group and by each person who is expected to be the beneficial owner of 5% or more of the outstanding shares of Common Stock immediately following the completion of the Offering. Except as indicated below, all of such Common Stock is owned directly, and the indicated person has sole voting and investment power.

NAM OF BENEFICIAL OWNER(1)E	NUMBER OF SHARES AND OP UNITS BENEFICIALLY OWNED AFTER THE OFFERING	PERCENTAGE OF ALL COMMON STOCK AND OP UNITS	PERCENT OF ALL COMMON STOCK(2)
Mortimer B. Zuckerman (3)(5).....	8,957,894	17.90%	21.51%
Edward H. Linde (4)(5).....	7,014,717	14.02	17.67
Alan J. Patricof.....	--	--	--
Ivan G. Seidenberg.....	--	--	--
Martin Turchin.....	--	--	--
Robert E. Burke	285,548	*	*
Raymond A. Ritchey	285,548	*	*
David R. Barrett.....	169,381	*	*
Robert E. Selsam.....	8,000	*	*
All directors and executive officers as a group (10 persons)..	16,795,020	33.56%	34.85%

* Less than 1%.

- (1) Address: c/o Boston Properties, Inc., 8 Arlington Street, Boston, Massachusetts 02116.
- (2) Assumes that all the OP Units held by the person are presented to the Operating Partnership for redemption and acquired by the Company for shares of Common Stock. The total number of shares of Common Stock outstanding used in calculating the percentage assumes that none of the OP Units held by other persons are similarly acquired for Common Stock.
- (3) Includes 920 OP Units held by the Mortimer B. Zuckerman 1983 Family Trust, which received OP Units in the Formation Transactions in exchange for interests in the Properties. Includes 1,291,770 shares of Common Stock.
- (4) Includes 465 OP Units held by The Edward H. Linde 1984 Family Trust, which received OP Units in the Formation Transactions in exchange for interests in the Properties. Includes 1,291,771 shares of Common Stock.
- (5) Excludes 21,600 of the OP Units owned by Square 36 Properties Limited Partnership ("Square 36"). Messrs. Zuckerman and Linde control the general partner of Square 36 but do not have an economic interest in such OP Units and cannot dispose of such OP Units without the consent of an unaffiliated limited partner of Square 36.

DESCRIPTION OF CAPITAL STOCK

The description of the Company's capital stock set forth below does not purport to be complete and is qualified in its entirety by reference to the Company's Certificate and Bylaws, copies of which are exhibits to the Registration Statement of which this Prospectus is a part.

GENERAL

Under the Certificate of Incorporation, the Company has authority to issue up to 450 million shares of stock, consisting of 250 million shares of Common Stock, par value \$0.01 per share, 150 million shares of excess stock, par value \$0.01 per share ("Excess Stock") (as described below), and 50 million shares of Preferred Stock, par value \$0.01 per share. Under Delaware law, stockholders generally are not responsible for the corporation's debts or obligations. Upon completion of the Offering, 33,983,541 shares of Common Stock will be issued and outstanding and no shares of Excess Stock or Preferred Stock will be issued and outstanding.

With respect to the Preferred Stock, the Certificate authorizes the Directors to set or change the preferences, conversion or other rights, voting powers, restrictions, limitations as to distributions, qualifications or terms or conditions of redemption of such stock.

COMMON STOCK

All shares of Common Stock offered hereby have been duly authorized, and are fully paid and nonassessable. Subject to the preferential rights of any other shares or series of shares and to the provisions of the Company's Certificate regarding Excess Stock, holders of Common Stock will be entitled to receive dividends on Common Stock if, as and when authorized and declared by the Board of Directors of the Company out of assets legally available therefor and to share ratably in the assets of the Company legally available for distribution to its stockholders in the event of its liquidation, dissolution or winding-up after payment of, or adequate provision for, all known debts and liabilities of the Company.

Subject to the provisions of the Company's Certificate regarding Excess Stock, each outstanding share of Common Stock entitles the holder to one vote on all matters submitted to a vote of stockholders, including the election of directors, and, except as otherwise required by law or except as provided with respect to any other class or series of shares, the holders of Common Stock will possess exclusive voting power. There is no cumulative voting in the election of directors, which means that the holders of a majority of the outstanding shares of Common Stock can elect all of the directors then standing for election, and the holders of the remaining shares of Common Stock will not be able to elect any director.

Holders of Common Stock have no conversion, sinking fund or redemption rights, or preemptive rights to subscribe for any securities of the Company.

The Company intends to furnish its stockholders with annual reports containing audited consolidated financial statements and an opinion thereon expressed by an independent public accounting firm and quarterly reports for the first three quarters of each fiscal year containing unaudited financial information.

Subject to the provisions of the Company's Certificate regarding Excess Stock, all Common Stock has equal dividend, distribution, liquidation and other rights, and has no preference, appraisal (except as provided by Delaware law) or exchange rights.

PREFERRED STOCK

Preferred Stock may be issued from time to time, in one or more series, as authorized by the Board of Directors. Prior to the issuance of shares of each series, the Board of Directors is required by the DGCL and the Company's Certificate to fix for each series, subject to the provisions of the Company's Certificate regarding

Excess Stock, such terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption, as are permitted by Delaware law. Such rights, powers, restrictions and limitations could include the right to receive specified dividend payments and payments on liquidation prior to any such payments being made to the holders of some, or a majority, of the Common Stock. The Board of Directors could authorize the issuance of Preferred Stock with terms and conditions that could have the effect of discouraging a takeover or any other transaction that holders of Common Stock might believe to be in their best interests or in which holders of some, or a majority, of the Common Stock might receive a premium for their shares over the then current market price of such shares. As of the date hereof, no shares of Preferred Stock are outstanding, and the Company has no present plans to issue any Preferred Stock. Prior to the completion of the Offering, the Company will authorize the issuance of a series of preferred stock in connection with the adoption of a shareholder rights plan. See "--Shareholder Rights Agreement"; "Certain Provisions of Delaware Law and of the Company's Certificate and Bylaws."

RESTRICTIONS ON TRANSFERS

In order for the Company to qualify as a REIT under the Code, among other things, not more than 50% in value of its outstanding capital stock may be owned, directly or indirectly, by five or fewer individuals (defined in the Code to include certain entities) during the last half of a taxable year (other than the first year) (the "Five or Fewer Requirement"), and such shares of capital stock must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months (other than the first year) or during a proportionate part of a shorter taxable year. See "Federal Income Tax Consequences." In order to protect the Company against the risk of losing its status as a REIT and to otherwise protect the Company from the consequences of a concentration of ownership among its stockholders, the Certificate, subject to certain exceptions, provides that no single person (which includes any "group" of persons) (other than the "Related Parties," as defined below and certain "Look-Through Entities," as defined below), may "beneficially own" more than 6.6% (the "Ownership Limit") of the aggregate number of outstanding shares of any class or series of capital stock. Under the Certificate, a person generally "beneficially owns" shares if (i) such person has direct ownership of such shares, (ii) such person has indirect ownership of such shares taking into account the constructive ownership rules of Section 544 of the Code, as modified by Section 856(h)(1)(B) of the Code, or (iii) such person would be deemed to "beneficially own" such shares pursuant to Rule 13d-3 under the Exchange Act. A Related Party, however, will not be deemed to beneficially own shares by virtue of clause (iii) of the preceding sentence and a "group" of which a Related Party is a member will generally not have attributed to the group's beneficial ownership any shares beneficially owned by such Related Party. Each of Mr. Zuckerman and his respective heirs, legatees and devisees, and any other person whose beneficial ownership of shares of Common Stock would be attributed under the Code to Mr. Zuckerman, is a "Related Party", and such persons are subject to a "Related Party Ownership Limit" of 15%, such that none of such persons shall be deemed to beneficially own shares in excess of the Ownership Limit unless, in the aggregate, such persons own shares of any class or series of capital stock in excess of 15% of the number of shares of such class or series outstanding. A similar Related Party Ownership Limit is applied to Mr. Linde and persons with a similar relationship to Mr. Linde, all of whom are also Related Parties under the Certificate. The Company's Certificate provides that pension plans described in Section 401(a) of the Code and mutual funds registered under the Investment Company Act of 1940 ("Look-Through Entities") are subject to a 15% "Look-Through Ownership Limit." Pension plans and mutual funds are among the entities that are not treated as holders of stock under the Five or Fewer Requirement and the beneficial owners of such entities will be counted as holders for this purpose. Any transfer of shares of capital stock or of any security convertible into shares of capital stock that would create a direct or indirect ownership of shares of capital stock in excess of the Ownership Limit, the Look-Through Ownership Limit or the Related Party Ownership Limit, as applicable, or that would result in the disqualification of the Company as a REIT, including any transfer that results in the shares of capital stock being owned by fewer than 100 persons or results in the Company being "closely held" within the meaning of Section 856(h) of the Code or results in the Company constructively owning 10% or more of the ownership interests in a tenant of the Company within the meaning of Section 318 of the Code as modified by Section 856(d)(5) of the Code, shall be null and void, and the intended transferee will acquire no rights to the shares of capital stock. The foregoing

restrictions on transferability and ownership will not apply if the Board of Directors determines that it is no longer in the best interests of the Company to attempt to qualify, or to continue to qualify, as a REIT. The Board of Directors may, in its sole discretion, waive the Ownership Limit, the Look-Through Ownership Limit and the Related Party Ownership Limit if evidence satisfactory to the Board of Directors is presented that the changes in ownership will not jeopardize the Company's REIT status and the Board of Directors otherwise decides that such action is in the best interest of the Company.

If any purported transfer of capital stock of the Company or any other event would otherwise result in any person violating the Ownership Limit, the Look-Through Ownership Limit or the Related Party Limit, as applicable, or the Certificate, then any such purported transfer will be void and of no force or effect with respect to the purported transferee (the "Prohibited Transferee") as to that number of shares in excess of the applicable Limit and the Prohibited Transferee shall acquire no right or interest (or, in the case of any event other than a purported transfer, the person or entity holding record title to any such shares in excess of the applicable Limit (the "Prohibited Owner") shall cease to own any right or interest) in such excess shares. Any such excess shares described above will be converted automatically into an equal number of shares of Excess Stock (the "Excess Shares") and transferred automatically, by operation of law, to a trust, the beneficiary of which will be a qualified charitable organization selected by the Company (the "Beneficiary"). Such automatic transfer shall be deemed to be effective as of the close of business on the Trading Day (as defined in the Certificate) prior to the date of such violative transfer. As soon as practical after the transfer of shares to the trust, the trustee of the trust (who shall be designated by the Company and be unaffiliated with the Company and any Prohibited Transferee or Prohibited Owner) will be required to sell such Excess Shares to a person or entity who could own such shares without violating the applicable Limit, and distribute to the Prohibited Transferee an amount equal to the lesser of the price paid by the Prohibited Transferee for such Excess Shares or the sales proceeds received by the trust for such Excess Shares. In the case of any Excess Shares resulting from any event other than a transfer, or from a transfer for no consideration (such as a gift), the trustee will be required to sell such Excess Shares to a qualified person or entity and distribute to the Prohibited Owner an amount equal to the lesser of the fair market value of such Excess Shares as of the date of such event or the sales proceeds received by the trust for such Excess Shares. In either case, any proceeds in excess of the amount distributable to the Prohibited Transferee or Prohibited Owner, as applicable, will be distributed to the Beneficiary. Prior to a sale of any such Excess Shares by the trust, the trustee will be entitled to receive in trust for the Beneficiary, all dividends and other distributions paid by the Company with respect to such Excess Shares.

In addition, shares of stock of the Company held in the trust shall be deemed to have been offered for sale to the Company, or its designee, at a price per share equal to the lesser of (i) the price per share in the transaction that resulted in such transfer to the trust (or, in the case of a devise or gift, the market price at the time of such devise or gift) and (ii) the market price on the date the Company, or its designee, accepts such offer. The Company shall have the right to accept such offer for a period of 90 days. Upon such a sale to the company, the interest of the Beneficiary in the shares sold shall terminate and the trustee shall distribute the net proceeds of the sale to the Prohibited Owner.

These restrictions will not preclude settlement of transactions through the NYSE.

Each stockholder shall upon demand be required to disclose to the Company in writing any information with respect to the direct, indirect and constructive ownership of capital stock as the Board of Directors deems necessary to comply with the provisions of the Code applicable to REITs, to comply with the requirements of any taxing authority or governmental agency or to determine any such compliance.

The Ownership Limit may have the effect of precluding acquisition of control of the Company.

SHAREHOLDER RIGHTS AGREEMENT

The Board of Directors of the Company has adopted a Shareholder Rights Agreement (the "Rights Agreement"). The adoption of the Rights Agreement could make it more difficult for a third party to acquire, or could discourage a third party from acquiring, the Company or a large block of the Company's Common Stock.

Pursuant to the terms of the Rights Agreement, the Board of Directors declared a dividend distribution of one Preferred Stock Purchase Right (a "Right") for each outstanding share of Common Stock to stockholders of record as of the close of business on the business day following effectiveness of the Registration Statement of which this Prospectus is a part (the "Record Date"). In addition, one Right will automatically attach to each share of Common Stock issued between the Record Date and the Distribution Date (as hereinafter defined). Each Right entitles the registered holder to purchase from the Company a unit consisting of one one-thousandth of a share (a "Unit") of Series A Junior Participating Cumulative Preferred Stock, par value \$.01 per share (the "Series A Preferred Stock") at a cash exercise price of \$100 per Unit (the "Exercise Price"), subject to adjustment. Each Share offered hereby will be entitled to a Right when distributed.

Initially, the Rights are not exercisable and are attached to and trade with the outstanding shares of Common Stock. The Rights will separate from the Common Stock and will become exercisable upon the earliest of (i) the close of business on the tenth calendar day following the first public announcement that a person or group of affiliated or associated persons (an "Acquiring Person") has acquired beneficial ownership of more than 15% of the sum of the outstanding shares of Common Stock and Excess Stock ("Common Shares") (the date of said announcement being referred to as the "Stock Acquisition Date"), or (ii) the close of business on the tenth business day (or such other calendar day as the Board of Directors may determine) following the commencement of a tender offer or exchange offer that would result upon its consummation in a person or group becoming the beneficial owner of more than 15% of the outstanding Common Shares (the earlier of such dates being herein referred to as the "Distribution Date"). For these purposes, a person will not be deemed to beneficially own shares of Common Stock which may be issued in exchange for OP Units. In addition, no person who is a partner of the Operating Partnership as of the closing of the Offering will be an Acquiring Person unless such person acquires beneficial ownership of (i) more than 15% of the outstanding Common Shares and (ii) a greater percentage of the then outstanding Common Shares and OP Units than that percentage of the total number of shares of Common Stock and OP Units (excluding OP Units held by the Company) that such partner held at the conclusion of the Offering. Furthermore, no "group" of which a Related Party is a member will be deemed to beneficially own the Common Shares beneficially owned by such Related Party.

Until the Distribution Date (or earlier redemption, exchange or expiration of the Rights), (a) the Rights will be evidenced by the Common Stock certificates and will be transferred with and only with such Common Stock certificates, (b) new Common Stock certificates issued after the Record Date will contain a notation incorporating the Shareholder Rights Agreement by reference, and (c) the surrender for transfer of any certificates for Common Stock will also constitute the transfer of the Rights associated with the Common Stock represented by such certificate.

The Rights are not exercisable until the Distribution Date and will expire in 2007, unless previously redeemed or exchanged by the Company as described below.

As soon as practicable after the Distribution Date, Rights Certificates will be mailed to holders of record of Common Stock as of the close of business on the Distribution Date and, thereafter, the separate Rights Certificates alone will represent the Rights. Except as otherwise determined by the Board of Directors, only shares of Common Stock issued prior to the Distribution Date will be issued with Rights.

In the event that a Stock Acquisition Date occurs, proper provision will be made so that each holder of a Right (other than an Acquiring Person or its associates or affiliates, whose Rights shall become null and void) will thereafter have the right to receive upon exercise that number of Units of Series A Preferred Stock of the Company having a market value of two times the exercise price of the Right (such right being referred to as the "Subscription Right"). In the event that, at any time following the Stock Acquisition Date, (i) the Company consolidates with, or merges with and into, any other person, and the Company is not the continuing or surviving corporation, (ii) any person consolidates with the Company, or merges with and into the Company and the Company is the continuing or surviving corporation of such merger and, in connection with such merger, all or part of the shares of Common Stock are changed into or exchanged for stock or other securities of any other person or cash or any other property, or (iii) 50% or more of the Company's assets or earning power is sold, mortgaged or otherwise transferred, each holder of a Right shall thereafter have the right to receive, upon

exercise, common stock of the acquiring company having a market value equal to two times the exercise price of the Right (such right being referred to as the "Merger Right"). The holder of a Right will continue to have the Merger Right whether or not such holder has exercised the Subscription Right. Rights that are or were beneficially owned by an Acquiring Person may under certain circumstances specified in the Rights Agreement become null and void.

At any time after the Stock Acquisition Date, the Board of Directors may, at its option, exchange all or any part of the then outstanding and exercisable Rights for shares of Common Stock or Units of Series A Preferred Stock at an exchange ratio of one share of Common Stock or one Unit of Series A Preferred Stock per Right. Notwithstanding the foregoing, the Board of Directors generally will not be empowered to effect such exchange at any time after any person becomes the beneficial owner of 50% or more of the Common Stock of the Company.

The Exercise Price payable, and the number of Units of Series A Preferred Stock or other securities or property issuable, upon exercise of the Rights are subject to adjustment from time to time to prevent dilution (i) in the event of a stock dividend on, or a subdivision, combination or reclassification of, the Series A Preferred Stock, (ii) if holders of the Series A Preferred Stock are granted certain rights or warrants to subscribe for Series A Preferred Stock or convertible securities at less than the current market price of the Series A Preferred Stock, or (iii) upon the distribution to holders of the Series A Preferred Stock of evidences of indebtedness or assets (excluding regular quarterly cash dividends) or of subscription rights or warrants (other than those referred to above).

With certain exceptions, no adjustment in the Exercise Price will be required until cumulative adjustments amount to at least 1% of the Exercise Price, determined on a per Right basis. The Company is not obligated to issue fractional Units. If the Company elects not to issue fractional Units, in lieu thereof an adjustment in cash will be made based on the fair market value of the Series A Preferred Stock on the last trading date prior to the date of exercise. Any of the provisions of the Rights Agreement may be amended by the Board of Directors at any time prior to the Distribution Date.

The Rights may be redeemed in whole, but not in part, at a price of \$0.001 per Right (payable in cash, Common Stock or other consideration deemed appropriate by the Board of Directors) by the Board of Directors only until the earlier of (i) the close of business on the tenth calendar day after the Stock Acquisition Date, or (ii) the expiration date of the Rights Agreement. Immediately upon the action of the Board of Directors ordering redemption of the Rights, the Rights will terminate and thereafter the only right of the holders of Rights will be to receive the redemption price.

The Rights Agreement may be amended by the Board of Directors in its sole discretion until the Distribution Date. After the Distribution Date, the Board of Directors may, subject to certain limitations set forth in the Rights Agreement, amend the Rights Agreement only to cure any ambiguity, defect or inconsistency, to shorten or lengthen any time period, or to make changes that do not adversely affect the interests of Rights holders (excluding the interests of an Acquiring Person or its associates or affiliates).

Until a Right is exercised, the holder will have no rights as a stockholder of the Company (beyond those as an existing stockholder), including the right to vote or to receive dividends. While the distribution of the Rights will not be taxable to stockholders or to the Company, stockholders may, depending upon the circumstances, recognize taxable income in the event that the Rights become exercisable for Units, other securities of the Company, other consideration or for common stock of an acquiring company.

A copy of the Rights Agreement will be filed with the SEC as an exhibit to the Registration Statement of which this Prospectus is a part. A copy of the Rights Agreement is also available from the Company upon written request. The foregoing description of the Rights does not purport to be complete and is qualified in its entirety by reference to the Rights Agreement, which is incorporated herein by reference.

CERTAIN PROVISIONS OF DELAWARE LAW AND
THE COMPANY'S CERTIFICATE AND BYLAWS

The following summary of certain provisions of Delaware law and the Company's Certificate and Bylaws does not purport to be complete and is subject to and qualified in its entirety by reference to Delaware law and the Company's Certificate and Bylaws, copies of which are exhibits to the Registration Statement of which this Prospectus is a part.

The Certificate and the Bylaws of the Company contain certain provisions that could make more difficult the acquisition of the Company by means of a tender offer, a proxy contest or otherwise. These provisions are expected to discourage certain types of coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of the Company to negotiate first with the Board of Directors. The Company believes that the benefits of these provisions outweigh the potential disadvantages of discouraging such proposals because, among other things, negotiation of such proposals might result in an improvement of their terms. The description set forth below is intended as a summary only and is qualified in its entirety by reference to the Certificate and the Bylaws, which have been filed as exhibits to the Registration Statement of which this Prospectus is a part. See also "Description of Capital Stock--Restrictions on Transfers."

AMENDMENT OF CERTIFICATE AND BYLAWS

The Company's Certificate may be amended only by the affirmative vote of the holders of two-thirds (or, if more than 75% of the directors then in office approve the amendment, a majority) of all of the votes entitled to be cast on the matter except that amendments dealing with certain articles of the Certificate (for example, articles relating to stockholder action; the powers, election of, removal of and classification of directors; limitation of liability; and amendment of the By-laws or the Certificate) shall require the affirmative vote of not less than seventy-five percent of the outstanding votes entitled to be cast on the matter. Unless otherwise required by law, the Board of Directors may amend the Company's Bylaws by the affirmative vote of a majority of the directors then in office. The Bylaws may also be amended by the stockholders, at an annual meeting or at a special meeting called for such purpose, by the affirmative vote of at least seventy-five percent of the votes entitled to be cast on the matter; provided, that if the Board of Directors recommends that stockholders approve such amendment at such meeting, such amendment shall require the affirmative vote of only a majority of the shares present at such meeting and entitled to vote.

DISSOLUTION OF THE COMPANY

The DGCL permits the dissolution of the Company by (i) the affirmative vote of a majority of the entire Board of Directors declaring such dissolution to be advisable and directing that the proposed dissolution be submitted for consideration at an annual or special meeting of stockholders, and (ii) upon proper notice, stockholder approval by the affirmative vote of a majority of the votes entitled to be cast on the matter.

MEETINGS OF STOCKHOLDERS

Under the Company's Bylaws, annual meetings of stockholders shall be held at such date and time as determined by the Board of Directors, the Chairman of the Board or the President. The Bylaws establish an advance notice procedure for stockholders to make nominations of candidates for directors or bring other business before an annual meeting of stockholders. Special meetings of stockholders may be called only by a majority of the Directors then in office and only matters set forth in the notice of the meeting may be considered and acted upon at such a meeting.

THE BOARD OF DIRECTORS

The Company's Certificate provides that the Board of Directors shall initially consist of five Directors and thereafter the number of Directors of the Company may be established by the Board of Directors but may not be

fewer than the minimum number required by the DGCL nor more than eleven. Subject to the rights, if any, of the holders of any series of Preferred Stock to elect Directors and to fill vacancies in the Board of Directors relating thereto, any vacancy will be filled, including any vacancy created by an increase in the number of Directors, at any regular meeting or at any special meeting called for the purpose, by a majority of the remaining Directors. Pursuant to the terms of the Certificate, the Directors are divided into three classes. One class will hold office initially for a term expiring at the annual meeting of stockholders to be held in 1998, another class will hold office initially for a term expiring at the annual meeting of stockholders to be held in 1999 and the third class will hold office initially for a term expiring in 2000. As the term of each class expires, Directors in that class will be elected for a term of three years and until their successors are duly elected and qualified. The use of a classified board may render more difficult a change in control of the Company or removal of incumbent management. The Company believes, however, that classification of the Board of Directors will help to assure the continuity and stability of its business strategies and policies.

The Certificate provides that the affirmative vote of more than 75% of the Directors then in office is required to approve certain transactions or actions of the Board, including a change of control (as defined) of the Company or of the Operating Partnership, any amendment to the Operating Partnership Agreement, any waiver of the limitations on ownership contained in the Certificate, certain issuances of equity securities by the Company or termination of the Company's status as a REIT.

SHAREHOLDER RIGHTS PLAN AND OWNERSHIP LIMITATIONS

The Company will adopt a Shareholder Rights Plan prior to the completion of the Offering. In addition, the Certificate contains provisions that limit the ownership by any person of shares of any class or series of capital stock of the Company. See "Description of Capital Stock--Shareholder Rights Agreement."

LIMITATION OF LIABILITY AND INDEMNIFICATION

The Company's Certificate generally limits the liability of the Company's Directors to the Company to the fullest extent permitted from time to time by Delaware law. The DGCL permits, but does not require, a corporation to indemnify its directors, officers, employees or agents and expressly provides that the indemnification provided for under the DGCL shall not be deemed exclusive of any indemnification right under any bylaw, vote of stockholders or disinterested directors, or otherwise. The DGCL permits indemnification against expenses and certain other liabilities arising out of legal actions brought or threatened against such persons for their conduct on behalf of a corporation, provided that each such person acted in good faith and in a manner that he reasonably believed was in or not opposed to such corporation's best interests and in the case of a criminal proceeding, had no reasonable cause to believe his or her conduct was unlawful. The DGCL does not allow indemnification of directors in the case of an action by or in the right of a corporation (including stockholder derivative suits) unless the directors successfully defend the action or indemnification is ordered by the court.

The Bylaws provide that Directors and officers of the Company shall be, and, in the discretion of the Board of Directors, non-officer employees may be, indemnified by the Company to the fullest extent authorized by Delaware law, as it now exists or may in the future be amended, against all expenses and liabilities actually and reasonably incurred in connection with service for or on behalf of the Company. The Bylaws also provide that the right of directors and officers to indemnification shall be a contract right and shall not be exclusive of any other right now possessed or hereafter acquired under any bylaw, agreement, vote of stockholders, or otherwise. The Certificate contains a provision permitted by Delaware law that generally eliminates the personal liability of directors for monetary damages for breaches of their fiduciary duty, including breaches involving negligence or gross negligence in business combinations, unless the director has breached his or her duty of loyalty, failed to act in good faith, engaged in intentional misconduct or a knowing violation of law, paid a dividend or approved a stock repurchase in violation of the DGCL or obtained an improper personal benefit. The provision does not alter a director's liability under the federal securities laws. In addition, this provision does not affect the availability of equitable remedies, such as an injunction or rescission, for breach of fiduciary duty.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers or persons controlling the Company pursuant to the foregoing provisions, the Company has been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

BUSINESS COMBINATIONS

Upon completion of the Offering, the Company will be subject to the provisions of section 203 ("Section 203") of the DGCL. Section 203 provides, with certain exceptions, that a Delaware corporation may not engage in any of a broad range of business combinations with a person or affiliate, or associate of such person, who is an "interested stockholder" for a period of three years from the date that such person became an interested stockholder unless: (i) the transaction resulting in a person becoming an interested stockholder, or the business combination, was approved by the board of directors of the corporation before the consummation of such transaction; (ii) the interested stockholder owned 85% or more of the outstanding voting stock of the corporation immediately after the transaction in which it became an interested stockholder (excluding shares owned by persons who are both officers and directors of the corporation, and shares held by certain employee stock ownership plans); or (iii) on or after the date the person becomes an interested stockholder, the business combination is approved by the corporation's board of directors and by the holders of at least 66 2/3% of the corporation's outstanding voting stock at an annual or special meeting, excluding shares owned by the interested stockholder. Under Section 203, an "interested stockholder" is defined (with certain exceptions) as any person who, together with affiliates and associates, owns or within the prior three years did own, 15% or more of the corporation's outstanding voting stock.

INDEMNIFICATION AGREEMENTS

The Company has entered into indemnification agreements with each of its directors and executive officers. The indemnification agreements require, among other things, that the Company indemnify its directors and executive officers to the fullest extent permitted by law and advance to the directors and executive officers all related expenses, subject to reimbursement if it is subsequently determined that indemnification is not permitted. Under these agreements, the Company must also indemnify and advance all expenses incurred by directors and executive officers seeking to enforce their rights under the indemnification agreements and may cover directors and executive officers under the Company's directors' and officers' liability insurance. Although the form of indemnification agreement offers substantially the same scope of coverage afforded by law, it provides greater assurance to directors and executive officers that indemnification will be available, because, as a contract, it cannot be modified unilaterally in the future by the Board of Directors or the stockholders to eliminate the rights it provides.

SHARES AVAILABLE FOR FUTURE SALE

GENERAL

Upon the completion of the Offering, the Company will have outstanding 33,983,541 shares of Common Stock (38,693,541 shares if the Underwriters' overallotment option is exercised in full). In addition, 16,066,459 shares of Common Stock are reserved for issuance upon exchange of OP Units. The shares of Common Stock issued in the Offering will be freely tradeable by persons other than "affiliates" of the Company without restriction under the Securities Act, subject to the limitations on ownership set forth in the Company's Certificate and Bylaws. See "Description of Capital Stock--Restrictions on Transfers." The shares of Common Stock acquired in redemption of OP Units (the "Restricted Shares") will be "restricted" securities under the meaning of Rule 144 promulgated under the Securities Act ("Rule 144") and may not be sold in the absence of registration under the Securities Act unless an exemption from registration is available, including exemptions contained in Rule 144. As described below under "--Registration Rights," the Company has granted certain holders registration rights with respect to their shares of Common Stock.

In general, under Rule 144 effective April 29, 1997, if one year has elapsed since the later of the date of acquisition of Restricted Shares from the Company or any "affiliate" of the Company, as that term is defined under the Securities Act, the acquiror or subsequent holder thereof is entitled to sell within any three-month period a number of shares that does not exceed the greater of 1% of the then outstanding shares of Common Stock or the average weekly trading volume of the Common Stock during the four calendar weeks preceding the date on which notice of the sale is filed with the SEC. Sales under Rule 144 are also subject to certain manner of sales provisions, notice requirements and the availability of current public information about the Company. If two years have elapsed since the date of acquisition of Restricted Shares from the Company or from any "affiliate" of the Company, and the acquiror or subsequent holder thereof is deemed not to have been an affiliate of the Company at any time during the 90 days preceding a sale, such person is entitled to sell such shares in the public market under Rule 144(k) without regard to the volume limitations, manner of sale provisions, public information requirements or notice requirements.

The Company has established the Stock Option Plan for the purpose of attracting and retaining directors, executive officers and other key employees. See "Management--Stock Option Plan" and "Management--Compensation of Directors." The Company intends to issue options to purchase approximately 2,300,000 shares of Common Stock to directors, executive officers and certain key employees prior to the completion of the Offering and has reserved 2,454,750 additional shares for future issuance under the Stock Option Plan. Prior to the expiration of the initial twelve-month period following consummation of the Offering, the Company expects to file a registration statement on Form S-8 with the SEC with respect to the shares of Common Stock issuable under the Stock Option Plan, which shares may be resold without restriction, unless held by affiliates.

Prior to the Offering, there has been no public market for the Common Stock. Trading of the Common Stock on the NYSE is expected to commence immediately following the completion of the Offering. No prediction can be made as to the effect, if any, that future sales of shares, or the availability of shares for future sale, will have on the market price prevailing from time to time. Sales of substantial amounts of Common Stock (including shares issued upon the exercise of Options), or the perception that such sales occur, could adversely affect prevailing market prices of the Common Stock. See "Risk Factors--Market for the Common Stock."

REGISTRATION RIGHTS

The Company has granted those persons with a direct or indirect interest in the Property Partnerships who will receive OP Units in the Formation Transactions certain registration rights with respect to the shares of Common Stock that may be acquired by them in connection with the exercise of the Redemption/Exchange Rights under the Operating Partnership Agreement. These registration rights require the Company to register all such shares of Common Stock effective as of that date which is fourteen months following completion of the Offering. The Company will bear expenses incident to its registration requirements under the registration rights, except that such expenses shall not include any underwriting discounts or commissions or transfer taxes, if any, relating to such shares.

FEDERAL INCOME TAX CONSEQUENCES

The following is a summary of the material federal income tax consequences associated with an investment in the Common Stock. Goodwin, Procter & Hoar llp, which has acted as tax counsel to the Company in connection with the formation of the Company and the Company's election to be taxed as a REIT, has reviewed the following discussion and is of the opinion that it is an accurate description of the federal income tax considerations that are likely to be material to a holder of Common Stock. The following discussion is not exhaustive of all possible tax considerations and is not tax advice. Moreover, this summary does not deal with all tax aspects that might be relevant to a particular prospective stockholder in light of his/her personal circumstances; nor does it deal with particular types of stockholders that are subject to special treatment under the Code, such as insurance companies, financial institutions and broker-dealers. The Code provisions governing the Federal income tax treatment of REITs are highly technical and complex, and this summary is qualified in its entirety by the applicable Code provisions, rules and regulations promulgated thereunder, and administrative and judicial interpretations thereof. The following discussion and the opinions of Goodwin, Procter & Hoar llp are based on current law. Unless the context requires otherwise, references to the "Company" in this "Federal Income Tax Consequences" section refer only to Boston Properties, Inc.

EACH PROSPECTIVE PURCHASER IS ADVISED TO CONSULT HIS OR HER OWN TAX ADVISER REGARDING THE SPECIFIC TAX CONSEQUENCES TO HIM OR HER OF THE PURCHASE, OWNERSHIP AND SALE OF THE COMMON STOCK AND OF THE COMPANY'S ELECTION TO BE TAXED AS A REIT, INCLUDING THE FEDERAL, STATE, LOCAL, FOREIGN AND OTHER TAX CONSEQUENCES OF SUCH PURCHASE, OWNERSHIP, SALE AND OWNERSHIP.

FEDERAL INCOME TAXATION OF THE COMPANY

Upon consultation with its advisers, the Company believes that it is in a position to qualify for treatment as a REIT for the year ending December 31, 1997, upon filing of its election to be taxed as a REIT, and intends to operate so as to meet the requirements under the Code for qualification as a REIT, commencing with its taxable year ended December 31, 1997 and thereafter. The Company also believes, after consultation with its advisers, that it has been organized, has operated and will operate in such a manner as to qualify for taxation as a REIT under the Code. No assurance can be given, however, that such requirements have been or will be met.

OPINION OF TAX COUNSEL

Goodwin, Procter & Hoar LLP has acted as counsel to the Company in connection with the formation of the Company, the Offering and the Company's election to be taxed as a REIT. In the opinion of Goodwin, Procter & Hoar llp, commencing with the Company's taxable year ending December 31, 1997, the Company will qualify to be taxed as a REIT under the Code, provided that (i) the elections and other procedural steps described in this discussion of "Federal Income Tax Consequences" are completed in a timely fashion and (ii) the Company and the Operating Partnership operate in accordance with various assumptions and factual representations made by the Company and the Operating Partnership concerning their business, properties and operations. It must be emphasized that Goodwin, Procter & Hoar LLP's opinion is based on various assumptions and is conditioned upon such assumptions and representations made by the Company and the Operating Partnership concerning their business and properties as set forth in this Prospectus. Such factual assumptions and representations are set forth below in this discussion of "Federal Income Tax Consequences." In addition, Goodwin, Procter & Hoar LLP's opinion is based upon the factual representations of the Company and the Operating Partnership concerning its business and properties as set forth in this Prospectus. Moreover, such qualification and taxation as a REIT depends upon the Company's ability to meet, through actual annual operating results, distribution levels and diversity of stock ownership, the various qualification tests imposed under the Code discussed below, the results of which will not be reviewed by Goodwin, Procter & Hoar LLP. Accordingly, no assurance can be given that the actual results of the Company's operations for any one taxable year will satisfy such requirements. See "Risk Factors--Failure to Qualify as a REIT."

The opinion of Goodwin, Procter & Hoar LLP is also based upon existing law as currently applicable, IRS regulations, currently published administrative positions of the IRS and judicial decisions, which are subject to

change either prospectively or retroactively. No assurance can be given that any such changes would not modify the conclusions expressed in the opinion. Moreover, unlike a private letter ruling (which will not be sought), an opinion of counsel is not binding on the IRS, and no assurance can be given that the IRS will not successfully challenge the status of the Company as a REIT.

If the Company qualifies for taxation as a REIT, it generally will not be subject to federal corporate income taxes on that portion of its ordinary income or capital gain that is currently distributed to stockholders. The REIT provisions of the Code generally allow a REIT to deduct dividends paid to its stockholders. This deduction for dividends paid to stockholders substantially eliminates the federal "double taxation" on earnings (once at the corporate level and once again at the stockholder level) that usually results from investments in a corporation.

Even if the Company qualifies for taxation as a REIT, however, the Company will be subject to federal income tax, as follows: First, the Company will be taxed at regular corporate rates on its undistributed REIT taxable income, including undistributed net capital gains. Second, under certain circumstances, the Company may be subject to the "alternative minimum tax." Third, if the Company has net income from the sale or other disposition of "foreclosure property" that is held primarily for sale to customers in the ordinary course of business or other non-qualifying income from foreclosure property, it will be subject to tax at the highest corporate rate on such income. Fourth, if the Company has net income from prohibited transactions (which are, in general, certain sales or other dispositions of property other than foreclosure property held primarily for sale to customers in the ordinary course of business), such income will be subject to a 100% tax. Fifth, if the Company should fail to satisfy either the 75% or 95% gross income test (discussed below) but has nonetheless maintained its qualification as a REIT because certain other requirements have been met, it will be subject to a 100% tax on the net income attributable to the greater of the amount by which the Company fails the 75% or 95% test, multiplied by a fraction intended to reflect the Company's profitability. Sixth, if the Company fails to distribute during each year at least the sum of (i) 85% of its REIT ordinary income for such year, (ii) 95% of its REIT capital gain net income for such year and (iii) any undistributed taxable income from prior periods, the Company will be subject to a 4% excise tax on the excess of such required distribution over the amounts actually distributed. Seventh, if the Company should acquire any asset from a C corporation (i.e., a corporation generally subject to full corporate-level tax) in a carryover-basis transaction and the Company subsequently recognizes gain on the disposition of such asset during the ten-year period (the "Recognition Period") beginning on the date on which the asset was acquired by the Company, then, to the extent of the excess of (a) the fair market value of the asset as of the beginning of the applicable Recognition Period over (b) the Company's adjusted basis in such asset as of the beginning of such Recognition Period (the "Built-In Gain"), such gain will be subject to tax at the highest regular corporate rate, pursuant to guidelines issued by the IRS (the "Built-In Gain Rules").

REQUIREMENTS FOR QUALIFICATION

To qualify as a REIT, the Company must elect to be so treated and must meet the requirements, discussed below, relating to the Company's organization, sources of income, nature of assets and distributions of income to stockholders.

ORGANIZATIONAL REQUIREMENTS

The Code defines a REIT as a corporation, trust or association: (i) that is managed by one or more directors or trustees, (ii) the beneficial ownership of which is evidenced by transferable shares or by transferable certificates of beneficial interest, (iii) that would be taxable as a domestic corporation but for the REIT requirements, (iv) that is neither a financial institution nor an insurance company subject to certain provisions of the Code, (v) the beneficial ownership of which is held by 100 or more persons, and (vi) during the last half of each taxable year not more than 50% in value of the outstanding stock of which is owned, directly or indirectly through the application of certain attribution rules, by five or fewer individuals (as defined in the Code to include certain entities). In addition, certain other tests, described below, regarding the nature of its income and assets also must be satisfied. The Code provides that conditions (i) through (iv), inclusive, must be met during the entire taxable year and that condition (v) must be met during at least 335 days of a taxable year of 12 months, or during a

proportionate part of a taxable year of less than 12 months. Conditions (v) and (vi) (the "100 Stockholder Requirement" and "Five or Fewer Requirement") will not apply until after the first taxable year for which an election is made to be taxed as a REIT. For purposes of conditions (v) and (vi), pension funds and certain other tax-exempt entities are treated as individuals, subject to a "look-through" exception in the case of condition (vi).

Prior to consummation of the Offering, the Company did not satisfy conditions (v) and (vi) above. The Company's issuance of Common Stock in connection with the Formation Transactions and the Offering permitted it to satisfy the 100 Stockholder Requirement and the Five or Fewer Requirement. In order to protect the Company from a concentration of ownership of its stock that would cause the Company to fail the Five or Fewer Requirement, the Company's Certificate provides that stock owned, or deemed to be owned or transferred to a stockholder in excess of the Ownership Limit or the Look-Through Ownership Limit will automatically be converted into Excess Stock and transferred to a charity for resale, with the original stockholder entitled to receive certain proceeds from such a resale. See "Description of Capital Stock--Restrictions on Transfers." Excess stock is a separate class of capital stock of the Company that is entitled to no voting rights but shares ratably with the Common Stock in dividends and rights upon dissolution. Because of the absence of authority on this issue, however, there is no assurance that the operation of the Excess Stock or other provisions contained in the Certificate will, as a matter of law, prevent a concentration of ownership of stock in excess of the Ownership Limit from causing the Company to violate the Five or Fewer Requirement. If there were a concentration of ownership that would cause the Company to violate the Five or Fewer Requirement, and the operation of the Excess Stock or other provisions contained in the Certificate were not held to cure such violation, the Company would be disqualified as a REIT. In rendering its opinion that the Company is organized in a manner that permits the Company to qualify as a REIT, Goodwin, Procter & Hoar LLP is relying on the representation of the Company that the ownership of its stock (without regard to the Excess Stock provisions) satisfies the Five or Fewer Requirement, and Goodwin, Procter & Hoar LLP expresses no opinion as to whether, as a matter of law, the Excess Stock or other provisions contained in the Certificate preclude the Company from failing the Five or Fewer Requirement.

In addition, a corporation may not elect to become a REIT unless its taxable year is the calendar year. The Company's taxable year is the calendar year.

In the case of a REIT that is a partner in a partnership, Treasury Regulations provide that the REIT will be deemed to own its proportionate share (based on its interest in partnership capital) of the assets of the partnership and will be deemed to be entitled to the income of the partnership attributable to such share. In addition, the character of the assets and gross income of the partnership shall retain the same character in the hands of the REIT for purposes of Section 856 of the Code, including satisfying the gross income tests and asset tests. Thus, the Company's proportionate share of the assets, liabilities and items of income of the Operating Partnership (including the Operating Partnership's share of the assets and liabilities and items of income with respect to any partnership in which it holds an interest) will be treated as assets, liabilities and items of income of the Company for purposes of applying the requirements described herein.

INCOME TESTS

To maintain qualification as a REIT, three gross income requirements must be satisfied annually.

- . First, at least 75% of the Company's gross income, excluding gross income from certain dispositions of property held primarily for sale to customers in the ordinary course of a trade or business ("prohibited transactions"), for each taxable year must be derived directly or indirectly from investments relating to real property or mortgages on real property (including "rents from real property" and, in certain circumstances, interest) or from certain types of temporary investments.
- . Second, at least 95% of the Company's gross income (excluding gross income from prohibited transactions) for each taxable year must be derived from such real property investments described above and from dividends, interest and gain from the sale or disposition of stock or securities or from any combination of the foregoing.
- . Third, short-term gain from the sale or other disposition of stock or securities, gain from prohibited transactions and gain from the sale or other disposition of real property held for less than four years (apart from involuntary conversions and sales of foreclosure property) must represent less than 30% of the Company's gross income (including gross income from prohibited transactions) for each taxable

year. For purposes of applying the 30% gross income test, the holding period of Properties acquired by the Operating Partnership in the Formation Transactions will be deemed to have commenced on the date of acquisition.

Rents received or deemed to be received by the Company qualify as "rents from real property" in satisfying the gross income requirements for a REIT described above only if several conditions are met.

- . First, the amount of rent generally must not be based in whole or in part on the income or profits of any person. An amount received or accrued generally will not be excluded from the term "rents from real property," however, solely by reason of being based on a fixed percentage or percentages of receipts or sales.
- . Second, the Code provides that rents received from a tenant will not qualify as "rents from real property" in satisfying the gross income tests if the REIT, or an owner of 10% or more of the REIT, directly or constructively owns 10% or more of such tenant (a "Related Party Tenant") or a subtenant of such tenant (in which case only rent attributable to the subtenant is disqualified).
- . Third, if rent attributable to personal property, leased in connection with a lease of real property, is greater than 15% of the total rent received under the lease, then the portion of rent attributable to the personal property will not qualify as "rents from real property."
- . Finally, for rents to qualify as "rents from real property" the REIT must not operate or manage the property or furnish or render services to tenants, other than through an "independent contractor" who is adequately compensated and from whom the REIT does not derive any income; provided, however, that a REIT may provide services with respect to its properties and the income will qualify as "rents from real property" if the services are "usually or customarily rendered" in connection with the rental of room or other space for occupancy only and are not otherwise considered "rendered to the occupant."

The Company does not charge rent that is based in whole or in part on the income or profits of any person (except by reason of being based on a fixed percentage or percentages of receipts or sales consistent with the rule described above). The Company does not derive, and does not anticipate deriving, rent attributable to personal property leased in connection with real property that exceeds 15% of the total rents.

Pursuant to leases with respect to the Hotel Properties, ZL Hotel LLC will lease from the Operating Partnership the Hotel Properties for a ten year period. The hotel leases provide that ZL Hotel LLC will be obligated to pay to the Operating Partnership (i) the greater of Base Rent or Participating Rent (collectively, the "Rents") and (ii) Additional Charges. Participating Rent is calculated by multiplying fixed percentages by various revenue categories for each of the Hotel Properties. Both Base Rent and the thresholds in the Participating Rent formulas will be adjusted for inflation. Base Rent accrues and is required to be paid monthly. Participating Rent is payable monthly, with monthly adjustments based on actual results.

In order for Base Rent, Participating Rent and Additional Charges to constitute "rents from real property," the leases must be respected as true leases for federal income tax purposes and not treated as service contracts, joint ventures or some other type of arrangement. The determination of whether the leases are true leases depends on an analysis of all the surrounding facts and circumstances. In making such a determination, courts have considered a variety of factors, including the following: (i) the intent of the parties, (ii) the form of the agreement, (iii) the degree of control over the property that is retained by the property owner (e.g., whether the lessee has substantial control over the operation of the property or whether the lessee was required simply to use its best efforts to perform its obligations under the agreement), and (iv) the extent to which the property owner retains the risk of loss with respect to the property (e.g., whether the lessee bears the risk of increases in operating expenses or the risk of damage to the property) or the potential for economic gain (e.g., appreciation) with respect to the property.

In addition, Code section 7701(e) provides that a contract that purports to be a service contract (or a partnership agreement) is treated instead as a lease of property if the contract is properly treated as such, taking into account all relevant factors, including whether or not: (i) the service recipient is in physical possession of

the property, (ii) the service recipient controls the property, (iii) the service recipient has a significant economic or possessory interest in the property (e.g., the property's use is likely to be dedicated to the service recipient for a substantial portion of the useful life of the property, the recipient shares the risk that the property will decline in value, the recipient shares in any appreciation in the value of the property, the recipient shares in savings in the property's operating costs, or the recipient bears the risk of damage to or loss of the property), (iv) the service provider does not bear any risk of substantially diminished receipts or substantially increased expenditures if there is nonperformance under the contract, (v) the service provider does not use the property concurrently to provide significant services to entities unrelated to the service recipient, and (vi) the total contract price does not substantially exceed the rental value of the property for the contract period. Since the determination whether a service contract should be treated as a lease is inherently factual, the presence or absence of any single factor may not be dispositive in every case. The hotel leases have been structured to qualify as true leases for federal income tax purposes.

Investors should be aware that there are no controlling Treasury Regulations, published rulings, or judicial decisions involving leases with terms substantially the same as the hotel leases that discuss whether such leases constitute true leases for federal income tax purposes. Therefore, there can be no complete assurance that the IRS will not assert a contrary position. If the leases are recharacterized as service contracts or partnership agreements, rather than true leases, part or all of the payments that the Operating Partnership receives from the lessee would not be considered rent or would not otherwise satisfy the various requirements for qualification as "rents from real property." In that case, the Company likely would not be able to satisfy either the 75% or 95% gross income tests and, as a result, would lose its REIT status.

As indicated above, "rents from real property" must not be based in whole or in part on the income or profits of any person. The Participating Rent should qualify as "rents from real property" since it is based on percentages of receipts or sales which percentages are fixed at the time the leases are entered into, provided (i) the leases are not renegotiated during the term of the leases in a manner that has the effect of basing Participating Rent on income or profits and (ii) the leases conform with normal business practice. More generally, the Participating Rent will not qualify as "rents from real property" if, considering the hotel leases and all the surrounding circumstances, the arrangement does not conform with normal business practice, but is in reality used as a means of basing the Participating Rent on income or profits. Since the Participating Rent is based on fixed percentages of the gross revenues from the hotels that are established in the hotel leases, and the Company has represented that the percentages (i) will not be renegotiated during the terms of the leases in a manner that has the effect of basing the Participating Rent on income or profits and (ii) conform with normal business practice, the Participating Rent should not be considered based in whole or in part on the income or profits of any person. Furthermore, the Company has represented that, with respect to other hotel properties that it acquires in the future, it will not charge rent for any property that is based in whole or in part on the income or profits of any person (except by reason of being based on a fixed percentage of gross revenues, as described above.)

Pursuant to leases with independent third parties, the Operating Partnership or certain subsidiary partnerships will lease the Garage Property and the garage portions of certain of the Office Properties to independent third parties for periods between one to three years. The parking leases provide that the Operating Partnership will receive rent based on the gross receipts of the parking garage. The same "true lease" and "rent from real property" analysis applies with respect to the parking leases as is described above for the hotel leases. The garage leases also have been structured to qualify as true leases for federal income tax purposes. As is the case with respect to the hotel leases, there can be no complete assurance that the IRS will not assert a contrary position, which if successful could result in the loss of the Company's status as a REIT.

Through the Operating Partnership, which is not an "independent contractor," the Company provides certain services with respect to the Properties, but the Company believes (and has represented to Goodwin, Procter & Hoar LLP) that all such services are considered "usually or customarily rendered" in connection with the rental of space for occupancy only, so that the provision of such services does not jeopardize the qualification of rent from the Properties as "rents from real property." In rendering its opinion on the Company's ability to qualify as a REIT, Goodwin, Procter & Hoar LLP is relying on such representations. In the case of any services that are not "usual and customary" under the foregoing rules, the Company intends to employ "independent contractors" to provide such services.

The Operating Partnership may receive certain types of income with respect to the properties it owns that will not qualify under the 75% or 95% gross income test. In particular, dividends on the Company's stock in the Development and Management Company will not qualify under the 75% gross income test. The Company believes, however, that the aggregate amount of such non-qualifying income in any taxable year will not cause the Company to exceed the limits on non-qualifying income under the 75% and 95% gross income tests.

If the Company fails to satisfy one or both of the 75% or 95% gross income tests for any taxable year, it may nevertheless qualify as a REIT for that year if it is eligible for relief under certain provisions of the Code. These relief provisions generally will be available if (i) the Company's failure to meet these tests was due to reasonable cause and not due to willful neglect, (ii) the Company attaches a schedule of the sources of its income to its Federal income tax return and (iii) any incorrect information on the schedule is not due to fraud with intent to evade tax. It is not possible, however, to state whether, in all circumstances, the Company would be entitled to the benefit of these relief provisions. For example, if the Company fails to satisfy the gross income tests because nonqualifying income that the Company intentionally incurs exceeds the limits on such income, the IRS could conclude that the Company's failure to satisfy the tests was not due to reasonable cause. As discussed above in "--Opinion of Tax Counsel," even if these relief provisions apply, a tax would be imposed with respect to the excess net income. No similar mitigation provision provides relief if the Company fails the 30% income test, and in such case, the Company will cease to qualify as a REIT. See "Risk Factors--Failure to Qualify as a REIT."

ASSET TESTS

At the close of each quarter of its taxable year, the Company also must satisfy three tests relating to the nature and diversification of its assets.

- . First, at least 75% of the value of the Company's total assets must be represented by real estate assets, cash, cash items and government securities.
- . Second, no more than 25% of the Company's total assets may be represented by securities other than those in the 75% asset class.
- . Third, of the investments included in the 25% asset class, the value of any one issuer's securities owned by the Company may not exceed 5% of the value of the Company's total assets, and the Company may not own more than 10% of any one issuer's outstanding voting securities.

The 5% test must generally be met for any quarter in which the Company acquires securities of an issuer. Thus, this requirement must be satisfied not only on the date the Company acquires securities of the Development and Management Company, but also each time the Company increases its ownership of securities of the Development and Management Company (including as a result of increasing its interest in the Operating Partnership as limited partners exercise their redemption rights).

The Operating Partnership owns 100% of the nonvoting stock and 1% of the voting stock of the Development and Management Company, and by virtue of its ownership of Units, the Company is considered to own its pro rata share of such stock. Neither the Company nor the Operating Partnership, however, owns more than 10% of the voting securities of the Development and Management Company. In addition, the Company and its senior management do not believe that the Company's pro rata share of the value of the securities of the Development and Management Company exceeds 5% of the total value of the Company's assets. The Company's belief is based in part upon its analysis of the value of the equity and unsecured debt securities of the Development and Management Company owned by the Operating Partnership relative to the value of the other assets owned by the Operating Partnership. No independent appraisals have been obtained to support this conclusion, however, and Goodwin, Procter and Hoar LLP, in rendering its opinion as to the qualification of the Company as a REIT, is relying on the conclusions of the Company and its senior management as to the value of the securities of the Development and Management Company. There can be no assurance that the IRS might not contend that the value of the securities of the Development and Management Company held by the Company (through the Operating Partnership) exceeds the 5% value limitation.

As noted above, the 5% value requirement must be satisfied not only on the date the Company acquires equity and unsecured debt securities of the Development and Management Company, but also each time the Company increases its ownership of such securities of the Development and Management Company (including as a result of increasing its interest in the Operating Partnership as partners exercise their redemption rights). Although the Company plans to take steps to ensure that it satisfied the 5% value test for any quarter with respect to which retesting is to occur, there can be no assurance that such steps will always be successful or will not require a reduction in the Company's overall interest in the Development and Management Company.

After initially meeting the asset tests at the close of any quarter, the Company will not lose its status as a REIT for failure to satisfy the asset tests at the end of a later quarter solely by reason of changes in asset values. If the failure to satisfy the asset tests results from an acquisition of securities or other property during a quarter, the failure can be cured by disposition of sufficient nonqualifying assets within 30 days after the close of that quarter. The Company maintains, and will continue to maintain, adequate records of the value of its assets to ensure compliance with the asset tests and will take such other actions within 30 days after the close of any quarter as may be required to cure any noncompliance.

ANNUAL DISTRIBUTION REQUIREMENTS

In order to be taxed as a REIT, the Company is required to distribute dividends (other than capital gain dividends) to its stockholders in an amount at least equal to (a) the sum of (i) 95% of the Company's "REIT taxable income" (computed without regard to the dividends-paid deduction and the Company's capital gain) and (ii) 95% of the net income, if any, from foreclosure property in excess of the special tax on income from foreclosure property, minus (b) the sum of certain items of non-cash income. Such distributions must be paid in the taxable year to which they relate, or in the following taxable year if declared before the Company timely files its Federal income tax return for such year and if paid on or before the first regular dividend payment after such declaration. Even if the Company satisfies the foregoing distribution requirements, to the extent that the Company does not distribute all of its net capital gain or "REIT taxable income" as adjusted, it will be subject to tax thereon at regular capital gains or ordinary corporate tax rates. Furthermore, if the Company should fail to distribute during each calendar year at least the sum of (a) 85% of its ordinary income for that year, (b) 95% of its capital gain net income for that year and (c) any undistributed taxable income from prior periods, the Company would be subject to a 4% excise tax on the excess of such required distribution over the amounts actually distributed. In addition, if the Company disposes of any asset subject to the Built-In Gain Rules during the applicable Recognition Period, the Company will be required, pursuant to guidance issued by the IRS, to distribute at least 95% of the Built-In Gain (after tax), if any, recognized on the disposition of the asset.

The Company intends to make timely distributions sufficient to satisfy the annual distribution requirements. In this regard, the Operating Partnership Agreement authorizes the Company, as general partner, to take such steps as may be necessary to cause the Operating Partnership to distribute to its partners an amount sufficient to permit the Company to meet these distribution requirements.

It is expected that the Company's REIT taxable income will be less than its cash flow due to the allowance of depreciation and other non-cash charges in computing REIT taxable income. Accordingly, the Company anticipates that it will generally have sufficient cash or liquid assets to enable it to satisfy the 95% distribution requirement. It is possible, however, that the Company, from time to time, may not have sufficient cash or other liquid assets to meet the 95% distribution requirement or to distribute such greater amount as may be necessary to avoid income and excise taxation, as a result of timing differences between (i) the actual receipt of income and actual payment of deductible expenses and (ii) the inclusion of such income and deduction of such expenses in arriving at taxable income of the Company, or as a result of nondeductible expenses such as principal amortization or capital expenditures in excess of noncash deductions. In the event that such timing differences occur, the Company may find it necessary to arrange for borrowings or, if possible, pay taxable stock dividends in order to meet the dividend requirement.

Under certain circumstances, the Company may be able to rectify a failure to meet the distribution requirement for a year by paying "deficiency dividends" to stockholders in a later year, which may be included in the Company's deduction for dividends paid for the earlier year. Thus, the Company may be able to avoid

being taxed on amounts distributed as deficiency dividends. The Company will, however, be required to pay interest based upon the amount of any deduction taken for deficiency dividends.

FAILURE TO QUALIFY

If the Company fails to qualify for taxation as a REIT in any taxable year and the relief provisions do not apply, the Company will be subject to tax (including any applicable alternative minimum tax) on its taxable income at regular corporate rates. Distributions to stockholders in any year in which the Company fails to qualify will not be deductible by the Company nor will they be required to be made. In such event, to the extent of current or accumulated earnings and profits, all distributions to stockholders will be dividends, taxable as ordinary income, and subject to certain limitations of the Code, corporate distributees may be eligible for the dividends-received deduction. Unless the Company is entitled to relief under specific statutory provisions, the Company also will be disqualified from taxation as a REIT for the four taxable years following the year during which qualification was lost. It is not possible to state whether in all circumstances the Company would be entitled to such statutory relief. For example, if the Company fails to satisfy the gross income tests because nonqualifying income that the Company intentionally incurs exceeds the limit on such income, the IRS could conclude that the Company's failure to satisfy the tests was not due to reasonable cause. See "Risk Factors--Failure to Qualify as a REIT--Other Tax Liabilities."

TAXATION OF U.S. STOCKHOLDERS

As used herein, the term "U.S. Stockholder" means a holder of Common Stock that for United States federal income tax purposes (a) is a citizen or resident of the United States, (b) is a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof or (c) is an estate or trust, the income of which is subject to United States federal income taxation regardless of its source. For any taxable year for which the Company qualifies for taxation as a REIT, amounts distributed to taxable U.S. Stockholders will be taxed as follows.

DISTRIBUTIONS GENERALLY

Distributions to U.S. Stockholders, other than capital gain dividends discussed below, will constitute dividends up to the amount of the Company's current or accumulated earnings and profits and will be taxable to the stockholders as ordinary income. These distributions are not eligible for the dividends-received deduction for corporations. To the extent that the Company makes a distribution in excess of its current or accumulated earnings and profits, the distribution will be treated first as a tax-free return of capital, reducing the tax basis in the U.S. Stockholder's Common Stock, and the amount of such distribution in excess of a U.S. Stockholder's tax basis in its Common Stock will be taxable as gain realized from the sale of its Common Stock. Dividends declared by the Company in October, November or December of any year payable to a stockholder of record on a specified date in any such month shall be treated as both paid by the Company and received by the stockholder on December 31 of the year, provided that the dividend is actually paid by the Company during January of the following calendar year. Stockholders may not include on their own federal income tax returns any losses of the Company.

The Company will be treated as having sufficient earnings and profits to treat as a dividend any distribution by the Company up to the amount required to be distributed in order to avoid imposition of the 4% excise tax discussed in "--Opinion of Tax Counsel" above. Moreover, any "deficiency dividend" will be treated as an ordinary or capital gain dividend, as the case may be, regardless of the Company's earnings and profits. As a result, stockholders may be required to treat certain distributions that would otherwise result in a tax-free return of capital as taxable dividends.

CAPITAL GAIN DIVIDENDS

Dividends to U.S. Stockholders that are properly designated by the Company as capital gain dividends will be treated as long-term capital gains (to the extent they do not exceed the Company's actual net capital gain) for

the taxable year without regard to the period for which the stockholder has held his stock. However, corporate stockholders may be required to treat up to 20% of certain capital gain dividends as ordinary income. Capital gain dividends are not eligible for the dividends-received deduction for corporations.

PASSIVE ACTIVITY LOSS AND INVESTMENT INTEREST LIMITATIONS

Distributions from the Company and gain from the disposition of Common Stock will not be treated as passive activity income, and therefore stockholders may not be able to apply any "passive losses" against such income. Dividends from the Company (to the extent they do not constitute a return of capital) will generally be treated as investment income for purposes of the investment income limitation. Under recently enacted legislation, net capital gain from the disposition of Common Stock and capital gain dividends generally will be excluded from investment income.

CERTAIN DISPOSITIONS OF SHARES

Losses incurred on the sale or exchange of Common Stock held for less than six months (after applying certain holding period rules) will be deemed long-term capital loss to the extent of any capital gain dividends received by the selling stockholder from those shares.

TREATMENT OF TAX-EXEMPT STOCKHOLDERS

Distributions from the Company to a tax-exempt employee pension trust or other domestic tax-exempt stockholder generally, will not constitute "unrelated business taxable income" ("UBTI") unless the stockholder has borrowed to acquire or carry its Common Stock. Qualified trusts that hold more than 10% (by value) of the shares of certain REITs, however, may be required to treat a certain percentage of such a REIT's distributions as UBTI. This requirement will apply only if (i) the REIT would not qualify as such for federal income tax purposes but for the application of the "look-through" exception to the Five or Fewer Requirement applicable to shares held by qualified trusts and (ii) the REIT is "predominantly held" by qualified trusts. A REIT is predominantly held by qualified trusts if either (i) a single qualified trust holds more than 25% by value of the interests in the REIT or (ii) one or more qualified trusts, each owning more than 10% by value of the interests in the REIT, hold in the aggregate more than 50% of the interests in the REIT. The percentage of any REIT dividend treated as UBTI is equal to the ratio of (a) the UBTI earned by the REIT (treating the REIT as if it were a qualified trust and therefore subject to tax on UBTI) to (b) the total gross income (less certain associated expenses) of the REIT. A de minimis exception applies where the ratio set forth in the preceding sentence is less than 5% for any year. For these purposes, a qualified trust is any trust described in section 401(a) of the Code and exempt from tax under section 501(a) of the Code. The provisions requiring qualified trusts to treat a portion of REIT distributions as UBTI will not apply if the REIT is able to satisfy the Five or Fewer Requirement without relying upon the "look-through" exception.

SPECIAL TAX CONSIDERATIONS FOR FOREIGN STOCKHOLDERS

The rules governing United States income taxation of non-resident alien individuals, foreign corporations, foreign partnerships and foreign trusts and estates (collectively, "Non-U.S. Stockholders") are complex, and the following discussion is intended only as a summary of these rules. Prospective Non-U.S. Stockholders should consult with their own tax advisors to determine the impact of federal, state and local income tax laws on an investment in the Company, including any reporting requirements.

In general, Non-U.S. Stockholders will be subject to regular United States federal income tax with respect to their investment in the Company if the investment is "effectively connected" with the Non-U.S. Stockholder's conduct of a trade or business in the United States. A corporate Non-U.S. Stockholder that receives income that is (or is treated as) effectively connected with a U.S. trade or business also may be subject to the branch profits tax under section 884 of the Code, which is payable in addition to regular United States federal corporate income tax. The following discussion will apply to Non-U.S. Stockholders whose investment in the Company is not so effectively connected.

A distribution by the Company that is not attributable to gain from the sale or exchange by the Company of a United States real property interest and that is not designated by the Company as a capital gain dividend will be treated as an ordinary income dividend to the extent that it is made out of current or accumulated earnings and profits. Generally, any ordinary income dividend will be subject to a United States federal income tax equal to 30% of the gross amount of the dividend unless this tax is reduced by an applicable tax treaty. Such a distribution in excess of the Company's earnings and profits will be treated first as a return of capital that will reduce a Non-U.S. Stockholder's basis in its Common Stock (but not below zero) and then as gain from the disposition of such shares, the tax treatment of which is described under the rules discussed below with respect to dispositions of Common Stock.

Distributions by the Company that are attributable to gain from the sale or exchange of a United States real property interest will be taxed to a Non-U.S. Stockholder under the Foreign Investment in Real Property Tax Act of 1980 ("FIRPTA"). Under FIRPTA, such distributions are taxed to a Non-U.S. Stockholder as if the distributions were gains "effectively connected" with a United States trade or business. Accordingly, a Non-U.S. Stockholder will be taxed at the normal capital gain rates applicable to a U.S. Stockholder (subject to any applicable alternative minimum tax and a special alternative minimum tax in the case of non-resident alien individuals). Distributions subject to FIRPTA also may be subject to a 30% branch profits tax when made to a foreign corporate stockholder that is not entitled to treaty exemptions.

Although tax treaties may reduce the Company's withholding obligations, the Company generally will be required to withhold from distributions to Non-U.S. Stockholders, and remit to the IRS, (i) 35% of designated capital gain dividends (or, if greater, 35% of the amount of any distributions that could be designated as capital gain dividends) and (ii) 30% of ordinary dividends paid out of earnings and profits. In addition, if the Company designates prior distributions as capital gain dividends, subsequent distributions, up to the amount of such prior distributions, will be treated as capital gain dividends for purposes of withholding. A distribution in excess of the Company's earnings and profits will be subject to 30% dividend withholding if at the time of the distribution it cannot be determined whether the distribution will be in an amount in excess of the Company's current or accumulated earnings and profits. If the amount of tax withheld by the Company with respect to a distribution to a Non-U.S. Stockholder exceeds the stockholder's United States tax liability with respect to such distribution, the Non-U.S. Stockholder may file for a refund of such excess from the IRS.

Unless the Common Stock constitutes a "United States real property interest" within the meaning of FIRPTA, a sale of Common Stock by a Non-U.S. Stockholder generally will not be subject to United States federal income taxation. The Common Stock will not constitute a United States real property interest if the Company is a "domestically controlled REIT." A domestically controlled REIT is a REIT in which at all times during a specified testing period less than 50% in value of its shares is held directly or indirectly by Non-U.S. Stockholders. It is currently anticipated that the Company will be a domestically controlled REIT and therefore that sales of Common Stock will not be subject to taxation under FIRPTA. However, because the Common Stock will be publicly traded, no assurance can be given that the Company will continue to be a domestically controlled REIT. If the Company were not a domestically controlled REIT, whether a Non-U.S. Stockholder's sale of Common Stock would be subject to tax under FIRPTA as a sale of a United States real property interest would depend on whether the Common Stock were "regularly traded" on an established securities market (such as the NYSE on which the Common Stock will be listed) and on the size of the selling stockholder's interest in the Company. If the gain on the sale of Common Stock were subject to taxation under FIRPTA, the Non-U.S. Stockholder would be subject to the same treatment as a U.S. Stockholder with respect to the gain (subject to any applicable alternative minimum tax and a special alternative minimum tax in the case of non-resident alien individuals). In addition, distributions that are treated as gain from the disposition of Common Stock and are subject to tax under FIRPTA also may be subject to a 30% branch profit tax when made to a foreign corporate stockholder that is not entitled to treaty exemptions. In any event, a purchaser of Common Stock from a Non-U.S. Stockholder will not be required to withhold under FIRPTA on the purchase price if the purchased Common Stock is "regularly traded" on an established securities market (such as the NYSE) or if the Company is a domestically controlled REIT. Otherwise, under FIRPTA the purchaser of Common Stock may be required to withhold 10% of the purchase price and remit this amount to the IRS. Capital gains not subject to FIRPTA will be taxable to a Non-U.S. Stockholder if the Non-U.S. Stockholder is a non-resident alien individual who is

present in the United States for 183 days or more during the taxable year and certain other conditions apply, in which case the non-resident alien individual will be subject to a 30% tax on his or her U.S. source capital gains.

INFORMATION REPORTING REQUIREMENTS AND BACKUP WITHHOLDING TAX

Under certain circumstances, U.S. Stockholders may be subject to backup withholding at a rate of 31% on payments made with respect to, or cash proceeds of a sale or exchange of, Common Stock. Backup withholding will apply only if the holder (i) fails to furnish his or her taxpayer identification number ("TIN") (which, for an individual, would be his or her Social Security Number), (ii) furnishes an incorrect TIN, (iii) is notified by the IRS that he or she has failed properly to report payments of interest and dividends or is otherwise subject to backup withholding or (iv) under certain circumstances, fails to certify, under penalties of perjury, that he or she has furnished a correct TIN and (a) that he or she has not been notified by the IRS that he or she is subject to backup withholding for failure to report interest and dividend payments or (b) that he or she has been notified by the IRS that he or she is no longer subject to backup withholding. Backup withholding will not apply with respect to payments made to certain exempt recipients, such as corporations and tax-exempt organizations.

U.S. Stockholders should consult their own tax advisors regarding their qualifications for exemption from backup withholding and the procedure for obtaining such an exemption. Backup withholding is not an additional tax. Rather, the amount of any backup withholding with respect to a payment to a U.S. Stockholder will be allowed as a credit against the U.S. Stockholder's United States federal income tax liability and may entitle the U.S. Stockholder to a refund, provided that the required information is furnished to the IRS.

Additional issues may arise pertaining to information reporting and backup withholding for Non-U.S. Stockholders. Non-U.S. Stockholders should consult their tax advisors with regard to U.S. information reporting and backup withholding.

OTHER TAX CONSIDERATIONS

EFFECT OF TAX STATUS OF OPERATING PARTNERSHIP ON REIT QUALIFICATION

Substantially all of the Company's investments are through the Operating Partnership. In addition, the Operating Partnership holds interests in certain Properties through subsidiary partnerships. The Company's interest in these partnerships may involve special tax considerations. Such considerations include (i) the allocations of items of income and expense, which could affect the computation of taxable income of the Company, (ii) the status of the Operating Partnership, and other subsidiary partnerships as partnerships (as opposed to associations taxable as corporations) for federal income tax purposes, and (iii) the taking of actions by the Operating Partnership and subsidiary partnerships that could adversely affect the Company's qualifications as a REIT. In the opinion of Goodwin, Procter & Hoar LLP, based on certain representations of the Company and its subsidiaries, each of the Operating Partnership, and the other subsidiary partnerships in which the Operating Partnership has an interest will be treated for Federal income tax purposes as a partnership (and not as an association taxable as a corporation). If any of the Operating Partnership, or other subsidiary partnerships in which the Operating Partnership has an interest were treated as an association taxable as a corporation, the Company would fail to qualify as a REIT for a number of reasons.

TAX ALLOCATIONS WITH RESPECT TO THE PROPERTIES

When property is contributed to a partnership in exchange for an interest in the partnership, the partnership generally takes a carryover basis in that property for tax purposes equal to the adjusted basis of the contributing partner in the property, rather than a basis equal to the fair market value of the property at the time of contribution. Pursuant to section 704(c) of the Code, income, gain, loss and deduction attributable to such contributed property must be allocated in a manner such that the contributing partner is charged with, or benefits from, respectively, the unrealized gain or unrealized loss associated with the property at the time of the contribution. The amount of such unrealized gain or unrealized loss is generally equal to the difference between the fair market value of the contributed property at the time of contribution and the adjusted tax basis of such property at the time of contribution.

(a "Book-Tax Difference"). Such allocations are solely for Federal income tax purposes and do not affect the book capital accounts or other economic or legal arrangements among the partners. The Operating Partnership was formed by way of contributions of appreciated property (including certain of the Properties). Consequently, the Operating Partnership Agreement requires such allocations to be made in a manner consistent with section 704(c) of the Code. Final and temporary Regulations under Section 704(c) of the Code provide partnerships with a choice of several methods of accounting for Book-Tax Differences for property contributed to a partnership on or after December 21, 1993, including the retention of the "traditional method" that was available under prior law or the election of certain alternative methods. Currently, the Company intends to elect the "traditional method with curative allocations" of Section 704(c) allocations. Under the traditional method, which is the least favorable method from the Company's perspective, the carryover basis of contributed interests in the Properties in the hands of the Operating Partnership could cause the Company (i) to be allocated lower amounts of depreciation deductions for tax purposes than would be allocated to the Company if all Properties were to have a tax basis equal to their fair market value at the time of the contribution (the "ceiling rule") and (ii) to be allocated taxable gain in the event of a sale of such contributed interests in the Properties in excess of the economic or book income allocated to the Company as a result of such sale, with a corresponding benefit to the other partners in the Operating Partnership. If the "traditional method with curative allocations" is elected by the Company the Operating Partnership Agreement may specially allocate taxable gain on sale of the Properties to the contributing partners up to the aggregate amount of depreciation deductions with respect to each such Property that the "ceiling rule" prevented the Company from being allocated.

Interests in the Properties purchased for cash by the Operating Partnership simultaneously with or subsequent to the admission of the Company to the Operating Partnership will initially have a tax basis equal to their fair market value. Thus, Section 704(c) of the Code will not apply to such interests.

A portion of the amounts to be used to fund distributions to stockholders is expected to come from the Development and Management Company, through dividends on stock held by the Operating Partnership. The Development and Management Company will not qualify as a REIT and will pay federal, state and local income taxes on its taxable income at normal corporate rates. The federal, state or local income taxes that the company is required to pay will reduce the amount of dividends payable by such company to the Operating Partnership and cash available for distribution by the Company, which in turn could require the Operating Partnership to secure funds from additional sources in order to allow the Company to make required distributions.

As described above, the value of the equity and unsecured debt securities of the Development and Management Company held by the Company cannot exceed 5% of the value of the Company's assets at a time when a Partner exercises his redemption right (or the Company otherwise is considered to acquire additional securities of the Development and Management Company). See "--Requirements for Qualification--Asset Tests." This limitation may restrict the ability of the Development and Management Company to increase the size of its respective business unless the value of the assets of the Company is increasing at a commensurate rate.

STATE AND LOCAL TAX

The Company and its operating subsidiaries may be subject to state and local tax in states and localities in which they do business or own property. The tax treatment of the Company and its operating subsidiaries and the holders of Common Stock in such jurisdictions may differ from the federal income tax treatment described above.

UNDERWRITING

Subject to the terms and conditions in the United States purchase agreement (the "U.S. Purchase Agreement"), among the Company and each of the underwriters named below (the "U.S. Underwriters"), and concurrently with the sale of 6,280,000 shares to the International Managers (as defined below), the Company has agreed to sell to each of the U.S. Underwriters, for whom Merrill Lynch, Pierce, Fenner & Smith Incorporated, Goldman, Sachs & Co., Bear, Stearns & Co. Inc., Morgan Stanley & Co. Incorporated, PaineWebber Incorporated, Prudential Securities Incorporated, and Smith Barney Inc. are acting as representatives (the "U.S. Representatives"), and each of the U.S. Underwriters has severally agreed to purchase from the Company, the respective number of shares of Common Stock set forth opposite their respective names:

UNDERWRITER -----	NUMBER OF SHARES -----
Merrill Lynch, Pierce, Fenner & Smith Incorporated.....	
Goldman, Sachs & Co.	
Bear, Stearns & Co. Inc.	
Morgan Stanley & Co. Incorporated.....	
PaineWebber Incorporated.....	
Prudential Securities Incorporated.....	
Smith Barney Inc.	
Total.....	25,120,000 =====

The Company has also entered into a purchase agreement (the "International Purchase Agreement" and, together with the U.S. Purchase Agreement, the "Purchase Agreements") with certain underwriters outside the United States and Canada (the "International Managers" and, together with the U.S. Underwriters, the "Underwriters") for whom Merrill Lynch International, Goldman Sachs International, Bear, Stearns International Limited, Morgan Stanley & Co. International Limited, PaineWebber International (U.K.) Ltd., Prudential-Bache Securities, and Smith Barney Inc. are acting as lead managers. Subject to the terms and conditions set forth in the International Purchase Agreement and concurrently with the sale of 25,120,000 shares of Common Stock to the U.S. Underwriters pursuant to the U.S. Purchase Agreement, the Company has agreed to sell to the International Managers, and the International Managers have severally agreed to purchase from the Company, an aggregate of 6,280,000 shares of Common Stock. The initial public offering price per share and the total underwriting discount per share are identical under the U.S. Purchase Agreement and the International Purchase Agreement.

In each Purchase Agreement, the several U.S. Underwriters and the several International Managers have agreed, respectively, subject to the terms and conditions set forth in such Purchase Agreement, to purchase all of the shares of Common Stock being sold pursuant to such Purchase Agreement if any of such shares of Common Stock are purchased. Under certain circumstances, the commitments of non-defaulting U.S. Underwriters or International Managers (as the case may be) may be increased. The sale of shares of Common Stock pursuant to the U.S. Purchase Agreement and the International Purchase Agreement are conditioned upon each other.

The U.S. Representatives have advised the Company that the U.S. Underwriters propose to offer the Common Stock to the public at the initial public offering price set forth on the cover page of this Prospectus and to certain dealers at such price less a concession not in excess of \$ per share. The U.S. Underwriters may allow, and such dealers may re-allow, a discount not in excess of \$ per share on sales to certain other brokers and dealers. After the date of this Prospectus, the initial public offering price and concession and discount may be changed.

The Company has been informed that the U.S. Underwriters and the International Managers have entered into an agreement (the "Intersyndicate Agreement") providing for the coordination of their activities. Under the terms of the Intersyndicate Agreement, the U.S. Underwriters and the International Managers are permitted to sell shares of Common Stock to each other for purposes of resale at the initial public offering price, less an amount not greater than the selling concession. Under the terms of the Intersyndicate Agreement, the International Managers and any dealer to whom they sell shares of Common Stock will not offer to sell or sell

shares of Common Stock to persons who are United States persons or Canadian persons or to persons they believe intend to resell to persons who are United States persons or Canadian persons, and the U.S. Underwriters and any dealer to whom they sell shares of Common Stock will not offer to sell or sell shares of Common Stock to persons who are non-United States and non-Canadian persons or to persons they believe intend to resell to non-United States and non-Canadian persons, except in each case for transactions pursuant to such agreement.

The Company has granted to the U.S. Underwriters an option, exercisable for 30 days after the date of this Prospectus, to purchase up to 3,768,000 additional shares of Common Stock to cover overallotments, if any, at the initial public offering price, less the underwriting discount set forth on the cover page of this Prospectus. If the U.S. Underwriters exercise this option, each U.S. Underwriter will have a firm commitment, subject to certain conditions, to purchase approximately the same percentage thereof which the number of shares of Common Stock to be purchased by it shown in the foregoing table bears to such U.S. Underwriters' initial amount reflected in the foregoing table. The Company also has granted an option to the International Managers, exercisable during the 30-day period after the date of this Prospectus, to purchase up to 942,000 additional shares of Common Stock to cover overallotments, if any, on terms similar to those granted to the U.S. Underwriters.

At the request of the Company, the U.S. Underwriters have reserved up to 200,000 shares of Common Stock for sale at the public offering price to certain employees of the Company, the Company's business affiliates and other parties who have expressed an interest in purchasing shares. The number of shares available to the general public will be reduced to the extent these persons purchase the reserved shares. Any reserved shares that are not so purchased by such persons at the completion of the Offerings will be offered by the U.S. Underwriters to the general public on the same terms as the other shares offered by this Prospectus.

In the Purchase Agreements, the Company has agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act. Insofar as indemnification of the Underwriters for liabilities arising under the Securities Act may be permitted pursuant to the foregoing provisions, the Company has been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

The Company, the Operating Partnership and certain persons who owned interests in one or more of the Properties prior to the Offering and who received OP Units in exchange for such interests in the Formation Transactions (the "Non-Affiliated Participants") have agreed, subject to certain exceptions, not to sell, offer or contract to sell, grant any option for the sale of, or otherwise dispose of any shares of Common Stock or OP Units, or any securities convertible into or exchangeable for Common Stock or OP Units, for a period of one year from the date of the Prospectus, without the prior written consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated and Goldman, Sachs & Co. The Company has granted certain registration rights pursuant to which the Non-Affiliated Participants may require the Company to file a registration statement with the SEC with respect to sales of any shares received by the Non-Affiliated Participants in exchange for their OP Units after the expiration of the one-year period.

Messrs. Zuckerman and Linde and the senior officers of the Company who will receive OP Units and/or shares of Common Stock in the Formation Transactions have agreed, subject to certain exceptions, not to sell, offer or contract to sell, grant any option for the sale of, or otherwise dispose of any shares of Common Stock or OP Units for a period of two years from the date of the Prospectus, without the prior written consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated and Goldman, Sachs & Co.

Until the distribution of the Common Stock is completed, rules of the Securities and Exchange Commission may limit the ability of the Underwriters and certain selling group members to bid for and purchase the Common Stock. As an exception to these rules, the U.S. Representatives are permitted to engage in certain transactions that stabilize the price of the Common Stock. Such transactions consist of bids or purchases for the purpose of pegging, fixing or maintaining the price of the Common Stock.

If the Underwriters create a short position in the Common Stock in connection with the offering, i.e., if they sell more shares of Common Stock than are set forth on the cover page of this Prospectus, the U.S. Representatives and the International Managers, respectively, may reduce that short position by purchasing

Common Stock in the open market. The U.S. Representatives and the International Managers, respectively, may also elect to reduce any short position by exercising all or part of the over-allotment option described above.

The U.S. Representatives and the International Managers, respectively, may also impose a penalty bid on certain Underwriters and selling group members. This means that if the U.S. Representatives or the International Managers purchase shares of Common Stock in the open market to reduce the Underwriters' short position or to stabilize the price of the Common Stock, they may reclaim the amount of the selling concession from the Underwriters and selling group members who sold those shares as part of the Offering.

In general, purchases of a security for the purpose of stabilization or to reduce a short position could cause the price of the security to be higher than it might be in the absence of such purchases. The imposition of a penalty bid might also have an effect on the price of a security to the extent that it were to discourage resales of the security.

Neither the Company nor any of the Underwriters makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Common Stock. In addition, none of the Underwriters makes any representation that the U.S. Representatives or the International Managers will engage in such transactions or that such transactions, once commenced, will not be discontinued without notice.

The Underwriters do not intend to confirm sales to any account over which they exercise discretionary authority.

Prior to the Offerings, there has been no public market for the Common Stock of the Company. The initial public offering price has been determined through negotiations between the Company and the U.S. Representatives. Among the factors considered in such negotiations, in addition to prevailing market conditions, are dividend yields and financial characteristics of publicly traded REITs that the Company and the U.S. Representatives believe to be comparable to the Company, the expected results of operations of the Company (which are based on the results of operations of the Boston Properties Predecessor Group and the third-party development and management business in recent periods), estimates of the future business potential and earnings prospects of the Company as a whole and the current state of the real estate market in the Company's primary markets and the economy as a whole.

The Common Stock has been approved for listing on the New York Stock Exchange under the symbol "BXP," subject to official notice of issuance. In order to meet one of the requirements for listing the Common Stock on the New York Stock Exchange, the Underwriters have undertaken to sell lots of 100 or more shares of Common Stock to a minimum of 2,000 beneficial holders.

The Company may, in its sole discretion, pay to Merrill Lynch, Pierce, Fenner & Smith Incorporated and Goldman, Sachs & Co. an advisory fee in the aggregate equal to 0.50% of the gross proceeds received from the sale of Common Stock to public investors in the Offerings for financial advisory services rendered in connection with the Company's formation as a REIT.

EXPERTS

The combined historical financial statements and financial statement schedule of the Boston Properties Predecessor Group included in this Prospectus and the Registration Statement of which this Prospectus is a part, to the extent and for the periods indicated in their reports, have been audited by Coopers & Lybrand L.L.P., independent accountants, and are included herein in reliance upon the authority of such firm as experts in accounting and auditing.

In addition, certain statistical information provided under the captions "Prospectus Summary--The Properties" and "Business and Properties" has been prepared by Spaulding & Slye, and is included herein in reliance upon the authority of such firm as expert in, among other things, office and industrial real estate market conditions.

LEGAL MATTERS

Certain legal matters, including the validity of the shares of Common Stock offered hereby, will be passed upon for the Company by Goodwin, Procter & Hoar LLP. In addition, the description of federal income tax consequences contained in this Prospectus under the heading "Federal Income Tax Consequences" is based upon the opinion of Goodwin, Procter & Hoar LLP. Goodwin, Procter & Hoar LLP served as corporate, real estate and tax counsel in connection with the Formation Transactions and the Offering. Gilbert G. Menna, the sole shareholder of Gilbert G. Menna, P.C., a partner of Goodwin, Procter & Hoar LLP, will serve as an Assistant Secretary of the Company. Bingham, Dana & Gould LLP (which advised the Company in connection with the restructuring of indebtedness on the Company's 599 Lexington Avenue Property) and Shaw, Pittman, Potts & Trowbridge serve as real estate counsel for the Company. Certain partners of Goodwin, Procter & Hoar LLP or their affiliates, together with Mr. Menna, will acquire approximately 20,000 shares of Common Stock in the Offering. In addition, partners and former partners of Shaw, Pittman, Potts & Trowbridge who had an indirect interest in 2300 N Street will acquire an interest in approximately 20,000 OP Units. See "Underwriting."

Certain legal matters will be passed upon for the Underwriters by Skadden, Arps, Slate, Meagher & Flom LLP.

ADDITIONAL INFORMATION

The Company has filed with the Securities and Exchange Commission (the "SEC") a Registration Statement on Form S-11 (of which this Prospectus is a part) under the Securities Act with respect to the securities offered hereby. This Prospectus does not contain all information set forth in the Registration Statement, certain portions of which have been omitted as permitted by the rules and regulations of the SEC. Statements contained in this Prospectus as to the content of any contract or other document are not necessarily complete, and in each instance reference is made to the copy of such contract or other document filed as an exhibit to the Registration Statement, each such statement being qualified in all respects by such reference and the exhibits and schedules hereto. For further information regarding the Company and the Common Stock offered hereby, reference is hereby made to the Registration Statement and such exhibits and schedules, which may be obtained from the SEC as its principal office at 450 Fifth Street, Northwest, Washington, D.C. 20549, upon payment of the fees prescribed by the SEC. The SEC maintains a website at <http://www.sec.gov> containing reports, proxy and information statements and other information regarding registrants, including the Company, that file electronically with the SEC.

Statements contained in this Prospectus as to the contents of any contract or other document that is filed as an exhibit to the Registration Statement are not necessarily complete, and each such statement is qualified in its entirety by reference to the full text of such contract or document.

The Company will be required to file reports and other information with the Commission pursuant to the Securities Exchange Act of 1934. In addition to applicable legal or NYSE requirements, if any, holders of Common Shares will receive annual reports containing audited financial statements with a report thereon by the Company's independent certified public accounts, and quarterly reports containing unaudited financial information for each of the first three quarters of each fiscal year.

GLOSSARY

"100 Stockholder Requirement" means the requirement that beneficial ownership of a corporation must be held by 100 or more persons in order to qualify as a REIT under the Code.

"1940 Act" means the Investment Company Act of 1940, as amended.

"Absorption" means the net increase in square feet of leased space.

"ADA" means the Americans with Disabilities Act, enacted on July 26, 1990.

"ADR" means the average daily rate of a Hotel Property.

"Annual Net Effective Rent" means the annualized Base Rent for the month of December 1996, plus tenant pass-throughs of operating and other expenses (but excluding electricity costs paid by tenants), under each lease executed as of December 31, 1996, presented on a straight-line basis in accordance with GAAP, minus amortization of tenant improvement costs and leasing commissions, if any, paid or payable by the Company during such period, annualized.

"Base Rent" means gross rent excluding payments by tenants on account of real estate tax and operating expense escalation.

"Beneficiary" means the qualified charitable organization selected by the Company to serve as the beneficiary of the trust which shall hold any Excess Shares.

"Book-Tax Difference" means the difference between the fair market value of the contributed property at the time of contribution and the adjusted tax basis of such property at the time of contribution.

"Boston Properties Predecessor Group" means Boston Properties, Inc., the Property Partnerships and the other entities which owned interests in one or more of the Properties or in other assets that will be contributed to the Company in connection with the Formation Transactions.

"Built-In Gain" means the excess of the fair market value of an asset as of the beginning of the applicable Recognition Period over the Company's adjusted basis in such asset as of the beginning of such Recognition Period.

"Built-In Gain Rules" means the built-in gain rules promulgated in guidelines issued by the IRS.

"Bylaws" means the Amended and Restated Bylaws of the Company.

"Certificate" means the Amended and Restated Certificate of Incorporation of the Company.

"Class A office buildings" means buildings that are centrally located, professionally managed and maintained, attract high-quality tenants and command upper-tier rental rates, and are modern structures or have been modernized to successfully compete with newer buildings.

"Code" means the Internal Revenue Code of 1986, as amended, together with its predecessor.

"Commission" or the "SEC" means the Securities and Exchange Commission.

"Common Stock" means shares of the Company's common stock, \$.01 par value per share.

"Company" means Boston Properties, Inc., a Delaware corporation, and its subsidiaries on a consolidated basis, including the Operating Partnership and the Development and Management Company.

"Company Quoted Rental Rate" means the weighted average rental rate per square foot quoted by the Company as of December 31, 1996, based on the total net rentable square feet of Properties in the applicable submarket. This rate is not adjusted to a full-service equivalent rate in markets in which the Company's rates are not quoted on a full-service basis.

"Continuing Investors" means the persons who held a direct or indirect interest in the assets of the Company prior to the Offering.

"Development and Management Company" means Boston Properties Management, Inc., the subsidiary of the Operating Partnership which will succeed to a portion of the third-party commercial real estate property management business of Boston Properties, Inc.

"Designated Property" means any of 599 Lexington Avenue, One and Two Independence Square, and Capital Gallery.

"Development Properties" means the seven Office Properties currently under development or redevelopment by the Company.

"DGCL" means the Delaware General Corporation Law.

"Direct Vacancy Rate" means space immediately available by landlords.

"EBITDA" means earnings before interest, taxes, depreciation and amortization.

"Escalated Rent" means the annualized monthly Base Rent in effect (after giving effect to any contractual increases in monthly Base Rent that have occurred up to December 31, 1996) plus annualized monthly tenant pass-throughs of operating and other expenses (but excluding electricity costs paid by tenants) under each lease executed as of December 31, 1996, or, if such monthly rent has been reduced by a rent concession, the monthly rent that would have been in effect at such date in the absence of such concession.

"Excess Shares" means those shares of Common Stock in excess of the Ownership Limit, the Look-Through Ownership Limit, the Related Party Limit, or the Certificate which are automatically converted into an equal number of shares of Excess Stock.

"Excess Stock" means the separate class of shares of stock of the Company into which shares of stock of the Company owned, or deemed to be owned, or transferred to a stockholder in excess of the Ownership Limit, the Related Party Limit or the Look-Through Ownership Limit, as applicable, will automatically be converted.

"Excluded Property" means the property in which Messrs. Zuckerman and Linde hold ownership interests but which is not being contributed to the Company as part of the Formation Transactions.

"FIRPTA" means the Foreign Investment in Real Property Tax Act of 1980, as amended.

"Five or Fewer Requirement" means the requirement under the Code that not more than 50% in value of the Company's outstanding shares of Stock may be owned, directly or indirectly, by five or fewer individuals (as defined in the Code) during the last half of a taxable year (other than the first year).

"Formation Transactions" means the transactions relating to the formation of the Company and its subsidiaries, including the transfer to the Company of the Properties from the Property Partnerships and other entities which own one or more Properties and the development, project management and property management businesses of Boston Properties, Inc.

"Funds from Operations" means, in accordance with the resolution adopted by the Board of Governors of NAREIT, net income (loss) (computed in accordance with GAAP), excluding significant non-recurring items, gains (or losses) from debt restructuring and sales of property, plus depreciation and amortization on real estate assets, and after adjustments for unconsolidated partnerships and joint ventures.

"GAAP" means generally accepted accounting principles.

"Garage Property" means the 1,170 space parking garage in which the Company has an interest.

"Greater Boston" means the city of Boston and ninety surrounding municipalities in the Commonwealth of Massachusetts, as designated by Spaulding & Slye in its market study cited herein.

"Greater Washington, D.C." means the city of Washington, D.C. and fifty surrounding municipalities, as designated by Spaulding & Slye in its market study cited herein.

"GSA" means the General Services Administration of the United States Government.

"Hotel Properties" means the two full service hotels which the Company will own at the completion of the Offering.

"Industrial Properties" means the nine industrial properties in which the Company has an interest.

"International Purchase Agreement" means the purchase agreement among the Company and the International Managers.

"International Managers" means the underwriters outside the United States and Canada named in this Prospectus for whom Merrill Lynch International, Goldman Sachs International, Bear, Stearns International Limited, Morgan Stanley & Co. International, PaineWebber International (U.K.) Ltd, Prudential-Bache Securities, and Smith Barney Inc. are acting as lead managers.

"Intersyndicate Agreement" means the agreement between the U.S. Underwriters and the International Managers providing for the coordination of their activities.

"IRS" means the Internal Revenue Service.

"LIBOR" means the London Interbank Offered Rate.

"Line of Credit Bank" means the commercial bank which will lead the Unsecured Line of Credit as agent.

"Look-Through Ownership Limit" means the ownership limit applicable to entities which are looked through for purposes of the Five or Fewer Requirement restricting such entities to holding no more than 15.0% of the number of outstanding shares of any class or series of capital stock of the Company.

"Make-Whole Amount" means the amount that may be required to be paid, in connection with a sale of or reduction of indebtedness on a Designated Property, to a person who had an interest in such Designated Property prior to the completion of the Offering and who recognized taxable gain as a result of such sale or reduction of indebtedness.

"Make-Whole Period" means the 15 year period following the completion of the Offering.

"Marriott (R)" means Marriott International, Inc., the manager of the two Hotel Properties.

"MBTA" means the Metropolitan Boston Transit Authority.

"MIT" means the Massachusetts Institute of Technology.

"Mortgage Debt" means the total mortgage debt secured by the Properties following the Offering.

"Named Executive Officers" means the Company's Chief Executive Officer and each of the Company's four other most highly compensated executive officers.

"NAREIT" means the National Association of Real Estate Investment Trusts.

"Non-U.S. Stockholders" means non-United States stockholders for federal income tax purposes.

"NYSE" means the New York Stock Exchange, Inc.

"Offering" means the offering of shares of Common Stock of the Company pursuant to, and as described in, this Prospectus.

"Office Properties" means the 63 office properties, including seven office properties currently under development or redevelopment by the Company, in which the Company has an interest.

"OP Units" means limited and general partnership interests in the Operating Partnership.

"Operating Partnership" means Boston Properties Limited Partnership, a Delaware limited partnership.

"Operating Partnership Agreement" means the amended and restated agreement of limited partnership of the Operating Partnership.

"Ownership Limit" means the restriction contained in the Company's Certificate providing that, subject to certain exceptions, no holder may own, or be deemed to own by virtue of the attribution provision of the Code, more than 6.6% of the number of outstanding shares of any class or series of capital stock of the Company.

"Plan" means the Boston Properties, Inc. 1997 Stock Option and Incentive Plan, adopted by the Board of Directors prior to the date hereof.

"Preferred Stock" means shares of Series A preferred stock of the Company, \$.01 par value per share.

"Prohibited Owner" means a person or entity holding record title to shares of Common Stock in excess of the Ownership Limit, the Look-Through Ownership Limit, the Related Party Limit, or the Certificate.

"Prohibited Transferee" means the transferee of any purported transfer of capital stock of the Company or any other event which would otherwise result in the transferee violating the Ownership Limit, the Look-Through Ownership Limit, the Related Party Limit, or the Certificate.

"Properties" means the 75 commercial real estate properties referred to herein in which the Company has an interest.

"Property Partnership" means a general or limited partnership which, prior to the Formation Transactions, owned or had an interest in one or more Properties.

"Prospectus" means this prospectus, as the same may be amended.

"Purchase Agreements" means the U.S. Purchase Agreement and the International Purchase Agreement.

"R&D Properties" means the 27 properties, including four Development Properties, in which the Company has an interest that support both office, research and development and other technical uses.

"Recognition Period" means the ten-year period beginning on the date on which the Company acquires an asset from a C corporation in a carry-over basis transaction.

"REIT" means real estate investment trust, as defined by Sections 856 through 860 of the Code and applicable Treasury Regulations.

"REIT Requirements" means the requirements for qualifying as a REIT under Sections 856 through 860 of the Code and applicable Treasury Regulations.

"Related Party" means each of Messrs. Zuckerman and Linde, their respective heirs, legatees and devisees, and any other person whose beneficial ownership of shares of Common Stock would be attributed under the Code to Messrs. Zuckerman, Linde, or their respective heirs, legatees or devisees.

"Related Party Limit" means the ownership limit applicable to each of Mr. Zuckerman and associated related parties and Mr. Linde and associated related parties restricting each such class of persons to holding no more than 15.0% of the number of outstanding shares of any class or series of capital stock of the Company.

"Related Party Tenant" means a tenant or subtenant of the Company which is 10% or more constructively or directly owned by an owner of 10% or more of the Company under the Code.

"Rent" means Base Rent.

"Restricted Stock" means the shares of Common Stock acquired by holders in redemption of OP Units which will constitute "restricted" securities as defined by Rule 144.

"REVPAR" means the revenue per available room of a Hotel Property as determined by dividing room revenue by available rooms for the applicable period.

"Rule 144" means Rule 144 promulgated under the Securities Act.

"Securities Act" means the Securities Act of 1933, as amended.

"Stabilized Return on Cost" means, with respect to an acquired property or a development project, the initial annual projected property net operating income for the 12 months following the acquisition of the property or the opening of the project (based upon an assumption of 95% occupancy and estimated rental rates) divided by the total costs invested by the Company for the acquisition or development of such property, including capitalized interest.

"Stock" means Common Stock and Preferred Stock.

"Subsidiary Corporation" means the Development and Management Company.

"Tax Counsel" means Goodwin, Procter & Hoar LLP, tax counsel to the Company.

"TIN" means taxpayer identification number.

"Total Square Footage" means total net rentable square feet of the Office and Industrial Properties, plus total square footage of the Hotel and Garage Properties.

"Treasury Regulations" means regulations of the U.S. Department of Treasury under the Code.

"UBTI" means unrelated business taxable income as defined by Section 512(a) of the Code and applicable Treasury Regulations.

"Underwriters" means the U.S. Underwriters and the International Managers.

"U.S. or United States" means the United States of America (including the District of Columbia), its territories, possessions and other areas subject to its jurisdiction.

"U.S. Purchase Agreement" means the purchase agreement among the Company and the U.S. Underwriters.

"U.S. Representatives" means Merrill Lynch, Pierce, Fenner & Smith Incorporated, Goldman, Sachs & Co., Bear, Stearns & Co. Inc., Morgan Stanley & Co. Incorporated, PaineWebber Incorporated, Prudential Securities Incorporated and Smith Barney Inc. acting as representatives for the U.S. Underwriters.

"U.S. Stockholder" means a United States stockholder under the REIT Requirements.

"U.S. Underwriters" means the underwriters for the United States and Canada named in this Prospectus for whom the U.S. Representatives are acting as representatives.

"White Paper" means the White Paper on Funds from Operations approved by the Board of Governors of NAREIT in March 1995.

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BOSTON PROPERTIES, INC.

PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET

MARCH 31, 1997
(UNAUDITED)

(IN THOUSANDS)

	PRO FORMA ADJUSTMENTS (NOTE 5)				PRO FORMA
	PREDECESSOR	THE OFFERING (A)(I)	OTHER ADJUSTMENTS (B)(I)	ACQUISITION PROPERTY (C)(I)	
ASSETS					
Real estate and equipment.....	\$1,048,210		\$ 10,283	\$21,700	\$1,080,193
Less: accumulated depreciation.....	(272,077)				(272,077)
Total real estate and equipment.....	776,133		10,283	21,700	808,116
Cash and cash equivalents.....	2,980	\$731,942	(727,835)		7,087
Escrows.....	26,149		(15,419)		10,730
Tenant and other receivables.....	12,619				12,619
Accrued rental income...	49,464				49,464
Tenant leasing costs....	19,038				19,038
Deferred financing costs.....	6,037		749		6,786
Prepaid expenses and other assets.....	7,210	(1,004)			6,206
Investment in Joint Venture.....	433				433
Total assets.....	\$ 900,063	\$730,938	\$(732,222)	\$21,700	\$ 920,479
LIABILITIES AND STOCKHOLDERS' EQUITY					
Liabilities:					
Mortgage notes payable and unsecured line of credit.....	\$1,418,488		\$(700,962)	\$21,700	\$ 739,226
Notes payable--affiliate.....	28,157		(28,157)		--
Accounts payable and accrued expenses....	16,469				16,469
Accrued interest payable.....	6,203				6,203
Rent received in advance, security deposits and other liabilities.....	6,440				6,440
Total liabilities...	1,475,757		(729,119)	21,700	768,338
Commitments and contingencies.....	--				--
Minority interest in Operating Partnership..	--		48,838		48,838
Stockholders' and owners' equity	(575,694)	\$730,938	(51,941)		103,303
Total liabilities and equity.....	\$ 900,063	\$730,938	\$(732,222)	\$21,700	\$ 920,479

The accompanying notes are an integral part of the pro forma condensed consolidated balance sheet.

BOSTON PROPERTIES, INC.

PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 1997
(UNAUDITED)

(IN THOUSANDS, EXCEPT PER SHARE DATA)

	PRO FORMA ADJUSTMENTS (NOTE 5)			PRO FORMA
	PREDECESSOR	OTHER ADJUSTMENTS B(II)	ACQUISITION PROPERTY (C)(II)	
Revenue:				
Rental:				
Base rent.....	\$41,911	--	\$775	\$42,686
Rent--hotels and garage.....	--	\$ 3,669		3,669
Recoveries from tenants.....	5,502		48	5,550
Parking and other.....	989	(549)		440
	-----	-----	-----	-----
Total rental revenue.....	48,402	3,120	823	52,345
Hotel.....	12,796	(12,796)		--
Development and management services.....	1,813	(354)		1,459
Interest and other.....	444	(176)	4	272
	-----	-----	-----	-----
Total revenue.....	63,455	(10,206)	827	54,076
Expenses:				
Rental:				
Operating.....	7,107	(182)	226	7,151
Real estate taxes.....	6,898	636	89	7,623
Hotel:				
Operating.....	9,277	(9,277)		--
Real estate taxes.....	724	(724)		--
General and administrative.....	2,667	89		2,756
Interest.....	27,309	(13,821)		13,488
Interest--amortization of financing costs.....	410	(98)		312
Depreciation and amortization..	8,841	173		9,014
	-----	-----	-----	-----
Total expenses.....	63,233	(23,204)	315	40,344
Income before minority interests and extraordinary item.....	222	12,998	512	13,732
Minority interest in combined partnership.....	(126)	--		(126)
	-----	-----	-----	-----
Income before minority interest in Operating Partnership and extraordinary item.....	96	12,998	512	13,606
Minority interest in Operating Partnership.....	--	(4,368)		(4,368)
	-----	-----	-----	-----
Net income before extraordinary item.....	\$ 96	\$ 8,630	\$512	\$ 9,238
	=====	=====	=====	=====
Net income before extraordinary item per share.....				\$.27
				=====
Weighted average number of shares outstanding.....				33,984
				=====

The accompanying notes are an integral part of the pro forma condensed consolidated statement of income.

BOSTON PROPERTIES, INC.

PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 1996
(UNAUDITED)

(IN THOUSANDS, EXCEPT PER SHARE DATA)

	PRO FORMA ADJUSTMENTS (NOTE 6)			PRO FORMA
	PREDECESSOR	OTHER ADJUSTMENTS (A)(I)	ACQUISITION PROPERTY (B)(I)	
Revenue:				
Rental:				
Base rent.....	\$169,420	--	\$2,908	\$172,328
Rent--hotels and garage.....	--	\$ 22,371		22,371
Recoveries from tenants.....	22,607		173	22,780
Parking and other.....	2,979	(2,043)		936
Total rental revenue.....	195,006	20,328	3,081	218,415
Hotel.....	65,678	(65,678)		--
Development and management services.....	5,719	(1,414)		4,305
Interest and other.....	3,530	(705)	7	2,832
Total revenue.....	269,933	(47,469)	3,088	225,552
Expenses:				
Rental:				
Operating.....	29,823	(713)	879	29,989
Real estate taxes.....	28,372	2,754	347	31,473
Hotel:				
Operating.....	43,634	(43,634)		--
Real estate taxes.....	3,100	(3,100)		--
General and administrative.....	10,754	356		11,110
Interest.....	107,121	(52,703)		54,418
Interest--amortization of financing costs.....	2,273	(731)		1,542
Depreciation and amortization..	36,199	691		36,890
Total expenses.....	261,276	(97,080)	1,226	165,422
Income before minority interests and extraordinary item.....	8,657	49,611	1,862	60,130
Minority interest in combined partnership.....	(384)	--		(384)
Income before minority interest in Operating Partnership and extraordinary item.....	8,273	49,611	1,862	59,746
Minority interest in Operating Partnership.....	--	(19,178)		(19,178)
Net income before extraordinary item.....	\$ 8,273	\$ 30,433	\$1,862	\$ 40,568
Net income before extraordinary item per share.....				\$ 1.19
Weighted average number of shares outstanding.....				33,984

The accompanying notes are an integral part of the pro forma condensed consolidated statement of income.

BOSTON PROPERTIES, INC.

NOTES AND MANAGEMENT'S ASSUMPTIONS TO THE
PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

(DOLLARS IN THOUSANDS)

1. ORGANIZATION:

Boston Properties, Inc., a Massachusetts corporation that was founded in 1970, will be reorganized to change its jurisdiction of organization into a Delaware corporation, that was formed on March 24, 1997. Boston Properties, Inc. is also referred to as the "Company". The Company intends to qualify as a real estate investment trust ("REIT") under the Internal Revenue Code of 1986, as amended, commencing with its taxable year ending December 31, 1997. The Company will acquire the sole general partnership interest in Boston Properties, L.P. (the "Operating Partnership"), and will own a 67.9% partnership interest in the Operating Partnership.

The Company will be reorganized to succeed to (i) the real estate development, redevelopment, ownership, acquisition, management, operating and leasing business associated with the Predecessor Company and (ii) various Property Partnerships under common control with the Company (collectively, the "Boston Properties Predecessor Group" or the "Predecessor"). The Company will contribute substantially all of its Greater Washington D.C. third-party property management business to Boston Properties Management Company, Inc. (the "Development and Management Company"), a company in which the Operating Partnership will have a 95% economic interest.

2. FORMATION TRANSACTIONS:

The Offering

The Company has filed a registration statement on Form S-11 with the Securities and Exchange Commission with respect to the public offering (the "Offering") of 31.4 million common shares (exclusive of 4.7 million common shares subject to the underwriters' over-allotment option) at an estimated initial offering price of \$25 per share. The Company will contribute certain management and development operations and the net proceeds from the Offering to the Operating Partnership in exchange for 34.0 million partnership units ("Units"), representing an approximate 67.9% interest, in the Operating Partnership.

The Operating Partnership is the successor to the Boston Properties Predecessor Group. Each property that is included in the financial statements is currently owned by a Property Partnership affiliated with Boston Properties, Inc. which controls the managing general partner and, in most cases, a majority economic interest. Certain Property Partnerships will contribute properties to the Operating Partnership, or will merge into the Operating Partnership, in exchange for Units and the assumption of debt, and the partners of such Property Partnerships will receive such proceeds either directly as merger consideration or as a distribution from the Property Partnership, and certain persons, both affiliated and not affiliated with the Company, will contribute their direct and indirect interests in certain Property Partnerships in exchange for units. The acquisition or contribution of the various Boston Properties Predecessor Group interests will be accounted for at their historical cost. The interests of some of the limited partners of the Operating Partnership will be acquired by the Company with cash. The acquisition of such limited partners' interests will be accounted for using purchase accounting based on the cash paid, resulting in an incremental increase in the basis of the Predecessor Company's real estate.

The Properties

Upon completion of the Offering, the Company will own a portfolio of 75 commercial real estate properties (74 and 72 properties at March 31, 1997 and December 31, 1996, respectively) (the "Properties") aggregating approximately 11.0 million square feet, 89% of which was developed or substantially redeveloped by the Company. The properties consist of 63 office properties with approximately 7.8 million net rentable square feet (including seven office properties under development containing approximately 810,000 net rentable square feet and one property under contract to purchase totaling 170,000 square feet) and approximately 1.3 million additional square feet of structured parking for 4,222 vehicles, nine industrial properties with approximately 925,000 net rentable square feet, two hotels with a total of 833 rooms (consisting of approximately 750,000

BOSTON PROPERTIES, INC.

NOTES AND MANAGEMENT'S ASSUMPTIONS TO THE
PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION--(CONTINUED)

(DOLLARS IN THOUSANDS)

square feet), and a parking garage with 1,170 spaces (consisting of approximately 330,000 square feet). In addition, the Company will own, have under contract or have an option to acquire six parcels of land totaling 47.4 acres, which will support approximately 1,000,000 square feet of development.

Third-Party Business

Substantially all of the Greater Washington D.C. third party property management business will be contributed to the Development and Management Company as described under "Organization." The other management and development operations of the Company will be contributed to the Operating Partnership.

Other

The Operating Partnership will enter into a participating lease with ZL Hotel LLC. Marriott Hotels, Inc. will continue to manage the Hotel Properties under the Marriott name pursuant to management agreements with ZL Hotel LLC. Messrs. Zuckerman and Linde will be the sole member-managers of the lessee and will own a 9.8% economic interest in ZL Hotel LLC. ZL Hotel Corp. will own the remaining economic interests in ZL Hotel LLC. One or more public charities will own all of the capital stock of ZL Hotel Corp.

Unsecured Line of Credit

The Company has obtained a commitment to establish a three-year, \$300 million Unsecured Line of Credit with BankBoston, N.A., as Agent. The Company expects to enter into the Unsecured Line of Credit concurrently with the completion of the Offering. The Unsecured Line of Credit will be a recourse obligation of the Operating Partnership and will be guaranteed by the Company. The Company intends to use the Unsecured Line of Credit principally to fund growth opportunities and for working capital purposes. At the closing of the Offering, the Company expects to draw down approximately \$57.7 million (\$43.0 million for pro forma presentation as of March 31, 1997) under this line of credit.

The Company's ability to borrow under the Unsecured Line of Credit will be subject to the Company's on going compliance with a number of financial and other covenants. The Unsecured Line of Credit will require the Company to maintain a ratio of unsecured indebtedness to unsecured property value of not more than 60%, will provide that the unsecured properties must generate sufficient cash flow to maintain a debt service coverage ratio of at least 1.4 to 1 (based on an assumed interest rate equal to the rate on seven-year U.S. Treasuries plus 2%, with a 25-year amortization), will require a total asset value to total indebtedness ratio of not more than 55% and a ratio of total EBITDA to total debt service of at least 1.75 to 1, and certain other customary covenants and performance requirements. The Unsecured Line of Credit will, except under certain circumstances, limit the Company's ability to make distributions to 90% of annual Funds from Operations.

The Unsecured Line of Credit will, at the Company's election, bear interest at a floating rate based on a spread over LIBOR ranging from 90 basis points to 110 basis points, depending upon the Company's applicable leverage ratio, or the Line of Credit Bank's prime rate, and will require monthly payments of interest only on prime rate loans, with interest on LIBOR loans payable on the last day of an interest period but not less often than quarterly. LIBOR loans may be for periods of between thirty and 180 days.

The commitment for the Unsecured Line of Credit is subject to final approval and satisfactory completion of the Offering, completion by the Unsecured Line of Credit lender of its due diligence and preparation and execution of an acceptable credit agreement.

Repayment of Mortgage Notes Payable and Notes Payable--Affiliate

Approximately \$708,418 (as of March 31, 1997) of the net proceeds of the Offering will be used to repay certain mortgage indebtedness collateralized by the Properties as set forth in the following table and \$28,157 (as of March 31, 1997) for notes due to affiliates of the Company in respect of construction loans advanced by them for certain of the Development Properties.

BOSTON PROPERTIES, INC.

NOTES AND MANAGEMENT'S ASSUMPTIONS TO THE
PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION--(CONTINUED)

(DOLLARS IN THOUSANDS)

Certain information regarding the indebtedness to be repaid is set forth below:

MORTGAGE NOTES PAYABLE TO BE REPAID WITH A PORTION OF THE OFFERING PROCEEDS

PROPERTY	MATURITY DATE	INTEREST RATE	AMOUNT TO BE REPAID (1)
599 Lexington Avenue.....	April 19, 2005	8.000%	\$185,000
Democracy Center.....	July 24, 1998	6.700%	109,900
Long Wharf Marriott.....	June 28, 1997	6.200%	68,600
Cambridge Center Marriott.....	June 30, 1997	6.875%	61,000
The U.S. International Trade Commission Building.....	July 12, 1997	7.350%	50,000
One Cambridge Center.....	June 30, 1997	6.875%	45,000
2300 N Street.....	August 3, 1998	9.170%	34,000
Three Cambridge Center.....	June 30, 1997	6.875%	19,000
Lexington Office Park.....	June 30, 2001	6.500%	15,275
Waltham Office Center.....	October 1, 1997	9.500%	11,389
Eleven Cambridge Center.....	October 1, 1997	9.500%	8,319
7601 Boston Boulevard, Building Eight.....	August 15, 1997	6.750%	8,266
8000 Grainger Court, Building Five.....	August 15, 1997	6.750%	7,567
Fourteen Cambridge Center.....	March 24, 2001	7.250%	6,719
7500 Boston Boulevard, Building Six.....	August 15, 1997	6.759%	6,359
195 West Street.....	June 19, 1999	7.250%	5,778
7600 Boston Boulevard, Building Nine.....	August 16, 1997	6.750%	5,723
7435 Boston Boulevard, Building One.....	October 1, 1997	9.500%	5,564
40-46 Harvard Street.....	June 30, 2001	6.500%	5,345
170 Tracer Lane.....	October 1, 1997	9.500%	5,146
6201 Columbia Park Road, Building Two.....	August 15, 1997	6.750%	4,960
Eight Arlington Street.....	June 30, 2001	6.325%	4,582
32 Hartwell Avenue.....	October 1, 1997	9.500%	4,193
10-20 Burlington Mall Road.....	July 1, 2001	8.330%	3,594
7374 Boston Boulevard, Building Four.....	October 1, 1997	9.500%	3,593
2000 South Club Drive, Building Three.....	August 15, 1997	6.750%	3,497
204 Second Avenue.....	September 30, 2012	9.500%	3,331
25-33 Dartmouth Street.....	October 1, 1997	9.500%	3,273
1950 Stanford Court, Building One..	August 15, 1997	6.750%	2,628
91 Hartwell Avenue.....	July 1, 2001	8.330%	2,448
7451 Boston Boulevard, Building Two.....	October 1, 1997	9.500%	2,199
164 Lexington Road.....	November 30, 2000	7.800%	1,959
92 & 100 Hayden Avenue.....	July 1, 2001	8.330%	1,958
2391 West Winton Avenue.....	March 20, 2006	9.875%	1,327
17 Hartwell Avenue.....	October 1, 1997	9.500%	926

			\$708,418
			=====

(1) The amounts to be repaid are based on the actual debt balances as of the March 31, 1997 Balance Sheet. The actual amounts that will be repaid may differ due to amortization of the principal balance of the debt up to the time of the Offering.

3. BASIS OF PRESENTATION:

The accompanying unaudited pro forma financial information has been prepared based upon certain pro forma adjustments to the historical combined financial statements of the Boston Properties Predecessor Group.

NOTES AND MANAGEMENT'S ASSUMPTIONS TO THE
PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION--(CONTINUED)

(DOLLARS IN THOUSANDS)

The pro forma balance sheet of the Company as of March 31, 1997 has been prepared as if the Formation Transactions, as discussed above, had been consummated on March 31, 1997. The pro forma statements of income for the three months ended March 31, 1997 and for the year ended December 31, 1996 have been prepared as if the Formation Transactions had been consummated at the beginning of the fiscal year presented and carried forward through the year or interim period presented.

The Development and Management Company has been included in the pro forma financial information under the equity method of accounting due to the Operating Partnership's ownership of a noncontrolling, 1% voting interest.

The operations of the hotel properties and the parking garages have been included in the pro forma financial information pursuant to participating lease agreements to be entered into in order for the Company to continue to qualify as a REIT under IRC Section 856.

The unaudited pro forma information is not necessarily indicative of what the actual financial position would have been at March 31, 1997 or what the actual results of operations would have been for the three months ended March 31, 1997, or for the year ended December 31, 1996, had the Formation Transactions been consummated on March 31, 1997, January 1, 1997 or January 1, 1996 and carried forward through the period presented, nor do they purport to present the future financial position or results of operations of the Company. The pro forma financial information should be read in conjunction with the historical combined financial statements and notes thereto of the Predecessor.

4. ASSUMPTIONS:

Certain assumptions regarding the operations of the Company have been made in connection with the preparation of the pro forma financial information. These assumptions are as follows:

(a) The pro forma financial information assumes that the Company has elected to be, and qualified as, a REIT for federal income tax purposes and has distributed all of its taxable income for the applicable periods, and, therefore, incurred no federal income tax liabilities.

(b) Rental income has been recognized on a straight-line method of accounting in accordance with generally accepted accounting principles.

(c) The over-allotment option granted to the underwriters is not exercised.

(d) General and administrative expenses historically incurred by the Properties and the Boston Properties Predecessor Group have been adjusted to reflect the self-administered structure of the Company and the additional expenses of being a public company.

(e) Pro forma net income per share has been calculated using 34.0 million common shares as the weighted average number of shares outstanding during the pro forma period reflecting the issuance of 31.4 million common shares to the public in the Offering and 2.6 million common shares held by Messrs. Zuckerman and Linde.

5. PRO FORMA ADJUSTMENTS FOR MARCH 31, 1997:

A. THE OFFERING:

(i) Balance Sheet

Reflects the initial capitalization of the Company including the issuance of 31.4 million Common shares in connection with the Offering at an assumed initial public offering price of \$25 per share. The estimated costs of the Offering, totaling \$54,063 have been reflected as an offset to Additional paid-in capital. The resulting net proceeds of the Offering total \$730,938. An additional 2.6 million Common shares will be held by Messrs. Zuckerman and Linde.

BOSTON PROPERTIES, INC.

NOTES AND MANAGEMENT'S ASSUMPTIONS TO THE
PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION--(CONTINUED)

(DOLLARS IN THOUSANDS)

B. OTHER ADJUSTMENTS:

(i) Balance Sheet

The following Pro Forma Adjustment Summary table summarizes the pro forma adjustments made to the March 31, 1997 Boston Properties Predecessor Group Balance Sheet. The column totals reflect the net adjustments presented in the Balance Sheet on F-2. The summary below should be read in conjunction with the following notes.

PRO FORMA ADJUSTMENT SUMMARY
(UNAUDITED)
(DOLLARS IN THOUSANDS)
BALANCE SHEET

MARCH 31, 1997

PRO FORMA ADJUSTMENT	REAL ESTATE	CASH AND CASH EQUIVALENTS	ESCROWS	DEFERRED FINANCING COSTS, NET	MORTGAGE NOTES PAYABLE AND UNSECURED LINE OF CREDIT	NOTES PAYABLE- AFFILIATE	MINORITY INTEREST	SHARE- HOLDERS' EQUITY
5B(i)(1) Purchase of limited partners' interests.....	\$ 414	\$ (550)						\$ 136
5B(i)(2) Transfer costs paid.....	9,869	(9,869)						
5B(i)(3) Deferred financing costs and mortgage loan prepayment penalties, net.....		(8,998)		\$749				8,249
5B(i)(4) Mortgage loan repayment, net.....		(708,418)			\$(680,261)	\$(28,157)		
5B(i)(5) Extinguishment of 599 Lexington debt.....					(20,701)			(20,701)
5B(i)(6) Release of escrows.....			\$(15,419)					15,419
5B(i)(7) Predecessor ownership.....							\$ 48,838	48,838
Pro Forma other adjustments total....	\$10,283	\$(727,835)	\$(15,419)	\$749	\$(700,962)	\$(28,157)	\$ 48,838	\$ 51,941

(1) Reflects the incremental increase in basis of the Predecessor's real estate resulting from the purchase of certain limited partners' interests in the Operating Partnership.

(2) Represents the transfer costs paid and the corresponding increase in basis of the property totaling \$9,869 in connection with the contribution of the property by the Boston Properties Predecessor Group concurrent with the Offering.

BOSTON PROPERTIES, INC.

NOTES AND MANAGEMENT'S ASSUMPTIONS TO THE
 PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION--(CONTINUED)

(DOLLARS IN THOUSANDS)

- (3) Represents the write-off to Stockholders' Equity of previously capitalized deferred financing costs on mortgage loans to be repaid concurrent with the Offering, offset by the capitalization of the financing fee and related professional costs to be incurred on the Unsecured Line of Credit and prepayment penalties of \$7,198 on early retirement of mortgage loans charged directly to pro forma Stockholders' equity.
- (4) Reflects the expected paydown of (i) outstanding mortgage loans of the properties and (ii) the notes payable due to affiliates in the amounts of \$708,418 and \$28,157, respectively, (as of March 31, 1997) with proceeds from the Offering, net of anticipated borrowings from the Unsecured Line of Credit totaling \$28,157 as follows:

Repayment of mortgage notes payable.....	\$(708,418)
Drawdown of Unsecured Line of Credit.....	28,157

Net mortgage loan repayments.....	\$(680,261)
	=====

- (5) Represents the increase to pro forma Stockholders' Equity for the excess mortgage note payable balance over principal repayment required for the 599 Lexington Avenue loan necessitated by this increasing rate loan being accounted for on the effective interest method. (See Footnote #3 in the Boston Properties Predecessor Group Historical Combined Financial Statements)
- (6) Reflects the release of cash previously required to be held in escrow per the terms of the various mortgage notes payable agreements. The cash will be distributed to the Predecessor owner concurrent with the repayment of the related mortgage notes payable.
- (7) Represents the equity attributable to Units owned by the Boston Properties Predecessor Group. The Company is the sole general partner of the Operating Partnership and will own approximately 67.9% of the Operating Partnership. Persons with an interest in the Property Partnerships prior to the Formation Transactions will own in the aggregate 16,066,459 Units, which will represent an approximate 32.1% minority interest in the Operating Partnership. The minority interest is reported as the equity of the Operating Partnership multiplied by such persons' ownership percentage in the Operating Partnership.

(ii) Statement of Income

The following Pro Forma Adjustment Summary table summarizes the other pro forma adjustments made to the Boston Properties Predecessor Group's Statement of Operations for the three months ended March 31, 1997. The column totals reflect the net adjustments presented on the Statement of Income on F-3. The summary below should be read in conjunction with the following notes.

BOSTON PROPERTIES, INC.

NOTES AND MANAGEMENT'S ASSUMPTIONS TO THE
PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION--(CONTINUED)

(DOLLARS IN THOUSANDS)

PRO FORMA ADJUSTMENT SUMMARY
(UNAUDITED)
(DOLLARS IN THOUSANDS)
STATEMENT OF INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 1997

PRO FORMA ADJUSTMENTS	RENT HOTELS AND GARAGE	PARKING INCOME	HOTEL REVENUE	MGMT FEES	INTEREST AND OTHER	PROPERTY OPERATING EXPENSES	PROPERTY REAL ESTATE TAXES	HOTEL OPERATING EXPENSES	HOTEL REAL ESTATE TAXES	GENERAL OFFICE & ADMIN
5B(ii)(1) Assignment of contracts..										
5B(ii)(2) Equity investment income..				\$(354)						\$(336)
5B(ii)(3) Operation of hotels and garage..										
5B(ii)(4) Rental of hotels and garage..		\$(549)	\$(12,796)			\$(182)	\$636	\$(9,277)	\$(724)	
5B(ii)(5) General and administrative..	\$3,669									
5B(ii)(6) Mortgage interest..										425
5B(ii)(7) Amortization of deferred financing costs..										
5B(ii)(8) Release of restricted cash..					(193)					
5B(ii)(9) Depreciation expense..										
5B(ii)(10) Predecessor ownership..										
Pro Forma other adjustments total.....	\$3,669	\$(549)	\$(12,796)	\$(354)	\$(176)	\$(182)	\$636	\$(9,277)	\$(724)	\$ 89

PRO FORMA ADJUSTMENTS	INTEREST EXPENSE	INTEREST EXPENSE AMORT	DEPREC- IATION EXPENSE	MINORITY INTEREST
--------------------------	---------------------	------------------------------	------------------------------	----------------------

5B(ii)(1) Assignment

of contracts..

5B(ii)(2) Equity investment income..

5B(ii)(3) Operation of hotels and garage..

5B(ii)(4) Rental of hotels and garage..

5B(ii)(5) General and administrative..

5B(ii)(6) Mortgage interest.. \$(13,821)

5B(ii)(7) Amortization of deferred financing costs.. \$(98)

5B(ii)(8) Release

of restricted cash...				
5B(ii)(9) Depreciation expense..			\$173	
5B(ii)(10) Predecessor ownership..				\$(4,368)
	-----	-----	-----	-----
Pro Forma other adjustments total.....	\$ (13,821)	\$ (98)	\$ 173	\$ (4,368)
	=====	=====	=====	=====

BOSTON PROPERTIES, INC.

NOTES AND MANAGEMENT'S ASSUMPTIONS TO THE
PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION--(CONTINUED)

(DOLLARS IN THOUSANDS)

- (1) In connection with the Formation Transactions, certain third-party management contracts will be assigned to the Development and Management Company. As a result of the assignment, current operating income, expenses and overhead attributable to the contracts will be reflected in the operations of the Development and Management Company as detailed below:

Management services.....	\$354
General and administrative expenses.....	(336)

Manager contract income.....	\$ 18
	=====

- (2) The Operating Partnership will hold a 95% economic interest in the Development and Management Company and record an equity interest of \$17 on the \$18 net income.
- (3) In connection with the Formation Transactions, the Operating Partnership will enter into participating leases for the operation of the hotels and parking garage. As a result of these agreements, revenue and expenses will not be reflected from the operation of these businesses.
- (4) Represents rental income from the leasing of the hotels and parking garage owned by the Operating Partnership. The hotel lease arrangements are with an affiliate.
- (5) Reflects an increase of \$425 in general and administrative expenses as a result of being a public company.
- (6) Reflects the net decrease in interest expense as a result of the repayment of a portion of the existing mortgage indebtedness in connection with the Offering. The following outlines the mortgage notes payable to be outstanding subsequent to the Offering and the corresponding interest expense incurred for the three months ended March 31, 1997:

PROPERTY(IES)	PRINCIPAL AMOUNT	INTEREST RATE	INTEREST
	-----	-----	-----
599 Lexington Avenue.....	\$ 225,000	7.00%	\$ 3,938(a)
Two Independence Square.....	122,505	7.90%	2,436
One Independence Square.....	78,327	7.90%	1,564
2300 N Street.....	66,000	7.00%	1,155(a)
Capital Gallery.....	60,559	8.24%	1,236
Unsecured Line of Credit.....	42,983	6.50%	240(b)
Ten Cambridge Center.....	25,000	7.57%	478
191 Spring Street.....	23,883	8.50%	492
Bedford Business Park.....	23,376	8.50%	501
10 & 20 Burlington Mall Road.....	16,621	8.33%	346
Cambridge Center North Garage.....	15,000	7.57%	284
91 Hartwell Avenue.....	11,322	8.33%	236
92 & 100 Hayden Avenue.....	9,057	8.33%	189
Montvale Center.....	7,969	8.59%	171
Newport Office Park.....	6,874	8.13%	140
Hilltop Business Center.....	4,750	7.00%	82
	-----		-----
Pro forma totals.....	\$ 739,226		13,488
	=====		-----
Historical interest expense for the three months ended March 31, 1997.....			27,309

Pro forma interest expense adjustment....			\$13,821
			=====

- (a) The interest expense used in this calculation assumes the mortgage loan was outstanding during all of the three months ended March 31, 1997.
- (b) Interest on \$28,157 of the outstanding balance on the Unsecured Line of Credit to be used for development purposes is assumed to be capitalized for purposes of the pro forma presentation.
- (7) Reflects the net increase of \$150 in the amortization of Deferred financing costs for the \$1,800 fee and related professional costs on the Unsecured Line of Credit, less a net reduction of \$248 in amortization of Deferred financing costs related to debt paid off with the Offering proceeds.
- (8) Reflects the decrease in interest income as a result of the release of cash previously required to be held in escrow per the terms of the various mortgage note payable agreements.
- (9) Reflects the increase in depreciation from depreciating over 40 years the pro forma increase to real estate from the purchase of limited partners' interests, transfer costs paid, and the Newport Office Park property

acquisition.

- (10) Represents net income attributable to the minority interest in the Operating Partnership to be held by persons who had an interest in the Property Partnerships prior to the Formation Transactions. Such persons will own in the aggregate approximately 32.1% of the Operating Partnership. The Company, is the sole general partner and will own approximately 67.9% of the Operating Partnership.

BOSTON PROPERTIES, INC.

NOTES AND MANAGEMENT'S ASSUMPTIONS TO THE
PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION--(CONTINUED)

(DOLLARS IN THOUSANDS)

C. ACQUISITION PROPERTY:

(i) Balance Sheet

The balance sheet reflects the acquisition of the Newport Office Park property. The purchase price of Newport Office Park is \$21.7 million. The acquisition will be consummated pursuant to the assumption of the existing debt of \$6,874 and with drawdown under the Unsecured Line of Credit of \$14,826. Such amounts are reflected on the March 31, 1997 pro forma balance sheet.

(ii) Statement of Income

The Statement of Income reflects the historical operations of the Newport Office Park property for the three month period ended March 31, 1997. Depreciation and interest expense related to the acquisition are reflected in "other adjustments" (see footnote 5Bii).

6. PRO FORMA ADJUSTMENTS FOR DECEMBER 31, 1996:

A. OTHER ADJUSTMENTS:

(i) Statement of income

The following Pro Forma Adjustment Summary table summarizes the other pro forma adjustments made to the Boston Properties Predecessor Group's Statement of Operations for the year ended December 31, 1996. The column totals reflect the net adjustments presented on the Statement of Income on F-4. The summary should be read in conjunction with the following notes.

BOSTON PROPERTIES, INC.

NOTES AND MANAGEMENT'S ASSUMPTIONS TO THE
PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION--(CONTINUED)

(DOLLARS IN THOUSANDS)

PRO FORMA ADJUSTMENT SUMMARY
(UNAUDITED)
(DOLLARS IN THOUSANDS)
STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 1996

PRO FORMA ADJUSTMENTS	RENT HOTELS AND GARAGE	PARKING INCOME	HOTEL REVENUE	MGMT FEES	INTEREST AND OTHER	PROPERTY OPERATING EXPENSES	PROPERTY REAL ESTATE TAXES	HOTEL OPERATING EXPENSES	HOTEL REAL ESTATE TAXES	GENERAL OFFICE & ADMIN
6A(i)(1) Assignment										
of contracts										
6A(i)(2) Equity investment income...				\$(1,414)						\$(1,344)
6A(i)(3) Operation of hotels and garage...					\$66					
6A(i)(4) Rental of hotels and garage...		\$(2,043)	\$(65,678)			\$(713)	\$2,754	\$(43,634)	\$(3,100)	
6A(i)(5) General and administrative..	\$22,371									
6A(i)(6) Mortgage interest..										1,700
6A(i)(7) Amortization of deferred financing costs....										
6A(i)(8) Release of restricted cash.....					(771)					
6A(i)(9) Depreciation expense..										
6A(i)(10) Predecessor ownership..										
Pro Forma other adjustments total.....	\$22,371	\$(2,043)	\$(65,678)	\$(1,414)	\$(705)	\$(713)	\$2,754	\$(43,634)	\$(3,100)	\$ 356

PRO FORMA ADJUSTMENTS	INTEREST EXPENSE	INTEREST EXPENSE AMORT	DEPREC- IATION EXPENSE	MINORITY INTEREST
6A(i)(1) Assignment				
of contracts				
6A(i)(2) Equity investment income...				
6A(i)(3) Operation of hotels and garage...				
6A(i)(4) Rental of hotels and garage...				
6A(i)(5) General and administrative..				
6A(i)(6) Mortgage interest..	\$(52,703)			
6A(i)(7) Amortization of deferred financing costs....				
6A(i)(8) Release of restricted cash.....		\$(731)		
6A(i)(9) Depreciation expense..			\$691	
6A(i)(10) Predecessor				

ownership..				\$(19,178)
Pro Forma other adjustments total.....	\$(52,703)	\$(731)	\$691	\$(19,178)
	=====	=====	=====	=====

BOSTON PROPERTIES, INC.

NOTES AND MANAGEMENT'S ASSUMPTIONS TO THE
PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION--(CONTINUED)

(DOLLARS IN THOUSANDS)

-
- (1) In connection with the Formation Transactions, certain third-party management contracts will be assigned to the Development and Management Company. As a result of the assignment, current operating income, expenses and overhead attributable to the contracts will be reflected in the operations of the Development and Management Company as detailed below:

Management services.....	\$1,414
General and administrative expenses.....	(1,344)

Manager contract income.....	\$ 70
	=====

- (2) The Operating Partnership will hold a 95% economic interest in the Development and Management Company and record an equity interest of \$66 on the \$70 net income.
- (3) In connection with the Formation Transactions, the Operating Partnership will enter into participating leases for the operation of the hotels and parking garage. As a result of these agreements, revenue and expenses will not be reflected from the operation of these businesses.
- (4) Represents rental income from the leasing of the hotels and parking garage owned by the Operating Partnership. The hotel lease arrangements are with an affiliate.
- (5) Reflects an increase of \$1,700 in general and administrative expenses as a result of being a public company.
- (6) Reflects the net decrease in interest expense as a result of the repayment of a portion of the existing mortgage indebtedness in connection with the Offering. The following outlines the mortgage notes payable to be outstanding subsequent to the Offering and the corresponding interest expense incurred in 1996:

PROPERTY(IES)	PRINCIPAL INTEREST		
	AMOUNT	RATE	INTEREST
	-----	-----	-----
599 Lexington Avenue.....	\$225,000	7.00%	\$15,750(a)
Two Independence Square.....	122,855	7.90%	9,813
One Independence Square.....	78,700	7.90%	6,276
2300 N Street.....	66,000	7.00%	4,620(a)
Capital Gallery.....	60,751	8.24%	5,761
Unsecured Line of Credit.....	42,983	6.50%	964(b)
Ten Cambridge Center.....	25,000	7.57%	1,924
191 Spring Street.....	23,942	8.50%	1,697
Bedford Business Park.....	23,500	8.50%	1,998(a)
10 & 20 Burlington Mall Road.....	16,621	8.33%	1,385
Cambridge Center North Garage.....	15,000	7.57%	1,183
91 Hartwell Avenue.....	11,322	8.33%	943
92 & 100 Hayden Avenue.....	9,057	8.33%	754
Montvale Center.....	7,992	8.59%	474
Newport Office Park.....	6,874	8.13%	558
Hilltop Business Center.....	4,817	7.00%	318
	-----		-----
Pro forma totals.....	\$740,414		54,418
	=====		-----
Historical interest expense for the year ended December 31, 1996.....			107,121

Pro forma interest expense adjustment....			\$52,703
			=====

-
- (a) The interest expense used in this calculation assumes the mortgage loan was outstanding during all of 1996.
- (b) Interest on \$28,157 of the outstanding balance on the Unsecured Line of Credit to be used for development purposes is assumed to be capitalized for purposes of the pro forma presentation.
- (7) Reflects the net increase of \$600 in the amortization of Deferred financing costs for the \$1,800 fee and related professional costs on the Unsecured Line of Credit, less a net reduction of \$1,331 in amortization of Deferred financing costs related to debt paid off with the Offering proceeds.
- (8) Reflects the decrease in interest income as a result of the release of cash previously required to be held in escrow per the terms of the various mortgage note payable agreements.
- (9) Reflects the increase in depreciation from depreciating over 40 years the pro forma increase to real estate from the purchase of limited partners' interests, transfer costs paid, and the Newport Office Park property acquisition.
- (10) Represents net income attributable to the minority interest in the Operating Partnership to be held by persons who had an interest in the Property Partnerships prior to the Formation Transactions. Such persons

will own in the aggregate approximately 32.1% of the Operating Partnership. The Company, is the sole general partner and will own approximately 67.9% of the Operating Partnership.

B. ACQUISITION PROPERTY:

(i) Statement of income

The statement of income reflects the historical operations of the Newport Office Park property for the year ended December 31, 1996. Depreciation and interest expense related to the acquisition are reflected in "other adjustments" (see footnote 6A(i)).

BOSTON PROPERTIES, INC.

NOTES AND MANAGEMENT'S ASSUMPTIONS TO THE
PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION--(CONTINUED)

(DOLLARS IN THOUSANDS)

7. 1997 STOCK OPTION AND INCENTIVE PLAN

Prior to the completion of the Offering, the Company will adopt the Boston Properties, Inc. 1997 Stock Option and Incentive Plan (the "1997 Incentive Plan") to provide incentives to attract and retain executive officers, directors, employees and other key personnel. The 1997 Incentive Plan will be administered by the Compensation Committee. The maximum number of shares available for issuance under the 1997 Incentive Plan will be 9.5% of the total number of shares of Common Stock and OP Units (other than OP Units owned by the Company) outstanding from time to time (initially 4,754,750 shares).

REPORT OF INDEPENDENT ACCOUNTANTS

To the Partners and Owners of
the Boston Properties Predecessor Group

We have audited the accompanying combined balance sheets of the Boston Properties Predecessor Group as of December 31, 1996 and 1995, and the related combined statements of operations, owners' equity (deficit), and cash flows for each of the three years in the period ended December 31, 1996 and the financial statement schedule included on the index at F-1 of this Prospectus. These combined financial statements and financial statement schedule are the responsibility of the management of the Boston Properties Predecessor Group. Our responsibility is to express an opinion on these combined financial statements and financial statement schedule based on our audits.

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

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Boston Properties Predecessor Group as of December 31, 1996 and 1995, and the combined results of their operations and their cash flows for each of the three years in the period ended December 31, 1996, in conformity with generally accepted accounting principles. In addition, in our opinion, the financial statement schedule referred to above, when considered in relation to the basic combined financial statements taken as a whole, presents fairly, in all material respects, the information required to be set forth therein.

/S/ Coopers & Lybrand L.L.P.

Boston, Massachusetts
May 1, 1997

BOSTON PROPERTIES PREDECESSOR GROUP

COMBINED BALANCE SHEETS

(DOLLARS IN THOUSANDS)

	MARCH 31,	DECEMBER 31,	
	1997	1996	1995
	(UNAUDITED)		
ASSETS			
Real estate and equipment:			
Land and land improvements.....	\$ 169,424	\$ 169,424	\$ 169,721
Buildings and improvements.....	702,800	702,720	698,053
Tenant improvements.....	112,160	107,808	101,701
Furniture, fixtures and equipment.....	34,514	34,034	32,831
Development and construction in process..	29,312	21,585	10,018
	1,048,210	1,035,571	1,012,324
Less: accumulated depreciation.....	(272,077)	(263,911)	(238,514)
Total real estate and equipment.....	776,133	771,660	773,810
Cash and cash equivalents.....	2,980	8,998	25,867
Escrows.....	26,149	25,474	27,716
Tenant and other receivables.....	12,619	12,049	14,362
Accrued rental income.....	49,464	49,206	49,681
Tenant leasing costs net of accumulated amortization of \$30,559, \$29,859 and \$26,047 at March 31, 1997, and December 31, 1996 and 1995, respectively..	19,038	18,308	18,043
Deferred financing costs, net of accumulated amortization of \$23,178, \$22,768 and \$20,772 at March 31, 1997, and December 31, 1996 and 1995, respectively..	6,037	6,414	4,786
Prepaid expenses and other assets.....	7,210	4,402	8,521
Investment in Joint Venture.....	433	--	--
Total assets.....	\$ 900,063	\$ 896,511	\$ 922,786
	=====	=====	=====
LIABILITIES AND OWNERS' EQUITY (DEFICIT)			
Liabilities:			
Mortgage notes payable.....	\$1,418,488	\$1,420,359	\$1,396,141
Notes payable--affiliate.....	28,157	22,117	5,267
Accounts payable and accrued expenses....	16,469	13,795	14,367
Accrued interest payable.....	6,203	9,667	9,088
Rents received in advance, security deposits and other liabilities.....	6,440	7,205	4,576
Total liabilities.....	1,475,757	1,473,143	1,429,439
Commitments and contingencies.....	--	--	--
Owners' equity (deficit).....	(575,694)	(576,632)	(506,653)
Total liabilities and owners' equity (deficit).....	\$ 900,063	\$ 896,511	\$ 922,786
	=====	=====	=====

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

BOSTON PROPERTIES PREDECESSOR GROUP

COMBINED STATEMENTS OF OPERATIONS

(DOLLARS IN THOUSANDS)

	THREE MONTHS ENDED MARCH 31,		YEARS ENDED DECEMBER 31,		
	1997	1996	1996	1995	1994
	(UNAUDITED)	(UNAUDITED)			
Revenue:					
Rental:					
Base rent.....	\$ 41,911	\$ 46,446	\$169,420	\$155,614	\$153,101
Recoveries from tenants.....	5,502	5,658	22,607	21,124	21,710
Parking and other....	989	802	2,979	2,527	1,914
Total rental revenue.....	48,402	52,906	195,006	179,265	176,725
Hotel.....	12,796	11,483	65,678	61,320	58,436
Development and management services..	1,813	1,570	5,719	4,444	6,090
Interest and other....	444	740	3,530	3,696	2,832
Total revenue.....	63,455	66,699	269,933	248,725	244,083
Expenses:					
Rental:					
Operating.....	7,107	7,148	29,823	27,142	25,061
Real estate taxes...	6,898	7,158	28,372	28,279	28,178
Hotel:					
Operating.....	9,277	8,162	43,634	41,501	40,276
Real estate taxes...	724	673	3,100	2,517	2,477
General and administrative.....	2,667	2,633	10,754	10,372	10,123
Interest.....	27,309	26,861	107,121	106,952	95,331
Interest--amortization of financing costs...	410	499	2,273	1,841	1,942
Depreciation and amortization.....	8,841	8,720	36,199	33,828	33,112
Total expenses.....	63,233	61,854	261,276	252,432	236,500
Income (loss) before extraordinary item and minority interest.....	222	4,845	8,657	(3,707)	7,583
Minority interest in combined partnership...	(126)	(57)	(384)	(276)	(412)
Income (loss) before extraordinary item....	96	4,788	8,273	(3,983)	7,171
Extraordinary item-loss on early extinguishment of debt.....	--	--	(994)	--	--
Net income (loss).....	\$ 96	\$ 4,788	\$ 7,279	\$ (3,983)	\$ 7,171

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

BOSTON PROPERTIES PREDECESSOR GROUP

COMBINED STATEMENTS OF OWNERS' EQUITY (DEFICIT)

FOR THE THREE MONTHS ENDED MARCH 31, 1997 (UNAUDITED) AND FOR THE YEARS ENDED
 DECEMBER 31, 1996, 1995 AND 1994
 (DOLLARS IN THOUSANDS)

Balance at January 1, 1994.....	\$(495,104)
Contributions.....	24,323
Net income.....	7,171
Distributions.....	(38,620)

Balance at December 31, 1994.....	(502,230)
Contributions.....	44,661
Net loss.....	(3,983)
Distributions.....	(45,101)

Balance at December 31, 1995.....	(506,653)
Contributions.....	33,279
Net income.....	7,279
Distributions and conversion of equity to note payable- affiliate.....	(110,537)

Balance at December 31, 1996.....	(576,632)

Contributions (unaudited).....	10,239
Net income (unaudited).....	96
Distributions (unaudited).....	(9,397)

Balance at March 31, 1997 (unaudited).....	\$(575,694)
	=====

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

BOSTON PROPERTIES PREDECESSOR GROUP

COMBINED STATEMENTS OF CASH FLOWS

(DOLLARS IN THOUSANDS)

	THREE MONTHS ENDED MARCH 31,		YEARS ENDED DECEMBER 31,		
	1997	1996	1996	1995	1994
	(UNAUDITED)	(UNAUDITED)			
Cash flows from operating activities:					
Net income (loss).....	\$ 96	\$ 4,788	\$ 7,279	\$ (3,983)	\$ 7,171
Adjustments to reconcile net income (loss) to net cash provided by operating activities:					
Depreciation and amortization.....	8,841	8,720	36,199	33,828	33,112
Amortization of financing costs.....	410	499	2,273	1,841	1,942
Accrued rental income.....	(258)	1,217	475	(360)	1,252
Effective interest adjustment.....	207	161	644	1,347	3,131
Change in operating assets/liabilities:					
Tenant receivables...	(570)	959	2,313	(1,049)	270
Escrows.....	(675)	(1,638)	(1,033)	692	21
Prepaid expenses and other assets.....	(2,808)	2,056	2,777	(360)	1,550
Accounts payable and accrued expenses....	809	(931)	(1,673)	(2,219)	267
Accrued interest payable.....	(3,464)	(3,043)	579	1,667	(62)
Rent received in advance, security deposits and other liabilities.....	(765)	963	3,971	(471)	(1,088)
Cash flows provided by operating activities.....	1,823	13,751	53,804	30,933	47,566
Cash flows from investing activities:					
Acquisition of or additions to real estate and equipment..	(12,613)	(3,037)	(30,238)	(33,960)	(11,878)
Tenant leasing costs...	(1,430)	(375)	(4,077)	(3,191)	(1,554)
Escrows.....	--	--	9,525	307	(4,992)
Change in accounts payable.....	1,865	--	1,101	--	--
Investment in Joint Venture.....	(433)	--	--	--	--
Cash flows used in investing activities.....	(12,611)	(3,412)	(23,689)	(36,844)	(18,424)
Cash flows from financing activities:					
Owners' contributions..	10,239	8,331	33,279	44,661	24,323
Owners' distributions..	(9,397)	(11,343)	(105,619)	(45,101)	(38,620)
Proceeds from mortgage notes payable.....	--	--	117,269	1,200	--
Proceeds (payments) from notes payable--affiliate.....	6,040	60	11,933	171	(236)
Repayment of mortgage notes payable.....	(2,079)	(3,536)	(93,695)	(14,641)	(16,445)
Escrows.....	--	--	(6,250)	--	--
Deferred financing costs.....	(33)	(102)	(3,901)	(801)	(2,572)
Cash flows provided by (used in) financing activities.....	4,770	(6,590)	(46,984)	(14,511)	(33,550)
Net increase (decrease) in cash and cash equivalents.....	(6,018)	3,749	(16,869)	(20,422)	(4,408)
Cash and cash equivalents, beginning of period.....	8,998	25,866	25,867	46,289	50,697
Cash and cash equivalents, end of period.....	\$ 2,980	\$ 29,615	\$ 8,998	\$ 25,867	\$ 46,289
Supplemental cash flow	=====	=====	=====	=====	=====

information:

Cash paid for interest.....	\$ 23,845	\$ 23,819	\$107,700	\$108,618	\$ 95,269
	=====	=====	=====	=====	=====
Interest capitalized...	\$ 482	\$ 54	\$ 366	\$ 1,543	\$ --
	=====	=====	=====	=====	=====
Supplemental disclosure of noncash transaction:					
Conversion of owners' equity to notes payable-affiliate.....	\$ --	\$ --	\$ 4,918	\$ --	\$ --
	=====	=====	=====	=====	=====

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

BOSTON PROPERTIES PREDECESSOR GROUP

NOTES TO COMBINED FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS)

1. ORGANIZATION AND BASIS OF PRESENTATION:

The accompanying combined financial statements comprise interests in properties and the third party commercial real estate development, project management and property management business of Boston Properties, Inc. at March 31, 1997 and December 31, 1996.

The accompanying financial statements have been presented on a combined basis because of the affiliates, general partners and common management which control the business operations of each entity and because the Properties are expected to be the subject of a business combination with Boston Properties, Inc. (the "Company"), which was formed in 1970 and will be reorganized to change its jurisdiction of organization from Massachusetts to Delaware and is expected to qualify as a real estate investment trust under the Internal Revenue Code of 1986, as amended.

The entities owning the properties and Boston Properties, Inc. collectively are referred to as the "Boston Properties Predecessor Group" or the "Predecessor".

The interests in properties at December 31, 1996 included in the accompanying combined financial statements consist of 72 commercial real estate properties (the "Properties") aggregating approximately 10.4 million square feet. The Predecessor owns a 100% fee interest in 60 of the Properties. The Predecessor also owns a 75.0% general partner interest (100% economic interest as a result of a priority of the Predecessor's interest in one of the properties which comprises approximately 122,000 square feet). Additionally, the Predecessor owns a 35.7% controlling general partnership interest in 11 of the properties which comprise approximately 204,500 square feet. The Properties consist of 60 office properties with approximately 7.1 million net rentable square feet, including five office properties currently under development or redevelopment totaling approximately 371,000 net rentable square feet (the "Office Properties"); nine industrial properties with approximately 925,000 net rentable square feet (the "Industrial Properties"); two full service hotels totaling 833 rooms and approximately 750,000 square feet (the "Hotel Properties"); and a 1,170 space parking garage with approximately 332,000 square feet located within the Company's mixed-use development in East Cambridge, Massachusetts (the "Garage Property"). The Properties are primarily located in ten submarkets, including five submarkets in Greater Boston (the East Cambridge, Route 128 NW, Route 128/Massachusetts Turnpike, Route 128 SW and downtown Boston submarkets), five submarkets in Greater Washington, D.C. (the Southwest and West End Washington, D.C., Montgomery County, Maryland, Fairfax County, Virginia and Prince George's County, Maryland Submarkets) and midtown Manhattan (the Park Avenue Submarket). The Predecessors' single largest Property, with approximately 1.0 million net rentable square feet, is an Office Property located in the Park Avenue submarket of midtown Manhattan.

Boston Properties L.P. (the "Operating Partnership") has acquired the right to purchase from the partners and owners in the Predecessor their interests therein in exchange for an interest in the Operating Partnership, which will hold the operating assets of the Company. The Company will be the general and majority partner of the Operating Partnership. The Operating Partnership will hold all of the assets of the Predecessor entities as a result of the expected business combination. Due to the affiliation of the Predecessor, the business combination will be accounted for as a reorganization of entities under common control which is similar to the accounting used for a pooling of interests. All significant intercompany balances and transactions have been eliminated in the combined presentation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. REAL ESTATE AND EQUIPMENT

Real estate and equipment are stated at depreciated cost. Pursuant to Statement of Financial Accounting Standards Opinion No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of", impairment losses are recorded on long-lived assets used in operation, when events and

BOSTON PROPERTIES PREDECESSOR GROUP

NOTES TO COMBINED FINANCIAL STATEMENTS--(CONTINUED)
(DOLLARS IN THOUSANDS)

circumstances indicate that the assets might be impaired and the estimated undiscounted cash flows to be generated by those assets are less than the carrying amount of those assets. Upon determination that an impairment has occurred, those assets shall be reduced to fair value. No such impairment losses have been recognized to date.

The cost of buildings and improvements includes the purchase price of property, legal fees, acquisition costs as well as interest, property taxes and other costs incurred during the period of development.

Depreciation is computed on the straight line basis over the estimated useful lives of the assets, as follows:

Land improvements.....	25 to 40 years
Building costs.....	10 to 40 years
Tenant improvements.....	Terms of the lease useful life
Furniture, fixtures, and equipment.....	5 to 7 years

Depreciation expense for corporate furniture, fixtures, and equipment and corporate occupied real property was \$129 and \$139 for the three month periods ended March 31, 1997 and 1996, respectively, and \$556, \$588 and \$603 for the years ended December 31, 1996, 1995 and 1994, respectively.

Expenditures for repairs and maintenance are charged to operations as incurred. Significant betterments are capitalized.

When assets are sold or retired, their costs and related accumulated depreciation are removed from the accounts with the resulting gains or losses reflected in net income or (loss) for the period.

B. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and investments with maturities of three months or less from the date of purchase. The majority of the Predecessor's cash and cash equivalents are held at major commercial banks. The Predecessor has not experienced any losses to date on its invested cash.

C. ESCROWS

Escrows include amounts established pursuant to various agreements for security deposits, property taxes, insurance and capital improvements.

D. REVENUE RECOGNITION

Base rental revenue is reported on a straight-line basis over the terms of the respective leases. The impact of the straight line rent adjustment increased revenues by \$258 and decreased revenues by \$1,217 for the three month periods ended March 31, 1997 and 1996, respectively, and decreased revenues by \$475, increased revenues by \$360, and decreased revenues by \$1,252 for the years ended December 31, 1996, 1995 and 1994, respectively.

Accrued rental income represents rental income earned in excess of rent payments received pursuant to the terms of the individual lease agreements, net of an allowance for doubtful accounts.

Development fees are recognized ratably over the period of development. Management fees are recognized as revenue as they are earned.

Revenue recognition of fees received for lease terminations are deferred and amortized to income using the straight line method over the remaining original lease term until the space is subsequently leased.

NOTES TO COMBINED FINANCIAL STATEMENTS--(CONTINUED)
(DOLLARS IN THOUSANDS)

E. INCOME TAXES

No provision for income taxes is necessary in the financial statements of the Predecessor since the Predecessor's statements combine the operations and balances of partnerships, trusts and an S-corporation, none of which is directly subject to income tax. The tax effect of its activities accrues to the individual partners and or principals of the respective entity.

Certain entities included in the Predecessor's combined financial statements are subject to District of Columbia franchise taxes. Franchise taxes are recorded as rental operating expenses in the accompanying combined financial statements.

F. TENANT LEASING COSTS

Fees and costs incurred in the successful negotiation of leases, including brokerage, legal and other costs have been deferred and are being amortized on a straight line basis over the terms of the respective leases.

G. DEFERRED FINANCING COSTS

Fees and costs incurred to obtain long-term financing have been deferred and are being amortized over the terms of the respective loans on a basis which approximates the effective interest method.

H. INVESTMENT IN JOINT VENTURE

The investment in joint venture represents a 25% interest in an entity which will own two office buildings in Reston, VA for which the Company will serve as development manager. Such investment is accounted for under the equity method.

I. INTEREST EXPENSE

Interest expense on fixed rate debt with periodic rate increases is computed using the effective interest method over the terms of the respective loans.

J. PARTNERS' CAPITAL CONTRIBUTIONS, DISTRIBUTIONS AND PROFITS AND LOSSES

Partners' capital contributions, distributions and profits and losses are allocated in accordance with the terms of individual partnership agreements.

K. USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

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

L. UNAUDITED INTERIM STATEMENTS

The combined financial statements as of March 31, 1997 and for the three months ended March 31, 1997 and 1996 are unaudited. In the opinion of management, all adjustments (consisting solely of normal recurring adjustments) necessary for a fair presentation of such combined financial statements have been included. The results of operations for the three months ended March 31, 1997 are not necessarily indicative of the Predecessor Company's future results of operations for the full year ending December 31, 1997.

BOSTON PROPERTIES PREDECESSOR GROUP

NOTES TO COMBINED FINANCIAL STATEMENTS--(CONTINUED)
(DOLLARS IN THOUSANDS)

3. MORTGAGE NOTES PAYABLE:

Mortgage notes payable are comprised of 44 loans at March 31, 1997, December 31, 1996 and 1995, each of which is collateralized by a building and related land included in real estate assets. The mortgage notes payable are generally due in monthly installments and mature at various dates through September 30, 2012. Interest rates on fixed rate mortgage notes payable aggregating \$1,012,320, \$1,013,361 and \$929,226 at March 31, 1997, December 31, 1996 and 1995, respectively, range from 7.35% to 9.875% (averaging 8.18% at March 31, 1997, and December 31, 1996, respectively). Interest rates on variable rate mortgage notes payable aggregating \$384,948, \$385,985 and \$446,546 at March 31, 1997, December 31, 1996 and 1995, respectively, range from 0.7% above the London Interbank Offered Rate ("LIBOR"), 5.5% at March 31, 1997 and December 31, 1996 to 1.75% above the LIBOR rate.

The interest rates related to the mortgage notes payable for three properties aggregating \$610,313, \$610,782 and \$612,657 at March 31, 1997, December 31, 1996 and 1995, respectively are subject to periodic scheduled rate increases. Interest expense for these mortgage notes payable is computed using the effective interest method. The impact of using this method increased interest expense \$206 and \$161 for the three months ended March 31, 1997 and 1996, respectively, and \$644, \$1,347 and \$3,131 for the years ended December 31, 1996, 1995 and 1994, respectively. The cumulative liability related to these adjustments is \$21,220, \$21,013 and \$20,369 at March 31, 1997, December 31, 1996 and 1995, respectively, and is included in mortgage notes payable.

Combined aggregate principal maturities of mortgage notes payable at December 31, 1996 are as follows:

1997.....	\$334,784
1998.....	219,748
1999.....	11,315
2000.....	48,040
2001.....	153,148

The extraordinary loss reflected in the statement of operations for the year ended December 31, 1996 resulted from a prepayment penalty upon the early principal repayment of a mortgage note payable.

Certain mortgage notes payable are subject to prepayment penalties of varying amounts in the event of an early principal repayment.

4. LEASING ACTIVITIES:

Future minimum lease payments to be received as of December 31, 1996 under noncancelable operating leases, which expire on various dates through 2012, are as follows:

Years ending December 31:	
1997.....	\$161,817
1998.....	146,721
1999.....	137,180
2000.....	122,164
2001.....	110,626
Thereafter.....	506,398

One major tenant, the General Services Administration, represented 16%, 15%, 15%, 17% and 16% of the Predecessor's total rental income for the three months ended March 31, 1997 and 1996 and for the years ended December 31, 1996, 1995, and 1994, respectively.

5. RELATED PARTY TRANSACTIONS:

Notes payable--affiliate consists of amounts funded by affiliates for office buildings under renovation or construction. The notes bear interest at the prime rate plus 1% and are due on demand.

BOSTON PROPERTIES PREDECESSOR GROUP

NOTES TO COMBINED FINANCIAL STATEMENTS--(CONTINUED)
(DOLLARS IN THOUSANDS)

Rental income of \$2,645, \$2,641, \$10,455, \$10,522 and \$10,518 has been received from affiliates for the three months ended March 31, 1997 and 1996, and for the years ended 1996, 1995 and 1994, respectively.

Development fees of \$0, \$0, \$25, \$125, and \$478, have been received from affiliates for the three months ended March 31, 1997 and 1996, and for the years ended 1996, 1995, and 1994, respectively.

Management fees and other income of \$91, \$89, \$419, \$554, and \$544, have been received from affiliates for the three months ended March 31, 1997 and 1996, and for the years ended 1996, 1995, and 1994, respectively.

Additionally, certain mortgage notes payable aggregating \$214,005 at December 31, 1996 are guaranteed by affiliates of the Predecessor.

6. SAVINGS PLAN:

Effective January 1, 1985, the Predecessor adopted a 401(K) Savings Plan (the "Plan") for its employees. Under the Plan, employees, age 18 and older, are eligible to participate in the Plan after they have completed three months of service. In addition, participants may elect to make an after-tax contribution of up to 10% of their wages.

The Plan provides that matching employer contributions are to be determined at the discretion of the Predecessor. The Predecessor matches 200% of the first 2% of pay (utilizing pay that is not in excess of \$100). The cost to the Predecessor of this matching for the three months ended March 31, 1997 and 1996, and for the years ended December 31, 1996, 1995 and 1994, was \$111, \$100, \$359, \$319 and \$216, respectively.

Participants are immediately vested in their pre-tax and after-tax contributions. Participants vest in the Predecessor's matching contributions and earnings thereon over a seven year period.

7. COMMITMENTS AND CONTINGENCIES:

Legal Matters

The Predecessor is subject to various legal proceedings and claims that arise in the ordinary course of business. These matters are generally covered by insurance. The Predecessor believes that the final outcome of such matters will not have a material adverse effect on the financial position, results of operations or liquidity of the Predecessor.

Environmental Matters

On January 9, 1997, the Predecessor received a Notice of Potential Responsibility ("NOR") related to groundwater contamination at one of the Predecessor's properties located in Massachusetts. The lease with the tenant of the property contains an indemnification from the tenant to the Predecessor for liability due to the tenant's actions. The tenant is currently conducting an investigation. The Predecessor expects that any resolution will not have a material impact on the financial position, results of operations or liquidity of the Predecessor.

Development

The Predecessor has entered into contracts for the construction and renovation of projects currently under development. Commitments under these arrangements totaled approximately \$37 million at December 31, 1996.

The Predecessor has future development rights related to the purchase, construction, and completion of approximately 1.4 million square feet of office and industrial space. The Predecessor is required to make minimum deposits of \$1 million during the next six years to maintain these rights. If the Predecessor elects to purchase the land, all deposits would be applied to the purchase price.

BOSTON PROPERTIES PREDECESSOR GROUP

NOTES TO COMBINED FINANCIAL STATEMENTS--(CONTINUED)
(DOLLARS IN THOUSANDS)

Management Contracts

The hotels are managed pursuant to contracts which expire in 2012 with a national hotel management company. These agreements include base and incentive fee provisions. The fees under these agreements aggregated \$815, \$657, \$4,974, \$4,410 and \$4,001 for the three months ended March 31, 1997 and 1996, and for the years ended December 31, 1996, 1995 and 1994, respectively.

8. FAIR VALUE OF FINANCIAL INSTRUMENTS:

The carrying values of cash and cash equivalents, escrows, receivables, accounts payable, accrued expenses and other assets and liabilities are reasonable estimates of their fair values because of the short maturities of these instruments. Mortgage notes payable have aggregate carrying values which approximate their estimated fair values based upon the remaining maturities for certain debt and interest rates for debt with similar terms and remaining maturities.

SCHEDULE III

BOSTON PROPERTIES PREDECESSOR GROUP

REAL ESTATE AND ACCUMULATED DEPRECIATION

DECEMBER 31, 1996
(DOLLARS IN THOUSANDS)

PROPERTY NAME	TYPE	LOCATION	ENCUMBRANCES	INITIAL COST		COSTS CAPITALIZED SUBSEQUENT TO ACQUISITION
				LAND	BUILDINGS	
599 Lexington Avenue	Office	New York, NY	\$430,239	\$81,040	\$100,507	\$ 67,459
2300 N. Street 10 & 20 Mall Road	Office	NW, Washington, DC	100,000	16,509	22,415	10,076
8 Arlington Street	Office	Burlington, MA	20,215	930	6,928	8,237
32 Hartwell Ave	Office	Boston, MA	4,611	90	1,855	133
91 Hartwell Ave	Office	Lexington, MA	4,222	168	1,943	2,720
195 West Street	Office	Lexington, MA	13,770	784	6,464	1,342
191 Spring Street	Office	Waltham, MA	5,856	758	5,150	2,557
201 Spring Street	Office	Lexington, MA	23,942	5,175	27,166	17,693
Waltham Office Center	Office	Lexington, MA	--	1,500	3,637	--
204 Second Avenue	Office	Waltham, MA	11,389	422	2,719	2,926
170 Tracer Lane	Office	Waltham, MA	3,374	37	2,402	630
33 Hayden Avenue	Office	Waltham, MA	5,146	398	4,601	1,282
92 Hayden Avenue	Office	Lexington, MA	--	266	3,234	110
100 Hayden Avenue	Office	Lexington, MA	11,015	230	3,145	510
Lexington Office Park	Office	Lexington, MA	--	364	3,603	264
Bedford Business Park	Office/R & D	Bedford, MA	15,373	998	1,426	9,472
One Cambridge Center	Office	Bedford, MA	23,500	502	3,403	12,743
Three Cambridge Center	Office	Cambridge, MA	45,000	134	25,110	3,133
Ten Cambridge Center	Office	Cambridge, MA	19,000	174	12,200	598
Eleven Cambridge Center	Office	Cambridge, MA	25,000	1,299	12,943	4,420
Capital Gallery The U.S. International Commission Building	Office	Cambridge, MA	8,319	121	5,535	392
		SW, Washington DC	60,751	4,725	29,560	7,033
	Office	SW, Washington DC	50,000	109	22,420	9,293
Subtotal			\$880,722	\$116,733	\$308,366	\$163,023

GROSS AMOUNT CARRIED AT CLOSE OF PERIOD

PROPERTY NAME	LAND AND IMPROVEMENTS	BUILDING AND IMPROVEMENTS	DEVELOPMENT AND CONSTRUCTION IN PROCESS	TOTAL	ACCUMULATED DEPRECIATION	YEAR BUILT/RENOVATED	DEPRECIABLE LIVES (YEARS)
599 Lexington Avenue	\$81,040	\$167,966	\$ --	\$249,006	\$ 58,567	1986	(1)
2300 N. Street 10 & 20 Mall Road	16,509	32,491	--	49,000	9,001	1986	(1)
8 Arlington Street	939	15,156	--	16,095	4,474	1984-86	(1)
32 Hartwell Ave	90	1,988	--	2,078	770	1860-1920/1989	(1)
91 Hartwell Ave	168	4,663	--	4,831	2,244	1968-79/1987-88	(1)
195 West Street	784	7,806	--	8,590	2,081	1985	(1)
191 Spring Street	1,611	6,854	--	8,465	1,286	1990	(1)
201 Spring Street	5,175	44,859	--	50,034	8,857	1971/1995	(1)
Waltham Office Center	--	--	5,137	5,137	--	1997	N/A
204 Second Avenue	425	5,642	--	6,067	3,004	1968-70/1987-88	(1)
170 Tracer Lane	37	3,032	--	3,069	1,291	1981/1993	(1)
33 Hayden Avenue	418	5,863	--	6,281	2,122	1980	(1)
92 Hayden Avenue	266	3,344	--	3,610	1,517	1979	(1)
100 Hayden Avenue	230	3,655	--	3,885	1,294	1968/1984	(1)
Lexington Office Park	364	3,867	--	4,231	1,132	1985	(1)
	1,072	10,824	--	11,896	3,561	1982	(1)

Bedford Business Park	502	16,146	--	16,648	5,831	1969-80	(1)
One Cambridge Center	134	28,243	--	28,377	7,975	1987	(1)
Three Cambridge Center	174	12,798	--	12,972	3,181	1987	(1)
Ten Cambridge Center	1,868	16,794	--	18,662	4,882	1990	(1)
Eleven Cambridge Center	121	5,927	--	6,048	1,975	1984	(1)
Capital Gallery	4,725	36,593	--	41,318	14,192	1981	(1)
The U.S. International Commission Building	1,569	30,253	--	31,822	10,762	1987	(1)
Subtotal	\$118,221	\$464,764	\$5,137	\$588,122	\$ 149,999		

SCHEDULE III

BOSTON PROPERTIES PREDECESSOR GROUP

REAL ESTATE AND ACCUMULATED DEPRECIATION

DECEMBER 31, 1996
(DOLLARS IN THOUSANDS)

PROPERTY NAME	TYPE	LOCATION	ENCUMBRANCES	INITIAL COST		COSTS CAPITALIZED SUBSEQUENT TO ACQUISITIONS
				LAND	BUILDINGS	
Subtotal from previous page			\$ 880,722	\$ 116,733	\$ 308,366	\$ 163,023
One Independence Square	Office SW, Washington DC		78,700	\$ 9,356	\$ 33,701	\$ 14,170
Two Independence Square	Office SW, Washington DC		122,856	14,053	59,883	8,795
Montvale Center	Office Gaithersburg, MD		7,992	1,574	9,786	3,433
Democracy Center	Office Bethesda, MD		110,100	12,550	50,015	18,392
7435 Boston Boulevard, Building One	Office Springfield, VA		5,564	392	3,822	1,199
7451 Boston Boulevard, Building Two	Office Springfield, VA		2,215	249	1,542	1,460
7374 Boston Boulevard, Building Four	Office Springfield, VA		3,619	241	1,605	462
8000 Grainger Court, Building Five	Office Springfield, VA		7,664	366	4,282	603
7500 Boston Boulevard, Building Six	Office Springfield, VA		6,440	138	3,749	206
7501 Boston Boulevard, Building Seven	Office Springfield, VA		--	665	878	--
7601 Boston Boulevard, Building Eight	Office Springfield, VA		8,372	200	3,883	453
7600 Boston Boulevard, Building Nine	Office Springfield, VA		5,796	127	2,839	1,386
7375 Boston Boulevard, Building Ten	Office Springfield, VA		--	23	2,685	559
8000 Boston Boulevard, Building Eleven	Office Springfield, VA		--	136	3,071	88
Subtotal			\$1,240,040	\$ 156,803	\$ 490,107	\$ 214,229

GROSS AMOUNT CARRIED AT CLOSE OF PERIOD

PROPERTY NAME	LAND AND IMPROVEMENTS	BUILDING AND IMPROVEMENTS	DEVELOPMENT AND CONSTRUCTION IN PROCESS	TOTAL	ACCUMULATED DEPRECIATION	YEAR BUILT/ RENOVATED	DEPRECIABLE LIVES (YEARS)
One Independence Square	\$ 9,634	\$ 47,593	\$ --	\$ 57,227	\$ 9,556	1991	(1)
Two Independence Square	15,038	67,693	--	82,731	9,228	1992	(1)
Montvale Center	2,399	12,394	--	14,793	3,384	1987	(1)
Democracy Center	13,695	67,262	--	80,957	17,710	1985-88	(1)
7435 Boston Boulevard, Building One	486	4,927	--	5,413	1,571	1982	(1)
7451 Boston Boulevard, Building Two	535	2,716	--	3,251	1,141	1982	(1)
7374 Boston Boulevard, Building Four	303	2,005	--	2,308	639	1984	(1)
8000 Grainger Court, Building Five	453	4,798	--	5,251	1,509	1984	(1)
7500 Boston Boulevard, Building Six	282	3,811	--	4,093	1,174	1985	(1)
7501 Boston Boulevard,							

Building Seven 7601 Boston Boulevard,	--	--	1,543	1,543	--	1997	N/A
Building Eight 7600 Boston Boulevard,	378	4,158	--	4,536	1,270	1986	(1)
Building Nine 7375 Boston Boulevard,	189	4,163	--	4,352	1,212	1987	(1)
Building Ten 8000 Boston Boulevard,	47	3,220	--	3,267	894	1988	(1)
Building Eleven	214	3,081	--	3,295	629	1989	(1)
Subtotal	\$ 161,874	\$ 692,585	\$ 6,680	\$ 861,139	\$ 199,916		

SCHEDULE III

BOSTON PROPERTIES PREDECESSOR GROUP
 REAL ESTATE AND ACCUMULATED DEPRECIATION

DECEMBER 31, 1996
 (DOLLARS IN THOUSANDS)

PROPERTY NAME	TYPE	LOCATION	ENCUMBRANCES	INITIAL COST		COSTS CAPITALIZED SUBSEQUENT TO ACQUISITION
				LAND	BUILDINGS	
Subtotal from previous page			\$1,240,040	\$ 156,803	\$ 490,107	\$ 214,229
7700 Boston Boulevard, Building Twelve Sugarland	Office	Springfield, VA	--	\$ 1,105	\$ 1,042	\$ --
Building One Sugarland	Office	Herndon, VA	--	735	2,739	--
Building Two Hilltop Business Center	Office	Herndon, VA	--	834	3,216	--
164 Lexington Road	Office	So. San Francisco, CA	4,817	53	492	140
25-33 Dartmouth Street	Office	Billerica, MA	1,970	592	1,370	127
40-46 Harvard Street	Industrial	Westwood, MA	3,296	273	1,595	470
1950 Stanford Court, Building One	Industrial	Westwood, MA	5,380	351	1,782	1,347
6201 Columbia Park, Building Two	Industrial	Landover, MD	2,662	269	1,554	161
2000 South Club Drive, Building Three	Industrial	Landover, MD	5,023	505	2,746	951
38 Cabot Boulevard	Industrial	Landover, MD	3,542	465	2,125	702
430 Rozzi Place	Industrial	Bucks County, PA	--	329	1,238	1,933
560 Forbes Boulevard	Industrial	So. San Francisco, CA	--	24	217	67
2391 West Winton Avenue	Industrial	So. San Francisco, CA	--	48	435	133
17 Hartwell Avenue	Industrial	Hayward, CA	1,343	182	1,217	41
Fourteen Cambridge Long Wharf	R&D	Lexington, MA	938	26	150	362
Marriott Cambridge Center	Hotel	Cambridge, MA	6,748	110	4,483	--
Cambridge Center N.	Hotel	Boston, MA	68,600	1,752	37,534	2,216
	Hotel	Cambridge, MA	61,000	478	37,918	3,734
	Garage	Cambridge, MA	15,000	639	11,630	527
Subtotal			\$1,420,359	\$ 165,573	\$ 603,590	\$ 227,140

GROSS AMOUNT CARRIED AT CLOSE OF PERIOD

PROPERTY NAME	DEVELOPMENT AND CONSTRUCTION			TOTAL	ACCUMULATED DEPRECIATION	YEAR BUILT/ RENOVATED	DEPRECIABLE LIVES (YEARS)
	LAND AND IMPROVEMENTS	BUILDING AND IMPROVEMENTS	IN PROCESS				
Subtotal from previous page			\$ 6,680	\$ 861,139	\$ 199,916		
7700 Boston Boulevard, Building Twelve Sugarland	\$ --	\$ --	\$ 2,147	\$ 2,147	\$ --	1997	N/A
Building One Sugarland	--	--	3,474	3,474	--	1985/1997	N/A
Building Two Hilltop Business Center	--	--	4,050	4,050	--	1986/1997	N/A
164 Lexington Road	53	632	--	685	260	early 1970's	(1)
25-33 Dartmouth Street	592	1,497	--	2,089	39	1995	(1)
40-46 Harvard Street	273	2,065	--	2,338	1,120	1966	(1)
1950 Stanford Court, Building One	351	3,129	--	3,480	2,244	1967	(1)
6201 Columbia	350	1,634	--	1,984	444	1986	(1)

Park, Building Two	960	3,242	--	4,202	1,186	1986	(1)
2000 South Club Drive, Building Three	859	2,433	--	3,292	682	1988	(1)
38 Cabot Boulevard	329	3,171	--	3,500	2,709	1972/1984	(1)
430 Rozzi Place	24	284	--	308	117	early 1970's	(1)
560 Forbes Boulevard	48	568	--	616	234	early 1970's	(1)
2391 West Winton Avenue	182	1,258	--	1,440	858	1974	(1)
17 Hartwell Avenue	26	512	--	538	435	1968	(1)
Fourteen Cambridge Long Wharf	110	4,483	--	4,593	1,569	1983	(1)
Marriott	1,752	39,750	--	41,502	14,527	1982	(1)
Cambridge Center	478	41,652	--	42,130	10,129	1986	(1)
Cambridge Center N.	1,163	11,633	--	12,796	2,000	1990	(1)
Subtotal	\$ 169,424	\$ 810,528	\$ 16,351	\$ 996,303	\$ 238,469		

SCHEDULE III

BOSTON PROPERTIES PREDECESSOR GROUP

REAL ESTATE AND ACCUMULATED DEPRECIATION

DECEMBER 31, 1996
(DOLLARS IN THOUSANDS)

PROPERTY NAME	TYPE	LOCATION	ENCUMBRANCES	INITIAL COST		COSTS CAPITALIZED SUBSEQUENT TO ACQUISITION
				LAND	BUILDINGS	
Subtotal from previous page			\$1,420,359	\$ 165,573	\$ 603,590	\$ 227,140
Cambridge Master Plan	Development	Cambridge, MA	--	\$ 1,722	\$ --	\$ 1,727
Maryland Master Plan	Development	Landover, MD	--	464	--	--
Virginia Master Plan	Development	Springfield, VA	--	655	--	666
Total			\$1,420,359	\$ 168,414	\$ 603,590	\$ 229,533

PROPERTY NAME	GROSS AMOUNT CARRIED AT CLOSE OF PERIOD				ACCUMULATED DEPRECIATION	YEAR BUILT/ RENOVATED	DEPRECIABLE LIVES (YEARS)
	LAND AND IMPROVEMENTS	BUILDING AND IMPROVEMENTS	DEVELOPMENT AND CONSTRUCTION IN PROCESS	TOTAL			
Subtotal from previous page	\$ 169,424	\$ 810,528	\$ 16,351	\$ 996,303	\$ 238,469		
Cambridge Master Plan	\$ --	\$ --	\$ 3,449	\$ 3,449	\$ --	Various	N/A
Maryland Master Plan	--	--	464	464	--	Various	N/A
Virginia Master Plan	--	--	1,321	1,321	--	Various	N/A
Total	\$ 169,424	\$ 810,528	\$ 21,585	\$ 1,001,537	\$ 238,469		

- (1) Depreciation of the Boston Properties Predecessor Group's buildings and improvements are calculated over lives ranging from the life of the lease to 40 years.
- (2) The aggregate cost and accumulated depreciation for tax purposes was \$1,042,317 and \$412,548, respectively at December 31, 1996.

BOSTON PROPERTIES PREDECESSOR GROUP

REAL ESTATE AND ACCUMULATED DEPRECIATION

DECEMBER 31, 1996
(DOLLARS IN THOUSANDS)

A summary of activity for real estate and accumulated depreciation is as follows:

	1996	1995	1994
	-----	-----	-----
Real estate:			
Balance at beginning of year.....	\$979,493	\$952,374	\$951,693
Improvements and acquisition/development of real estate.....	28,110	29,660	9,397
Write-off of fully depreciated assets..	(6,066)	(2,541)	(8,716)
	-----	-----	-----
Balance at end of year.....	\$1,001,537	\$979,493	\$952,374
	=====	=====	=====
Accumulated depreciation:			
Balance at beginning of year.....	215,303	189,712	170,308
Depreciation expense.....	29,232	28,132	28,120
Write-off of fully depreciated assets..	(6,066)	(2,541)	(8,716)
	-----	-----	-----
Balance at end of year.....	\$238,469	\$215,303	\$189,712
	=====	=====	=====

3 Artwork

[Map showing location of the Company's greater Washington, D.C. properties]

4 Artwork

[Picture of Capital Gallery,
Washington, D.C., S.W.]

[Picture of 191 Spring Street,
Lexington, Massachusetts]

[Picture of Lexington Office Park,
Lexington, Massachusetts]

[Picture of 8000 Grainger Court,
Springfield, Virginia]

[Picture of 10 & 20 Burlington Mall Road,
Burlington, Massachusetts]

[Picture of 6201 Columbia Park Road
Landover, Maryland]

5 Artwork

[Picture of 100 Hayden Avenue,
Lexington, Massachusetts]

[Picture of Democracy Center,
Bethesda, Maryland]

[Picture of 195 West Street,
Waltham, Massachusetts]

[Picture of Montvale Center,
Gaithersburg, Maryland]

[Picture of 2300 N. Street,
Washington, D.C., N.W.]

[Picture of 91 Hartwell Avenue,
Lexington, Massachusetts]

For a summary of property, property type, operating and ownership data regarding the Properties see the "Summary Property Data" table contained herein.

 NO DEALER, SALESPERSON OR OTHER INDIVIDUAL HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS NOT CONTAINED IN THIS PROSPECTUS IN CONNECTION WITH THE OFFERING COVERED BY THIS PROSPECTUS. IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, THE COMMON STOCK IN ANY JURISDICTION WHERE, OR TO ANY PERSON TO WHOM, IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE AN IMPLICATION THAT THERE HAS NOT BEEN ANY CHANGE IN THE FACTS SET FORTH IN THIS PROSPECTUS OR IN THE AFFAIRS OF THE COMPANY SINCE THE DATE HEREOF.

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 31,400,000 SHARES

[LOGO OF BOSTON PROPERTIES, INC. APPEAR HERE]

BOSTON PROPERTIES, INC.

COMMON STOCK

 PROSPECTUS

 Joint Lead Managers
 and Joint Bookrunners

MERRILL LYNCH & CO. GOLDMAN, SACHS & CO.

 BEAR, STEARNS & CO., INC.
 MORGAN STANLEY & CO.
 INCORPORATED
 PAINWEBBER INCORPORATED
 PRUDENTIAL SECURITIES INCORPORATED

SMITH BARNEY INC.

, 1997

operating partnership subsidiary.

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

PRICE TO UNDERWRITING PROCEEDS TO
PUBLIC DISCOUNT(1) COMPANY(2)

	\$	\$	\$
Per Share.....			
Total(3).....	\$	\$	\$

(1) The Company has agreed to indemnify the several Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended. See "Underwriting."

(2) Before deducting estimated expenses of \$ payable by the Company.

(3) The Company has granted the U.S. Underwriters a 30-day option to purchase up to an additional 3,768,000 shares of Common Stock, and has granted the International Managers a 30-day option to purchase up to an additional 942,000 shares of Common Stock, on the same terms and conditions as set forth above solely to cover overallocments, if any. If such options are exercised in full, the total Price to Public, Underwriting Discount and Proceeds to Company will be \$, \$ and \$, respectively. See "Underwriting."

The shares of Common Stock are offered by the several Underwriters, subject to prior sale, when, as and if issued and accepted by them, subject to approval of certain legal matters by counsel for the Underwriters. The Underwriters reserve the right to withdraw, cancel or modify such offer and to reject orders in whole or in part. It is expected that delivery of the shares will be made in New York, New York on or about , 1997.

Joint Lead Managers and Joint Bookrunners
MERRILL LYNCH INTERNATIONAL GOLDMAN SACHS INTERNATIONAL

BEAR, STEARNS INTERNATIONAL LIMITED
MORGAN STANLEY & CO.
INTERNATIONAL
PAINWEBBER INTERNATIONAL (U.K.) LTD.
PRUDENTIAL-BACHE SECURITIES
SMITH BARNEY INC.

The date of this Prospectus is , 1997.

UNDERWRITING

Subject to the terms and conditions in the international purchase agreement (the "International Purchase Agreement"), among the Company and each of the underwriters named below (the "International Managers"), and concurrently with the sale of 25,120,000 shares to the U.S. Underwriters (as defined below), the Company has agreed to sell to each of the International Managers, for whom Merrill Lynch International, Goldman Sachs International, Bear, Stearns International Limited, Morgan Stanley & Co. International Limited, PaineWebber International (U.K.) Ltd., Prudential-Bache Securities, and Smith Barney Inc. are acting as lead managers (the "Lead Managers"), and each of the International Managers has severally agreed to purchase from the Company, the respective number of shares of Common Stock set forth opposite their respective names:

UNDERWRITER	NUMBER OF SHARES
Merrill Lynch International.....	
Goldman Sachs International.....	
Bear, Stearns International Limited.....	
Morgan Stanley & Co. International Limited.....	
PaineWebber International (U.K.) Ltd.	
Prudential-Bache Securities.....	
Smith Barney Inc.	
Total.....	6,280,000 =====

The Company has also entered into a purchase agreement (the "U.S. Purchase Agreement" and, together with the International Purchase Agreement, the "Purchase Agreements") with certain underwriters in the United States and Canada (the "U.S. Underwriters" and, together with the International Underwriters, the "Underwriters") for whom Merrill Lynch, Pierce, Fenner & Smith Incorporated, Goldman, Sachs & Co., Bear, Stearns & Co. Inc., Morgan Stanley & Co. Incorporated, PaineWebber Incorporated, Prudential Securities Incorporated, and Smith Barney Inc. are acting as representatives. Subject to the terms and conditions set forth in the U.S. Purchase Agreement and concurrently with the sale of 6,280,000 shares of Common Stock to the International Managers pursuant to the International Purchase Agreement, the Company has agreed to sell to the U.S. Underwriters, and the U.S. Underwriters have severally agreed to purchase from the Company, an aggregate of 25,120,000 shares of Common Stock. The initial public offering price per share and the total underwriting discount per share are identical under the U.S. Purchase Agreement and the International Purchase Agreement.

In each Purchase Agreement, the several U.S. Underwriters and the several International Managers have agreed, respectively, subject to the terms and conditions set forth in such Purchase Agreement, to purchase all of the shares of Common Stock being sold pursuant to such Purchase Agreement if any of such shares of Common Stock are purchased. Under certain circumstances, the commitments of non-defaulting U.S. Underwriters or International Managers (as the case may be) may be increased. The sale of shares of Common Stock pursuant to the U.S. Purchase Agreement and the International Purchase Agreement are conditioned upon each other.

The Lead Managers have advised the Company that the International Managers propose to offer the Common Stock to the public at the initial public offering price set forth on the cover page of this Prospectus, and to certain banks, brokers and dealers (the "Selling Group") at such price less a concession not in excess of \$ per share. The International Managers may allow, and such dealers may re-allow with the consent of Merrill Lynch International, a discount not in excess of \$ per share on sales to certain other International Managers and members of the Selling Group. After the date of this Prospectus, the public offering price and concession and discount may be changed.

The Company has been informed that the U.S. Underwriters and the International Managers have entered into an agreement (the "Intersyndicate Agreement") providing for the coordination of their activities. Under the terms of the Intersyndicate Agreement, the U.S. Underwriters and the International Managers are permitted to sell shares of Common Stock to each other for purposes of resale at the initial public offering price, less an amount not greater than the selling concession. Under the terms of the Intersyndicate Agreement, the International Managers and any dealer to whom they sell shares of Common Stock will not offer to sell or sell

shares of Common Stock to persons who are United States persons or Canadian persons or to persons they believe intend to resell to persons who are United States persons or Canadian persons, and the U.S. Underwriters and any dealer to whom they sell shares of Common Stock will not offer to sell or sell shares of Common Stock to persons who are non-United States and non-Canadian persons or to persons they believe intend to resell to non-United States and non-Canadian persons, except in each case for transactions pursuant to such agreement.

The Company has granted to the International Managers an option, exercisable for 30 days after the date of this Prospectus, to purchase up to 942,000 additional shares of Common Stock to cover overallocments, if any, at the initial public offering price, less the underwriting discount set forth on the cover page of this Prospectus. If the International Managers exercise this option, each International Manager will have a firm commitment, subject to certain conditions, to purchase approximately the same percentage thereof which the number of shares of Common Stock to be purchased by it shown in the foregoing table bears to such International Managers' initial amount reflected in the foregoing table. The Company also has granted an option to the U.S. Underwriters, exercisable during the 30-day period after the date of this Prospectus, to purchase up to 3,768,000 additional shares of Common Stock to cover overallocments, if any, on terms similar to those granted to the International Managers.

At the request of the Company, the U.S. Underwriters have reserved up to 200,000 shares of Common Stock for sale at the public offering price to certain employees of the Company, the Company's business affiliates and other parties who have expressed an interest in purchasing shares. The number of shares available to the general public will be reduced to the extent these persons purchase the reserved shares. Any reserved shares that are not so purchased by such persons at the completion of the Offerings will be offered by the U.S. Underwriters to the general public on the same terms as the other shares offered by this Prospectus.

In the Purchase Agreements, the Company has agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act. Insofar as indemnification of the Underwriters for liabilities arising under the Securities Act may be permitted pursuant to the foregoing provisions, the Company has been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

The Company, the Operating Partnership and certain persons who owned interests in one or more of the Properties prior to the Offering and who received OP Units in exchange for such interests in the Formation Transactions (the "Non-Affiliated Participants") have agreed, subject to certain exceptions, not to sell, offer or contract to sell, grant any option for the sale of, or otherwise dispose of any shares of Common Stock or OP Units, or any securities convertible into or exchangeable for Common Stock or OP Units, for a period of one year from the date of the Prospectus, without the prior written consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated and Goldman, Sachs & Co. The Company has granted certain registration rights pursuant to which the Non-Affiliated Participants may require the Company to file a registration statement with the SEC with respect to sales of any shares received by the Non-Affiliated Participants in exchange for their OP Units after the expiration of the one-year period.

Messrs. Zuckerman and Linde and the senior officers of the Company who will receive OP Units and/or shares of Common Stock in the Formation Transactions have agreed, subject to certain exceptions, not to sell, offer or contract to sell, grant any option for the sale of, or otherwise dispose of any shares of Common Stock or OP Units for a period of two years from the date of the Prospectus, without the prior written consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated and Goldman, Sachs & Co.

Each of the Company and the International Managers has represented and agreed that (a) it has not offered or sold, and prior to the date six months after the date of this Prospectus will not offer or sell any Shares of Common Stock to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purpose of their businesses or otherwise in circumstances which do not constitute an offer to the public in the United Kingdom for the purposes of the Public Offers of Securities Regulations 1995, (b) it has complied and will comply with all applicable provisions of the Financial Services Act 1986 with respect to anything done by it in relation to the shares of Common Stock in, from or otherwise the United Kingdom and (c) it has only issued or passed on and will only issue or pass on in the United Kingdom any document received by it in connection with the issue or sale of the Common Stock to a person who is of a kind described in Article II(3) of the Financial Services Act

1986 (Investment Advertisements) (Exemptions) Order 1995 or is a person to whom the document may otherwise lawfully be issued or passed on.

Until the distribution of the Common Stock is completed, rules of the Securities and Exchange Commission may limit the ability of the Underwriters and certain selling group members to bid for and purchase the Common Stock. As an exception to these rules, the U.S. Representatives are permitted to engage in certain transactions that stabilize the price of the Common Stock. Such transactions consist of bids or purchases for the purpose of pegging, fixing or maintaining the price of the Common Stock.

If the Underwriters create a short position in the Common Stock in connection with the offering, i.e., if they sell more shares of Common Stock than are set forth on the cover page of this Prospectus, the U.S. Representatives and the International Managers, respectively, may reduce that short position by purchasing Common Stock in the open market. The U.S. Representatives and the International Managers, respectively, may also elect to reduce any short position by exercising all or part of the over-allotment option described above.

The U.S. Representatives and the International Managers, respectively, may also impose a penalty bid on certain Underwriters and selling group members. This means that if the U.S. Representatives or the International Managers purchase shares of Common Stock in the open market to reduce the Underwriters' short position or to stabilize the price of the Common Stock, they may reclaim the amount of the selling concession from the Underwriters and selling group members who sold those shares as part of the Offering.

In general, purchases of a security for the purpose of stabilization or to reduce a short position could cause the price of the security to be higher than it might be in the absence of such purchases. The imposition of a penalty bid might also have an effect on the price of a security to the extent that it were to discourage resales of the security.

Neither the Company nor any of the Underwriters makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Common Stock. In addition, none of the Underwriters makes any representation that the U.S. Representatives or the International Managers will engage in such transactions or that such transactions, once commenced, will not be discontinued without notice.

The Underwriters do not intend to confirm sales to any account over which they exercise discretionary authority.

Prior to the Offerings, there has been no public market for the Common Stock of the Company. The initial public offering price has been determined through negotiations between the Company and the U.S. Representatives. Among the factors considered in such negotiations, in addition to prevailing market conditions, are dividend yields and financial characteristics of publicly traded REITs that the Company and the U.S. Representatives believe to be comparable to the Company, the expected results of operations of the Company (which are based on the results of operations of the Boston Properties Predecessor Group and the third-party development and management business in recent periods), estimates of the future business potential and earnings prospects of the Company as a whole and the current state of the real estate market in the Company's primary markets and the economy as a whole.

The Common Stock has been approved for listing on the New York Stock Exchange under the symbol "BXP," subject to official notice of issuance. In order to meet one of the requirements for listing the Common Stock on the New York Stock Exchange, the Underwriters have undertaken to sell lots of 100 or more shares of Common Stock to a minimum of 2,000 beneficial holders.

The Company may, in its sole discretion, pay to Merrill Lynch, Pierce, Fenner & Smith Incorporated and Goldman, Sachs & Co. an advisory fee in the aggregate equal to 0.50% of the gross proceeds received from the sale of Common Stock to public investors in the Offerings for financial advisory services rendered in connection with the Company's formation as a REIT.

NO DEALER, SALESPERSON OR OTHER INDIVIDUAL HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS NOT CONTAINED IN THIS PROSPECTUS IN CONNECTION WITH THE OFFERING COVERED BY THIS PROSPECTUS. IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, THE COMMON STOCK IN ANY JURISDICTION WHERE, OR TO ANY PERSON TO WHOM, IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE AN IMPLICATION THAT THERE HAS NOT BEEN ANY CHANGE IN THE FACTS SET FORTH IN THIS PROSPECTUS OR IN THE AFFAIRS OF THE COMPANY SINCE THE DATE HEREOF.

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31,400,000 SHARES

[LOGO OF BOSTON PROPERTIES, INC. APPEARS HERE]

BOSTON PROPERTIES, INC.

COMMON STOCK

PROSPECTUS

Joint Lead Managers
and Joint Bookrunners

MERRILL LYNCH INTERNATIONAL GOLDMAN SACHS INTERNATIONAL

BEAR, STEARNS INTERNATIONAL LIMITED
MORGAN STANLEY & CO.
INTERNATIONAL

PAINWEBBER INTERNATIONAL (U.K.) LTD.
PRUDENTIAL-BACHE SECURITIES SMITH BARNEY INC.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 30. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following table itemizes the expenses incurred by the Company in connection with the offering of the shares of Common Stock being registered hereby. All of the amounts shown are estimates, except the Securities and Exchange Commission Registration Fee.

ITEM ----	AMOUNT -----
Securities and Exchange Commission Registration Fee.....	\$273,561
NASD Fee.....	30,500
New York Stock Exchange Listing Fee.....	210,600
Transfer Agent's and Registrar's Fees.....	*
Printing Fees.....	*
Legal Fees and Expenses (other than Blue Sky).....	*
Accounting Fees and Expenses.....	*
Blue Sky Fees and Expenses (including fees of counsel).....	*
Miscellaneous Expenses.....	*
Total.....	\$ * =====

* To be filed by amendment.

ITEM 31. SALES TO SPECIAL PARTIES.

See Item 32.

ITEM 32. RECENT SALES OF UNREGISTERED SECURITIES.

On April 8, 1997, the Operating Partnership was formed with Boston Properties, Inc., a Massachusetts Corporation ("BP-Massachusetts"), as general partner and an affiliate as a limited partner. The sale of the interests in the Operating Partnership was made in reliance on Section 4(2) of the Securities Act of 1933, as amended (the "Securities Act").

On April 9 and 15, 1997, the Company entered into an Omnibus Option Agreement (or, in the case of one entity, a similar agreement) with a total of 80 individuals (the "Individuals") and entities ("Entities") (including entities such as trusts or limited partnerships in which one or more of the Individuals may have the primary economic or a controlling interest). None of the Entities was formed for the purpose of entering into the Omnibus Option Agreement and acquiring OP Units. Such agreement provides that the Operating Partnership can, at its option and without any further action by such Individuals or Entities, acquire all or any of the interests of the Individuals or Entities in the 74 Properties (collectively, the "Interests"). The right of the Operating Partnership to acquire all or any of the Interests from the Individuals and Entities and to issue OP Units in exchange therefor is subject only to the fulfillment of conditions (principally, the completion of the Offering) beyond the control of the Individuals and Entities. The total number of OP Units that will be issued to the Individuals and Entities will depend on the final offering price of a share of Common Stock in the Offering. Such agreement was entered into and will be consummated in reliance on Section 4(2) of, and Regulation D under, the Securities Act.

On April 11, 1997, BP-Massachusetts and Boston Properties, Inc., a Delaware corporation ("BP-Delaware"), and the Operating Partnership, entered into a number of agreements (including a merger agreement and a contribution agreement) that memorializes (i) the issuance of Common Stock by BP-Delaware to the stockholders of BP-Massachusetts (Messrs. Zuckerman and Linde) upon consummation of a reincorporation merger in connection with the Formation Transactions and (ii) the contribution to the Operating Partnership of

the proceeds of the Offering and the management and development operations currently held by BP-Massachusetts. Such agreements were entered into and will be consummated in reliance on Section 4(2) of the Securities Act.

ITEM 33. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

The Company's Certificate, as amended, and Bylaws provide certain limitations on the liability of the Company's directors and officers for monetary damages to the Company. The Certificate and Bylaws obligate the Company to indemnify its directors and officers, and permit the Company to indemnify its employees and other agents, against certain liabilities incurred in connection with their service in such capacities. These provisions could reduce the legal remedies available to the Company and the stockholders against these individuals. See "Certain Provisions of Delaware Law and The Company's Certificate and Bylaws--Limitation of Liability and Indemnification."

The Company's Certificate limits the liability of the Company's directors and officers to the Company to the fullest extent permitted from time to time by Delaware law. The DGCL permits, but does not require, a corporation to indemnify its directors, officers, employees or agents and expressly provides that the indemnification provided for under the DGCL shall not be deemed exclusive of any indemnification right under any bylaw, vote of stockholders or disinterested directors, or otherwise. The DGCL permits indemnification against expenses and certain other liabilities arising out of legal actions brought or threatened against such persons for their conduct on behalf of the corporation, provided that each such person acted in good faith and in a manner that he reasonably believed was in or not opposed to the corporation's best interests and in the case of a criminal proceeding, had no reasonable cause to believe his or her conduct was unlawful. The DGCL does not allow indemnification of directors in the case of an action by or in the right of the corporation (including stockholder derivative suits) unless the directors successfully defend the action or indemnification is ordered by the court.

The Company has entered into indemnification agreements with each of its directors and executive officers. The indemnification agreements require, among other matters, that the Company indemnify its directors and officers to the fullest extent permitted by law and advance to the directors and officers all related expenses, subject to reimbursement if it is subsequently determined that indemnification is not permitted. Under these agreements, the Company must also indemnify and advance all expenses incurred by directors and officers seeking to enforce their rights under the indemnification agreements and may cover directors and officers under the Company's directors' and officers' liability insurance. Although the form of indemnification agreement offers substantially the same scope of coverage afforded by law, it provides additional assurance to directors and officers that indemnification will be available because, as a contract, it cannot be modified unilaterally in the future by the Board of Directors or the Stockholders to eliminate the rights it provides. It is the position of the SEC that indemnification of directors and officers for liabilities under the Securities Act of 1933, as amended (the "Securities Act") is against public policy and unenforceable pursuant to Section 14 of the Securities Act.

ITEM 34. TREATMENT OF PROCEEDS FROM STOCK BEING REGISTERED.

Not applicable.

ITEM 35. FINANCIAL STATEMENTS AND EXHIBITS.

(b) Exhibits. The following is a complete list of Exhibits filed or incorporated by reference as part of this Registration Statement.

EXHIBIT NO. DESCRIPTION

- *1.1 --Form of U.S. Purchase Agreement
*1.2 --Form of International Purchase Agreement

EXHIBIT NO.	DESCRIPTION
*1.1	--Form of U.S. Purchase Agreement
*1.2	--Form of International Purchase Agreement
3.1	--Form of Amended and Restated Certificate of Incorporation of the Company
3.2	--Form of Amended and Restated Bylaws of the Company
*4.1	--Shareholder Rights Agreement dated as of , 1997 between the Company and , as Rights Agent.
*5.1	--Opinion of Goodwin, Procter & Hoar LLP regarding legality of the shares of the Common Stock issued
*8.1	--Opinion of Goodwin, Procter & Hoar LLP regarding tax matters
*10.1	--Form of Amended and Restated Agreement of Limited Partnership of the Operating Partnership
*10.2	--1997 Stock Option and Incentive Plan
*10.3	--Form of Noncompetition Agreement between the Company and Mortimer B. Zuckerman
10.4	--Form of Employment and Noncompetition Agreement between the Company and Edward H. Linde
*10.5	--Form of Employment Agreement between the Company and certain executive officers
*10.6	--Form of Indemnification Agreement between the Company and each of its directors and executive officers
+10.7	--Omnibus Option Agreement by and among Boston Properties Limited Partnership (the "Operating Partnership") and the Grantors named therein dated as of April 9, 1997
*10.8	--Revolving Credit Agreement
10.9	--Form of Registration Rights Agreement among the Company and the persons named therein
*10.10	--Form of Hotel Lease Agreement
10.11	--Option Agreement between Boston Properties Limited Partnership and Square 36 Properties Limited Partnership dated April 15, 1997.
10.12	--Form of Certificate of Incorporation of Boston Properties Management, Inc.
10.13	--Form of By-laws of Boston Properties Management, Inc.
10.14	--Form of Limited Liability Agreement of ZL Hotel LLC
*10.15	--Form of Option Agreement to Acquire the Property known as Sumner Square
*10.16	--Loan Modification Agreement between Lexreal Associates and Mitsui Seimei America Corporation relating to loan secured by 599 Lexington Avenue
*21.1	--Schedule of Subsidiaries of the Company
23.1	--Consent of Coopers & Lybrand, L.L.P.
+23.3	--Consent of Spaulding & Slye
*23.4	--Consent of Goodwin, Procter & Hoar LLP (included in Exhibit 5.1)
23.5	--Consent of Mr. Patricof to be named as a proposed director
23.6	--Consent of Mr. Seidenberg to be named as a proposed director
23.7	--Consent of Mr. Turchin to be named as a proposed director
*24.1	--Powers of Attorney
27.1	--Financial Data Schedule

- -----
* To be filed by amendment
+ Previously filed

ITEM 36. UNDERTAKINGS.

(a) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred

or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

(b) The undersigned registrant hereby undertakes to provide to the underwriter at the closing specified in the underwriting agreements, certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

(c) The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

(2) For the purposes of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, BOSTON PROPERTIES, INC. CERTIFIES THAT IT HAS REASONABLE GROUNDS TO BELIEVE THAT IT MEETS ALL OF THE REQUIREMENTS FOR FILING ON FORM S-11 AND HAS DULY CAUSED THIS AMENDMENT TO REGISTRATION STATEMENT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED, IN THE CITY OF BOSTON, THE COMMONWEALTH OF MASSACHUSETTS, ON THIS 27 DAY OF MAY, 1997.

Boston Properties, Inc.

/s/ Edward H. Linde

By: _____
NAME: EDWARD H. LINDE
TITLE: PRESIDENT AND CHIEF
EXECUTIVE OFFICER

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, THIS AMENDMENT TO REGISTRATION STATEMENT HAS BEEN SIGNED BY THE FOLLOWING PERSONS IN THE CAPACITIES AND ON THE DATES INDICATED.

SIGNATURE	TITLE	DATE
/s/ Mortimer B. Zuckerman ----- MORTIMER B. ZUCKERMAN	Chairman of the Board of Directors	May 27, 1997
/s/ Edward H. Linde ----- EDWARD H. LINDE	President and Chief Executive Officer, Director (Principal Executive Officer)	May 27, 1997
/s/ David G. Gaw ----- DAVID G. GAW	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	May 27, 1997

EXHIBIT INDEX

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- -----
 * To be filed by amendment
 + Previously filed

Form of Amended and Restated
Certificate of Incorporation

EXHIBIT 3.1

AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
BOSTON PROPERTIES, INC.

Boston Properties, Inc., a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), hereby certifies as follows:

1. The name of the Corporation is Boston Properties, Inc. The date of the filing of its original Certificate of Incorporation with the Secretary of State of the State of Delaware was March 24, 1997 (the "Original Certificate of Incorporation").

2. This Amended and Restated Certificate of Incorporation (the "Certificate"), which amends, restates and integrates the provisions of the Original Certificate of Incorporation filed with the Secretary of State of the State of Delaware on March 24, 1997, was duly adopted by the Board of Directors of the Corporation in accordance with the provisions of Sections 141(f), 242 and 245 of the General Corporation Law of the State of Delaware, as amended from time to time (the "DGCL"), and was duly adopted by the written consent of the stockholders of the Corporation in accordance with the applicable provisions of Sections 242 and 245 of the DGCL.

3. The text of the Original Certificate of Incorporation, as amended to date, is hereby amended and restated in its entirety to provide as herein set forth in full.

ARTICLE I

NAME

The name of the corporation is Boston Properties, Inc.

ARTICLE II

REGISTERED OFFICE

The address of the registered office of the Corporation in the State of Delaware is 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of its registered agent at such address is The Corporation Trust Company.

ARTICLE III

PURPOSES

The nature of business or purposes to be conducted or promoted by the Corporation is to engage in any lawful act for which corporations may be organized under the DGCL.

ARTICLE IV

CAPITAL STOCK

The total number of shares of all classes of capital stock which the Corporation shall have the authority to issue is 450,000,000 shares, of which (a) 250,000,000 shares shall be common stock, par value \$.01 per share (the "Common Stock"), (b) 150,000,000 shares shall be excess stock, par value \$.01 per share (the "Excess Stock"), and (c) 50,000,000 shares shall be preferred stock, par value \$.01 per share (the "Preferred Stock"). As set forth in this Article IV, the Board of Directors is authorized from time to time to establish and designate one or more series of Preferred Stock, to fix and determine the variations in the relative rights and preferences as between the different series of Preferred Stock in the manner hereinafter set forth in this Article IV, and to fix or alter the number of shares comprising any such series and the designations thereof to the extent permitted by law. The rights, preferences, voting powers and the qualifications, limitations and restrictions of the authorized stock shall be as follows:

A. COMMON STOCK. Subject to all of the rights, powers and preferences of the Preferred Stock and except as provided by law or in this Article IV (or in any certificate of designation of any series of Preferred Stock):

1. The holders of shares of Common Stock shall be entitled to vote for the election of directors and on all other matters requiring stockholder action, and each holder of shares of Common Stock shall be entitled to one vote for each share of Common Stock held by such stockholder.

2. Holders of Common Stock shall be entitled to receive such dividends and other distributions in cash, stock or property of the Corporation as may be declared and paid or set apart for payment upon the Common Stock and, if any Excess Stock is then outstanding, the Excess Stock out of any assets or funds of the Corporation legally available therefor, but only when and as declared by the Board of Directors or any authorized committee thereof from time to time, and shall share ratably with the holders of Excess Stock in any such dividend or distribution.

3. Upon the voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the net assets of the Corporation available for distribution to the holders of Common Stock, and, if any Excess Stock is then outstanding, Excess Stock shall be distributed

pro rata to such holders in proportion to the number of shares of Common Stock and Excess Stock held by each.

B. PREFERRED STOCK.

1. Subject to any limitations prescribed by law, the Board of Directors is expressly authorized to provide for the issuance of the shares of Preferred Stock in one or more series of such stock, and by filing a certificate pursuant to applicable law of the State of Delaware, to establish or change from time to time the number of shares to be included in each such series, and to fix the designations, powers, preferences and the relative, participating, optional or other special rights of the shares of each series and any qualifications, limitations and restrictions thereof. Any action by the Board of Directors under this Section (B)(1) of Article IV shall require the affirmative vote of a majority of the directors then in office (or, if a committee shall be acting on behalf of the Board of Directors, a majority of the members of such committee then in office, which committee was established by the affirmative vote of a majority of the directors then in office). The Board of Directors shall have the right to determine or fix one or more of the following with respect to each series of Preferred Stock to the extent permitted by law:

(a) The annual or other periodic dividend rate or amount of dividends to be paid on the shares of such series, the dividend payment dates, the date from which dividends on all shares of such series issued shall be cumulative, if applicable, and the extent of participation and other rights, if any;

(b) Whether the shares of such series shall be redeemable and, if so, the redemption price or prices, if any, for such series and other terms and conditions on which such series may be retired and redeemed;

(c) The distinctive serial designation and maximum number of shares of such series issuable;

(d) The right to vote, if any, with holders of shares of any other class or series, either generally or as a condition to specified corporate action;

(e) The amount payable upon shares of such series and the preferences applicable thereto in the event of a voluntary or involuntary liquidation, dissolution or winding up of the Corporation;

(f) The rights, if any, of the holders of shares of such series to convert such shares into other classes of stock of the Corporation or into any other securities, or to exchange such shares for other securities, and, if so, the conversion price or prices, or the rate or rates of exchange, and the adjustments thereof, if any, at which such conversion or exchange may be made and any other terms and conditions of any such conversion or exchange;

(g) The price or other consideration for which the shares of such series shall be issued;

(h) Whether the shares of such series which are redeemed or converted shall have the status of authorized but unissued shares of Preferred Stock (or series thereof) and whether such shares may be reissued as shares of the same or any other class or series of stock; and

(i) Such other powers, preferences, rights, qualifications, limitations and restrictions thereof as the Board of Directors may deem advisable and as are not prohibited by law.

All shares of Preferred Stock of any one series shall be identical with each other in all respects except, if so determined by the Board of Directors, as to the dates from which dividends thereon shall be cumulative; and all shares of Preferred Stock shall be of equal rank with each other, regardless of series, and shall be identical with each other in all respects except as provided herein or in the resolution or resolutions providing for the issue of a particular series. In the event that dividends on all shares of Preferred Stock for any regular dividend period are not paid in full, all such shares shall participate ratably in any partial payment of dividends for such period in proportion to the full amounts of dividends for such period to which they are respectively entitled.

C. RESTRICTIONS ON OWNERSHIP AND TRANSFER OF EQUITY STOCK.

1. DEFINITIONS. For purposes of this Article IV, the following terms shall have the meanings set forth below:

"BENEFICIAL OWNERSHIP," when used with respect to ownership of shares of Equity Stock by any Person, shall mean all shares of Equity Stock which are (i) directly owned by such Person, (ii) indirectly owned by such Person (if such Person is an "individual" as defined in Section 542(a)(2) of the Code) taking into account the constructive ownership rules of Section 544 of the Code, as modified by Section 856(h)(1)(B) of the Code, or (iii) beneficially owned by such Person pursuant to Rule 13d-3 under the Securities Exchange Act of 1934, as amended, PROVIDED THAT (x) in determining the number of shares Beneficially Owned by a Person or group, no share shall be counted more than once although applicable to two or more of clauses (i), (ii) and (iii) of this definition or (in the case of a group) although Beneficially Owned by more than one Person in such group, (y) when applying this definition of Beneficial Ownership to a Related Party, clause (iii) of this definition and clause (b) of the definition of "Person" shall be disregarded and (z) for purposes of applying clause (iii) of this definition, the Beneficial Ownership of shares of Common Stock of the Company owned by a "group" as that term is used for purposes of Section 13(d)(3) of the Exchange Act shall in no event include any such shares Beneficially Owned by L-Related Parties or Z-Related Parties who are members of such "group." (Whenever a Person Beneficially Owns shares of Equity Stock that are not outstanding pursuant to clause (iii) of the preceding

sentence (e.g., shares issuable upon the exercise of an option or convertible security) ("Option Shares"), then, whenever this Certificate requires a determination of the percentage of outstanding shares of a class of Equity Stock owned by that Person, the Option Shares deemed owned by that Person shall also be deemed to be outstanding.)

"BENEFICIARY" shall mean, with respect to any Trust, one or more organizations described in each of Section 170(b)(1)(A) (other than clauses (vii) and (viii) thereof) and Section 170(c)(2) of the Code that are named by the Corporation as the beneficiary or beneficiaries of such Trust, in accordance with the provisions of Section (D)(4) of this Article IV.

"CODE" shall mean the Internal Revenue Code of 1986, as amended.

"CONSTRUCTIVE OWNERSHIP" shall mean ownership of shares of Equity Stock by a Person who is or would be treated as a direct or indirect owner of such shares of Equity Stock through the application of Section 318 of the Code, as modified by Section 856(d)(5) of the Code. The terms "CONSTRUCTIVE OWNER," "CONSTRUCTIVELY OWNS" and "CONSTRUCTIVELY OWNED" shall have correlative meanings.

"EQUITY STOCK" shall mean a particular class (other than Excess Stock) or series of capital stock of the Corporation. The use of the term "Equity Stock" or any term defined by reference to the term "Equity Stock" shall refer to the particular class or series of capital stock which is appropriate under the context.

"INITIAL PUBLIC OFFERING" shall mean the initial sale of shares of Common Stock to the public pursuant to the Corporation's first effective registration statement for such Common Stock filed under the Securities Act of 1933, as amended.

"L-RELATED PARTY" shall mean each of Edward H. Linde, his heirs, legatees and devisees, and any other Person who Beneficially Owns shares of Equity Stock which shares are also deemed to be Beneficially Owned by Edward H. Linde or his heirs, legatees or devisees.

"LOOK-THROUGH ENTITY" shall mean a Person that is either (i) a trust described in Section 401(a) of the Code and exempt from tax under Section 501(a) of the Code as modified by Section 856(h)(3) of the Code or (ii) registered under the Investment Company Act of 1940.

"LOOK-THROUGH OWNERSHIP LIMIT" shall mean, with respect to a class or series of Equity Stock, 15% of the number of outstanding shares of such Equity Stock.

"MARKET PRICE" of Equity Stock on any date shall mean the average of the Closing Price for shares of such Equity Stock for the five consecutive Trading Days ending on such date. The "CLOSING PRICE" on any date shall mean the last sale price, regular way,

or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if the shares of Equity Stock are not listed or admitted to trading on the New York Stock Exchange, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the shares of Equity Stock are listed or admitted to trading or, if the shares of Equity Stock are not listed or admitted to trading on any national securities exchange, the last quoted price, or if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by the Nasdaq Stock Market, Inc. or, if such system is no longer in use, the principal other automated quotation system that may then be in use or, if the shares of Equity Stock are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker selected by the Board of Directors making a market in the shares of Equity Stock.

"NON-TRANSFER EVENT" shall mean an event other than a purported Transfer that would cause (a) any Person (other than a Related Party or a Look-Through Entity) to Beneficially Own shares of Equity Stock in excess of the Ownership Limit, (b) any L-Related Party or Z-Related Party to Beneficially Own shares of Equity Stock which, when aggregated with all shares of Equity Stock Beneficially Owned by all other L-Related Parties or Z-Related Parties, respectively, are in excess of the Related Party Limit, or (c) any Look-Through Entity to Beneficially Own shares of Equity Stock in excess of the Look-Through Ownership Limit. Non-Transfer Events include but are not limited to (i) the granting of any option or entering into any agreement for the sale, transfer or other disposition of shares (or of Beneficial Ownership of shares) of Equity Stock or (ii) the sale, transfer, assignment or other disposition of interests in any Person or of any securities or rights convertible into or exchangeable for shares of Equity Stock or for interests in any Person that results in changes in Beneficial Ownership of shares of Equity Stock.

"OPERATING PARTNERSHIP" shall mean Boston Properties Limited Partnership, a Delaware limited partnership.

"OWNERSHIP LIMIT" shall mean, with respect to a class or series of Equity Stock, 6.6% of the number of outstanding shares of such Equity Stock.

"PERMITTED TRANSFEREE" shall mean any Person designated as a Permitted Transferee in accordance with the provisions of Section (D)(8) of this Article IV.

"PERSON" shall mean (a) an individual or any corporation, partnership, estate, trust, association, private foundation, joint stock company or any other entity and (b) a "group" as that term is used for purposes of Section 13(d)(3) of the Exchange Act; but shall not include an underwriter that participates in a public offering of Equity Stock for a period of 90 days following purchase by such underwriter of such Equity Stock.

"PROHIBITED OWNER" shall mean, with respect to any purported Transfer or Non-Transfer Event, any Person who is prevented from becoming or remaining the owner of record title to shares of Equity Stock by the provisions of Section (D)(1) of this Article IV.

"RELATED PARTY" shall mean any L-Related Party or any Z-Related Party.

"RELATED PARTY LIMIT" shall mean, with respect to a class or series of Equity Stock, 15% of the number of outstanding shares of such Equity Stock applied (i) in the aggregate, to all Persons who are Z-Related Parties and (ii) in the aggregate, to all Persons who are L-Related Parties.

"RESTRICTION TERMINATION DATE" shall mean the first day on which the Board of Directors, in accordance with Article VI hereof, determines that it is no longer in the best interests of the Corporation to attempt to, or continue to, qualify under the Code as a real estate investment trust (a "REIT").

"TRADING DAY" shall mean a day on which the principal national securities exchange on which any of the shares of Equity Stock are listed or admitted to trading is open for the transaction of business or, if none of the shares of Equity Stock are listed or admitted to trading on any national securities exchange, any day other than a Saturday, a Sunday or a day on which banking institutions in the State of New York are authorized or obligated by law or executive order to close.

"TRANSFER" (as a noun) shall mean any sale, transfer, gift, assignment, devise or other disposition of shares (or of Beneficial Ownership of shares) of Equity Stock, whether voluntary or involuntary, whether of record, constructively or beneficially and whether by operation of law or otherwise. "Transfer" (as a verb) shall have the correlative meaning.

"TRUST" shall mean any separate trust created and administered in accordance with the terms of Section (D) of this Article IV, for the exclusive benefit of any Beneficiary.

"TRUSTEE" shall mean any Person or entity, unaffiliated with both the Corporation and any Prohibited Owner (and, if different than the Prohibited Owner, the Person who would have had Beneficial Ownership of the Shares that would have been owned of record by the Prohibited Owner), designated by the Corporation to act as trustee of any Trust, or any successor trustee thereof.

"Z-RELATED PARTY" shall mean each of Mortimer B. Zuckerman, his heirs, legatees and devisees, and any other Person who Beneficially Owns shares of Equity Stock which shares are also deemed to be Beneficially Owned by Mortimer B. Zuckerman or his heirs, legatees or devisees.

2. RESTRICTION ON OWNERSHIP AND TRANSFER.

(a) (I) Except as provided in Section (C)(4) of this Article IV, from and after the date of the Initial Public Offering and until the Restriction Termination Date, (i) no Person (other than a Related Party or a Look-Through Entity) shall Beneficially Own shares of Equity Stock in excess of the Ownership Limit, the L-Related Parties in the aggregate and the Z-Related Parties in the aggregate shall not Beneficially Own shares of Equity Stock in excess of the Related Party Limit, and no Look-Through Entity shall Beneficially Own shares of Equity Stock in excess of the Look-Through Ownership Limit.

(II) Except as provided in Section (C)(4) of this Article IV, from and after the date of the Initial Public Offering and until the Restriction Termination Date, any purported Transfer (whether or not the result of a transaction entered into through the facilities of the New York Stock Exchange or any other national securities exchange or the Nasdaq Stock Market, Inc. or any other automated quotation system) that, if effective, would result in any Person (other than a Related Party or Look-Through Entity) Beneficially Owning shares of Equity Stock in excess of the Ownership Limit shall be void AB INITIO as to the Transfer of that number of shares of Equity Stock which would be otherwise Beneficially Owned by such Person in excess of the Ownership Limit, and the intended transferee shall acquire no rights in such shares of Equity Stock.

(III) Except as provided in Section (C)(4) of this Article IV, from and after the date of the Initial Public Offering and until the Restriction Termination Date, any purported Transfer (whether or not the result of a transaction entered into through the facilities of the New York Stock Exchange or any other national securities exchange or the Nasdaq Stock Market, Inc. or any other automated quotation system) that, if effective, would result in any Look-Through Entity Beneficially Owning shares of Equity Stock in excess of the Look-Through Ownership Limit shall be void AB INITIO as to the Transfer of that number of shares of Equity Stock which would be otherwise Beneficially Owned by such Look-Through Ownership Entity in excess of the Look-Through Ownership Limit, and the intended transferee Look-Through Entity shall acquire no rights in such shares of Equity Stock.

(IV) Except as provided in Section (C)(4) of this Article IV, from and after the date of the Initial Public Offering and until the Restriction Termination Date, any purported Transfer (whether or not the result of a transaction entered into through the facilities of the New York Stock Exchange or any other national securities exchange or the Nasdaq Stock Market, Inc. or any other automated quotation system) that, if effective, would result in any L-Related Party or Z-Related Party Beneficially Owning shares of Equity Stock which, when aggregated with all shares of Equity Stock Beneficially Owned by all other L-Related Parties or Z-Related Parties, respectively, would cause the L-Related Parties or the Z-Related Parties, respectively, to exceed the Related Party Limit shall be void AB INITIO as to the Transfer of that number of shares of Equity Stock which would be otherwise Beneficially Owned by such L-Related Party or Z-Related Party in violation of the Related Party Limit,

and the intended transferee Related Party shall acquire no rights in such shares of Equity Stock.

(b) Until the Restriction Termination Date, any purported Transfer (whether or not the result of a transaction entered into through the facilities of the New York Stock Exchange or any other national securities exchange or the Nasdaq Stock Market, Inc. or any other automated quotation system) of shares of Equity Stock that, if effective, would result in the Corporation being "closely held" within the meaning of Section 856(h) of the Code shall be void AB INITIO as to the Transfer of that number of shares of Equity Stock that would cause the Corporation to be "closely held" within the meaning of Section 856(h) of the Code, and the intended transferee shall acquire no rights in such shares of Equity Stock.

(c) Until the Restriction Termination Date, any purported Transfer (whether or not the result of a transaction entered into through the facilities of the New York Stock Exchange or any other national securities exchange or the Nasdaq Stock Market, Inc. or any other automated quotation system) of shares of Equity Stock that, if effective, would cause the Corporation to Constructively Own 10% or more of the ownership interests in a tenant of the real property of the Corporation or any direct or indirect subsidiary (whether a corporation, partnership, limited liability company or other entity) of the Corporation (a "Subsidiary"), within the meaning of Section 856(d)(2)(B) of the Code, shall be void AB INITIO as to the Transfer of that number of shares of Equity Stock that would cause the Corporation to Constructively Own 10% or more of the ownership interests in a tenant of the real property of the Corporation or a Subsidiary within the meaning of Section 856(d)(2)(B) of the Code, and the intended transferee shall acquire no rights in such shares of Equity Stock.

(d) Until the Restriction Termination Date, any purported Transfer (whether or not the result of a transaction entered into through the facilities of the New York Stock Exchange or any other national securities exchange or the Nasdaq Stock Market, Inc. or any other automated quotation system) that, if effective, would result in shares of Equity Stock being beneficially owned by fewer than 100 persons within the meaning of Section 856(a)(5) of the Code shall be void AB INITIO and the intended transferee shall acquire no rights in such shares of Equity Stock.

3. OWNERS REQUIRED TO PROVIDE INFORMATION. Until the Restriction Termination Date:

(a) Every Beneficial Owner of more than 5%, or such lower percentages as are then required pursuant to regulations under the Code, of the outstanding shares of any class or series of Equity Stock of the Corporation as of any dividend record date on the Company's Equity Stock shall, within 30 days after January 1 of each year, provide to the Corporation a written statement or affidavit stating the name and address of such Beneficial Owner, the number of shares of Equity Stock Beneficially Owned by such Beneficial Owner as of each such dividend record date, and a description of how such shares are held. Each such Beneficial Owner shall provide to the Corporation such additional information as the

Corporation may request in order to determine the effect, if any, of such Beneficial Ownership on the Corporation's status as a REIT and to ensure compliance with the Ownership Limit.

(b) Each Person who is a Beneficial Owner of shares of Equity Stock and each Person (including the stockholder of record) who is holding shares of Equity Stock for a Beneficial Owner shall provide to the Corporation a written statement or affidavit stating such information as the Corporation may request in order to determine the Corporation's status as a REIT and to ensure compliance with the Ownership Limit.

4. EXCEPTION. The Board of Directors, upon receipt of a ruling from the Internal Revenue Service or an opinion of counsel or other evidence or undertakings acceptable to it, may, in its sole discretion, waive the application of the Ownership Limit, the Look-Through Ownership Limit or the Related Party Limit to a Person subject, as the case may be, to any such limit, provided that (A) the Board of Directors obtains such representations and undertakings from such Person as are reasonably necessary to ascertain that such Person's Beneficial Ownership or Constructive Ownership of shares of Equity Stock will now and in the future (i) not result in the Corporation being "closely held" within the meaning of Section 856(h) of the Code, (ii) not cause the Corporation to Constructively Own 10% or more of the ownership interests of a tenant of the Corporation or a Subsidiary within the meaning of Section 856(d)(2)(B) of the Code and to violate the 95% gross income test of Section 856(c)(2) of the Code, and (iii) not result in the shares of Equity Stock of the Corporation being beneficially owned by fewer than 100 persons within the meaning of Section 856(a)(5) of the Code and (B) such Person agrees in writing that any violation or attempted violation of (x) such other limitation as the Board of Directors may establish at the time of such waiver with respect to such Person or (y) such other restrictions and conditions as the Board of Directors may in its sole discretion impose at the time of such waiver with respect to such Person, will result, as of the time of such violation even if discovered after such violation, in the conversion of such shares in excess of the original limit applicable to such Person into shares of Excess Stock pursuant to Section (D)(1) of this Article IV.

5. NEW YORK STOCK EXCHANGE TRANSACTIONS. Notwithstanding any provision contained herein to the contrary, nothing in this Certificate shall preclude the settlement of any transaction entered into through the facilities of the New York Stock Exchange or any other national securities exchange or the Nasdaq Stock Market, Inc. or any other automated quotation system. In no event shall the existence or application of the preceding sentence have the effect of deterring or preventing the conversion of Equity Stock into Excess Stock as contemplated herein.

D. EXCESS STOCK.

1. CONVERSION INTO EXCESS STOCK.

(a) If, notwithstanding the other provisions contained in this Article IV, from and after the date of the Initial Public Offering and prior to the Restriction

Termination Date, there is a purported Transfer or Non-Transfer Event such that any Person (other than a Related Party or Look-Through Entity) would Beneficially Own shares of Equity Stock in excess of the Ownership Limit, or such that any Person that is an L-Related Party would Beneficially Own shares of Equity Stock which when aggregated together with all shares of Equity Stock Beneficially Owned by all other L-Related Parties would cause the L-Related Parties to exceed the Related Party Limit, or such that any Person that is a Z-Related Party would Beneficially Own shares of Equity Stock which when aggregated together with all shares of Equity Stock Beneficially Owned by all other Z-Related Parties would cause the Z-Related Parties to exceed the Related Party Limit, or such that any Person that is a Look-Through Entity would Beneficially Own shares of Equity Stock in excess of the Look-Through Limit, then, (i) except as otherwise provided in Section (C)(4) of this Article IV, the purported transferee shall be deemed to be a Prohibited Owner and shall acquire no right or interest (or, in the case of a Non-Transfer Event, the Person holding record title to the shares of Equity Stock Beneficially Owned by such Beneficial Owner shall cease to own any right or interest) in such number of shares of Equity Stock which would cause such Beneficial Owner (alone or together with other Related Parties, if applicable) to Beneficially Own shares of Equity Stock in excess of the Ownership Limit, the Related Party Limit, or the Look-Through Limit, as the case may be, (ii) such number of shares of Equity Stock in excess of the Ownership Limit, the Related Party Limit or the Look-Through Limit, as the case may be, (rounded up to the nearest whole share) shall be automatically converted into an equal number of shares of Excess Stock and transferred to a Trust in accordance with Section (D)(4) of this Article IV and (iii) the Prohibited Owner shall submit the certificates representing such number of shares of Equity Stock to the Corporation, accompanied by all requisite and duly executed assignments of transfer thereof, for registration in the name of the Trustee of the Trust. Such conversion into Excess Stock and transfer to a Trust shall be effective as of the close of trading on the Trading Day prior to the date of the purported Transfer or Non-Transfer Event, as the case may be, even though the certificates representing the shares of Equity Stock so converted may be submitted to the Corporation at a later date.

(b) If, notwithstanding the other provisions contained in this Article IV, prior to the Restriction Termination Date there is a purported Transfer or Non-Transfer Event that, if effective, would (i) result in the Corporation being "closely held" within the meaning of Section 856(h) of the Code, (ii) cause the Corporation to Constructively Own 10% or more of the ownership interest in a tenant of the Corporation's or a Subsidiary's real property within the meaning of Section 856(d)(2)(B) of the Code or (iii) result in the shares of Equity Stock being beneficially owned by fewer than 100 persons within the meaning of Section 856(a)(5) of the Code, then (x) the purported transferee shall be deemed to be a Prohibited Owner and shall acquire no right or interest (or, in the case of a Non-Transfer Event, the Person holding record title of the shares of Equity Stock with respect to which such Non-Transfer Event occurred shall cease to own any right or interest) in such number of shares of Equity Stock, the ownership of which by such purported transferee or record holder would (A) result in the Corporation being "closely held" within the meaning of Section 856(h) of the Code, (B) cause the Corporation to Constructively Own 10% or more of the ownership interests in a tenant of the Corporation's or a Subsidiary's real property within the meaning of

Section 856(d)(2)(B) of the Code or (c) result in the shares of Equity Stock being beneficially owned by fewer than 100 persons within the meaning of Section 856(a)(5) of the Code, (y) such number of shares of Equity Stock (rounded up to the nearest whole share) shall be automatically converted into an equal number of shares of Excess Stock and transferred to a Trust in accordance with Section (D)(4) of this Article IV and (z) the Prohibited Owner shall submit such number of shares of Equity Stock to the Corporation, accompanied by all requisite and duly executed assignments of transfer thereof, for registration in the name of the Trustee of the Trust. Such conversion into Excess Stock and transfer to a Trust shall be effective as of the close of trading on the Trading Day prior to the date of the purported Transfer or Non-Transfer Event, as the case may be, even though the certificates representing the shares of Equity Stock so converted may be submitted to the Corporation at a later date.

(c) Upon the occurrence of such a conversion of shares of Equity Stock into an equal number of shares of Excess Stock, such shares of Equity Stock shall be automatically retired and canceled, without any action required by the Board of Directors of the Corporation, and shall thereupon be restored to the status of authorized but unissued shares of the particular class or series of Equity Stock from which such Excess Stock was converted and may be reissued by the Corporation as that particular class or series of Equity Stock.

2. REMEDIES FOR BREACH. If the Corporation, or its designees, shall at any time determine in good faith that a Transfer has taken place in violation of Section (C)(2) of this Article IV or that a Person intends to acquire or has attempted to acquire Beneficial Ownership or Constructive Ownership of any shares of Equity Stock in violation of Section (C)(2) of this Article IV, the Corporation shall take such action as it deems advisable to refuse to give effect to or to prevent such Transfer or acquisition, including, but not limited to, refusing to give effect to such Transfer on the stock transfer books of the Corporation or instituting proceedings to enjoin such Transfer or acquisition, but the failure to take any such action shall not affect the automatic conversion of shares of Equity Stock into Excess Stock and their transfer to a Trust in accordance with Section (D)(1).

3. NOTICE OF RESTRICTED TRANSFER. Any Person who acquires or attempts to acquire shares of Equity Stock in violation of Section (C)(2) of this Article IV, or any Person who owns shares of Equity Stock that were converted into shares of Excess Stock and transferred to a Trust pursuant to Sections (D)(1) and (D)(4) of this Article IV, shall immediately give written notice to the Corporation of such event and shall provide to the Corporation such other information as the Corporation may request in order to determine the effect, if any, of such Transfer or Non-Transfer Event, as the case may be, on the Corporation's status as a REIT.

4. OWNERSHIP IN TRUST. Upon any purported Transfer or Non-Transfer Event that results in Excess Stock pursuant to Section (D)(1) of this Article IV, (i) the Corporation shall create, or cause to be created, a Trust, and shall designate a Trustee and name a Beneficiary thereof and (ii) such Excess Stock shall be automatically transferred to such Trust to be held for the exclusive benefit of the Beneficiary. Any conversion of shares of

Equity Stock into shares of Excess Stock and transfer to a Trust shall be effective as of the close of trading on the Trading Day prior to the date of the purported Transfer or Non-Transfer Event that results in the conversion. Shares of Excess Stock so held in trust shall remain issued and outstanding shares of stock of the Corporation.

5. DIVIDEND RIGHTS. Each share of Excess Stock shall be entitled to the same dividends and distributions (as to both timing and amount) as may be declared by the Board of Directors with respect to shares of Common Stock. The Trustee, as record holder of the shares of Excess Stock, shall be entitled to receive all dividends and distributions and shall hold all such dividends or distributions in trust for the benefit of the Beneficiary. The Prohibited Owner with respect to such shares of Excess Stock shall repay to the Trust the amount of any dividends or distributions received by it (i) that are attributable to any shares of Equity Stock that have been converted into shares of Excess Stock and (ii) the record date of which was on or after the date that such shares were converted into shares of Excess Stock. The Corporation shall take all measures that it determines reasonably necessary to recover the amount of any such dividend or distribution paid to a Prohibited Owner, including, if necessary, withholding any portion of future dividends or distributions payable on shares of Equity Stock Beneficially Owned by the Person who, but for the provisions of this Article IV, would Constructively Own or Beneficially Own the shares of Equity Stock that were converted into shares of Excess Stock; and, as soon as reasonably practicable following the Corporation's receipt or withholding thereof, shall pay over to the Trust for the benefit of the Beneficiary the dividends so received or withheld, as the case may be.

6. RIGHTS UPON LIQUIDATION. In the event of any voluntary or involuntary liquidation of, or winding up of, or any distribution of the assets of, the Corporation, each holder of shares of Excess Stock shall be entitled to receive, ratably with each other holder of shares of Common Stock and Excess Stock, that portion of the assets of the Corporation that is available for distribution to the holders of Common Stock and Excess Stock. The Trust shall distribute to the Prohibited Owner the amounts received upon such liquidation, dissolution, or winding up, or distribution; PROVIDED, HOWEVER, that the Prohibited Owner shall not be entitled to receive amounts in excess of, in the case of a purported Transfer in which the Prohibited Owner gave value for shares of Equity Stock and which Transfer resulted in the conversion of the shares into shares of Excess Stock, the product of (x) the price per share, if any, such Prohibited Owner paid for the shares of Equity Stock and (y) the number of shares of Equity Stock which were so converted into Excess Stock, and, in the case of a Non-Transfer Event or purported Transfer in which the Prohibited Owner did not give value for such shares (E.G., if the shares were received through a gift or devise) and which Non-Transfer Event or purported Transfer, as the case may be, resulted in the conversion of the shares into shares of Excess Stock, the product of (x) the price per share equal to the Market Price on the date of such Non-Transfer Event or purported Transfer and (y) the number of shares of Equity Stock which were so converted into Excess Stock. Any remaining amount in such Trust shall be distributed to the Beneficiary.

7. VOTING RIGHTS. Each share of Excess Stock shall entitle the holder to no voting rights other than those voting rights which accompany a class of capital stock under Delaware law. The Trustee, as record holder of the Excess Stock, shall be entitled to vote all shares of Excess Stock. Any vote by a Prohibited Owner as a purported holder of shares of Equity Stock prior to the discovery by the Corporation that such shares of Equity Stock have been converted into shares of Excess Stock shall, subject to applicable law, be rescinded and shall be void AB INITIO with respect to such shares of Excess Stock.

8. DESIGNATION OF PERMITTED TRANSFEREE.

(a) As soon as practicable after the Trustee acquires Excess Stock, but in an orderly fashion so as not to materially adversely affect the trading price of Common Stock, the Trustee shall designate one or more Persons as Permitted Transferees and sell to such Permitted Transferees any shares of Excess Stock held by the Trustee; PROVIDED, HOWEVER, that (i) any Permitted Transferee so designated purchases for valuable consideration (whether in a public or private sale) the shares of Excess Stock and (ii) any Permitted Transferee so designated may acquire such shares of Excess Stock without violating any of the restrictions set forth in Section (C)(2) of this Article IV and without such acquisition resulting in the conversion of the shares of Equity Stock so acquired into shares of Excess Stock and the transfer of such shares to a Trust pursuant to Sections (D)(1) and (D)(4) of this Article IV. The Trustee shall have the exclusive and absolute right to designate Permitted Transferees of any and all shares of Excess Stock. Prior to any transfer by the Trustee of shares of Excess Stock to a Permitted Transferee, the Trustee shall give not less than five Trading Days prior written notice to the Corporation of such intended transfer and the Corporation must have waived in writing its purchase rights under Section (D)(10) of this Article IV.

(b) Upon the designation by the Trustee of a Permitted Transferee in accordance with the provisions of this Section (D)(8), the Trustee shall cause to be transferred to the Permitted Transferee shares of Excess Stock acquired by the Trustee pursuant to Section (D)(4) of this Article IV. Upon such transfer of shares of Excess Stock to the Permitted Transferee, such shares of Excess Stock shall be automatically converted into an equal number of shares of Equity Stock of the same class and series from which such Excess Stock was converted. Upon the occurrence of such a conversion of shares of Excess Stock into an equal number of shares of Equity Stock, such shares of Excess Stock shall be automatically retired and canceled, without any action required by the Board of Directors of the Corporation, and shall thereupon be restored to the status of authorized but unissued shares of Excess Stock and may be reissued by the Corporation as Excess Stock. The Trustee shall (i) cause to be recorded on the stock transfer books of the Corporation that the Permitted Transferee is the holder of record of such number of shares of Equity Stock, and (ii) distribute to the Beneficiary any and all amounts held with respect to such shares of Excess Stock after making payment to the Prohibited Owner pursuant to Section (D)(9) of this Article IV.

(c) If the Transfer of shares of Excess Stock to a purported Permitted Transferee would or does violate any of the transfer restrictions set forth in Section (C)(2) of this Article IV, such Transfer shall be void AB INITIO as to that number of shares of Excess Stock that cause the violation of any such restriction when such shares are converted into shares of Equity Stock (as described in clause (b) above) and the purported Permitted Transferee shall be deemed to be a Prohibited Owner and shall acquire no rights in such shares of Excess Stock or Equity Stock. Such shares of Equity Stock shall be automatically re-converted into Excess Stock and transferred to the Trust from which they were originally Transferred. Such conversion and transfer to the Trust shall be effective as of the close of trading on the Trading Day prior to the date of the Transfer to the purported Permitted Transferee and the provisions of this Article IV shall apply to such shares, including, without limitation, the provisions of Sections (D)(8) through (D)(10) with respect to any future Transfer of such shares by the Trust.

9. COMPENSATION TO RECORD HOLDER OF SHARES OF EQUITY STOCK THAT ARE CONVERTED INTO SHARES OF EXCESS STOCK. Any Prohibited Owner shall be entitled (following acquisition of the shares of Excess Stock and subsequent designation of and sale of Excess Stock to a Permitted Transferee in accordance with Section (D)(8) of this Article IV or following the acceptance of the offer to purchase such shares in accordance with Section (D)(10) of this Article IV) to receive from the Trustee following the sale or other disposition of such shares of Excess Stock the lesser of (i) (a) in the case of a purported Transfer in which the Prohibited Owner gave value for shares of Equity Stock and which Transfer resulted in the conversion of such shares into shares of Excess Stock, the product of (x) the price per share, if any, such Prohibited Owner paid for the shares of Equity Stock and (y) the number of shares of Equity Stock which were so converted into Excess Stock and (b) in the case of a Non-Transfer Event or purported Transfer in which the Prohibited Owner did not give value for such shares (E.G., if the shares were received through a gift or devise) and which Non-Transfer Event or purported Transfer, as the case may be, resulted in the conversion of such shares into shares of Excess Stock, the product of (x) the price per share equal to the Market Price on the date of such Non-Transfer Event or purported Transfer and (y) the number of shares of Equity Stock which were so converted into Excess Stock or (ii) the proceeds received by the Trustee from the sale or other disposition of such shares of Excess Stock in accordance with Section (D)(8) or Section (D)(10) of this Article IV. Any amounts received by the Trustee in respect of such shares of Excess Stock and in excess of such amounts to be paid to the Prohibited Owner pursuant to this Section (D)(9) shall be distributed to the Beneficiary in accordance with the provisions of Section (D)(8) of this Article IV. Each Beneficiary and Prohibited Owner shall waive any and all claims that it may have against the Trustee and the Trust arising out of the disposition of shares of Excess Stock, except for claims arising out of the gross negligence or willful misconduct of, or any failure to make payments in accordance with this Section (D) of this Article IV by such Trustee.

10. PURCHASE RIGHT IN EXCESS STOCK. Shares of Excess Stock shall be deemed to have been offered for sale to the Corporation or its designee, at a price per share equal to the lesser of (i) the price per share in the transaction that created such shares of

Excess Stock (or, in the case of a Non-Transfer Event or Transfer in which the Prohibited Owner did not give value for the shares (E.G., if the shares were received through a gift or devise), the Market Price on the date of such Non-Transfer Event or Transfer in which the Prohibited Owner did not give value for the shares) or (ii) the Market Price on the date the Corporation, or its designee, accepts such offer. The Corporation shall have the right to accept such offer for a period of 90 days following the later of (a) the date of the Non-Transfer Event or purported Transfer which results in such shares of Excess Stock or (b) the date the Board of Directors first determined that a Transfer or Non-Transfer Event resulting in shares of Excess Stock has occurred, if the Corporation does not receive a notice of such Transfer or Non-Transfer Event pursuant to Section (D)(3) of this Article IV.

E. PREEMPTIVE RIGHTS. No holder of shares of any class or series of capital stock shall as such holder have any preemptive or preferential right to purchase or subscribe to (i) any shares of any class or series of capital stock of the Corporation, whether now or hereafter authorized, (ii) any warrants, rights or options to purchase any such capital stock or (iii) any obligations convertible into any such capital stock or into warrants, rights or options to purchase any such capital stock.

F. REMEDIES NOT LIMITED. Except as set forth in Section (C)(5) of this Article IV, nothing contained in this Article IV shall limit the authority of the Corporation to take such other action as it deems necessary or advisable to protect the Corporation and the interests of its stockholders by preservation of the Corporation's status as a REIT and to ensure compliance with the Ownership Limit, the Look-Through Ownership Limit and the Related Party Limit.

G. AMBIGUITY. In the case of an ambiguity in the application of any of the provisions of this Article IV, including any definition contained in Section (C)(1) of this Article IV, the Board of Directors shall have the power to determine the application of the provisions of this Article IV with respect to any situation based on the facts known to it.

H. LEGEND. Each certificate for shares of Equity Stock shall bear the following legend:

"The shares of Boston Properties, Inc. (the "Corporation") represented by this certificate are subject to restrictions set forth in the Corporation's Certificate of Incorporation which prohibit in general (a) any Person (other than a Related Party or a Look-Through Entity) from Beneficially Owning shares of Equity Stock in excess of the Ownership Limit, (b) any L-Related Party from Beneficially Owning shares of Equity Stock which, when aggregated with the shares of Equity Stock Beneficially Owned by all other L-Related Parties, are in excess of the Related Party Limit, (c) any Z-Related Party from Beneficially Owning shares of Equity Stock which, when aggregated with the shares of Equity

Stock Beneficially Owned by all other Z-Related Parties, are in excess of the Related Party Limit, (d) any Look-Through Entity from Beneficially Owning shares of Equity Stock in excess of the Look-Through Ownership Limit and (e) any Person from acquiring or maintaining any ownership interest in the stock of the Corporation that is inconsistent with (i) the requirements of the Code pertaining to real estate investment trusts or (ii) the Certificate of Incorporation of the Corporation, and the holder of this certificate by his acceptance hereof consents to be bound by such restrictions. Capitalized terms used in this paragraph and not defined herein are defined in the Corporation's Certificate of Incorporation.

The Corporation will furnish without charge, to each stockholder who so requests, a copy of the relevant provisions of the Certificate of Incorporation and By-laws of the Corporation, a copy of the provisions setting forth the designations, preferences, privileges and rights of each class of stock or series thereof that the Corporation is authorized to issue and the qualifications, limitations and restrictions of such preferences and/or rights. Any such request may be addressed to the Secretary of the Corporation or to the transfer agent named on the face hereof."

I. SEVERABILITY. Each provision of this Article IV shall be severable and an adverse determination as to any such provision shall in no way affect the validity of any other provision.

ARTICLE V

STOCKHOLDER ACTION

Any action required or permitted to be taken by stockholders of the Corporation at any annual or special meeting of stockholders of the Corporation must be effected at a duly called annual or special meeting of stockholders and may not be taken or effected by a written consent of stockholders in lieu thereof.

ARTICLE VI

DIRECTORS

A. GENERAL POWERS; ACTION BY COMMITTEE. (a) The property, affairs and business of the Corporation shall be managed by or under the direction of the Board of Directors and, except as otherwise expressly provided by law, the By-laws or this Certificate, all of the powers of the Corporation shall be vested in such Board. Any action which the

Board of Directors is empowered to take may be taken on behalf of the Board of Directors by a duly authorized committee thereof except (i) to the extent limited by Delaware law, this Certificate or the By-laws and (ii) for any action which requires the affirmative vote or approval of a majority or a supermajority of the Directors then in office (unless, in such case, this Certificate or the By-laws specifically provides that a duly authorized Committee can take such action on behalf of the Board of Directors). A majority of the Board of Directors shall constitute a quorum and, except as provided in paragraph (b) of this Section (A), the affirmative vote of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

(b) Notwithstanding the foregoing or any other provision of this Certificate of Incorporation, the affirmative vote of more than 75% of the directors then in office (the "REQUIRED DIRECTORS") shall be required to approve the actions set forth in clauses (i) through (viii) below and any such action shall not be effective unless approved by the vote of the Required Directors:

(i) a Change of Control (as hereinafter defined) of the Corporation or the Operating Partnership;

(ii) any amendment to the limited partnership agreement of the Operating Partnership;

(iii) any waiver or modification of the Ownership Limit, the Related Party Limit or the Look-Through Ownership Limit;

(iv) any merger, consolidation or sale of all or substantially all of the assets of the Corporation or the Operating Partnership;

(v) the issuance of any Equity Securities of the Corporation or any securities convertible into or exchangeable or exercisable for any Equity Securities of the Corporation, PROVIDED THAT the affirmative vote of the Required Directors shall not be required with respect to the issuance of Equity Securities (a) pursuant to any stock incentive plan or employee bonus or compensation arrangement, (b) in a bona fide underwritten public offering managed by one or more nationally recognized investment banking firms, (c) in exchange for Units presented to the Operating Partnership for redemption pursuant to the Operating Partnership Agreement or (d) to a Look-Through Entity that would not violate the Look-Through Ownership Limit following such issuance;

(vi) for the Corporation to take title to assets (other than temporarily in connection with an acquisition prior to contributing such assets to the Operating Partnership), or to conduct business other than through the Operating Partnership, or for the Corporation or the Operating Partnership to engage in any business other than

the ownership, construction, development, management and operation of commercial real estate properties;

(vii) for the Corporation or the Operating Partnership to make a general assignment for the benefit of creditors or to institute any proceedings in bankruptcy or for the liquidation, dissolution, reorganization or winding up of the Corporation or the Operating Partnership or to consent to the taking of any such action against the Corporation or the Operating Partnership;

(viii) to terminate the Corporation's status as a real estate investment trust for federal income tax purposes; and

(ix) to recommend to the stockholders that this Certificate or a provision of this Certificate be amended or repealed.

(c) Except as defined below, capitalized terms in this Section (A) have the meanings specified in Section (C)(1) of Article IV. For purposes of this Section (A):

(i) "CHANGE OF CONTROL" of (A) the Corporation shall mean any transaction or series of related transactions (whether by purchase of existing shares of Common Stock or Units, merger, consolidation or otherwise, but not including the issuance of newly issued shares of Common Stock by the Corporation or of Units by the Operating Partnership following a capital contribution by the Corporation in response to such issuance by the Corporation), to which the Corporation is a party or the Corporation's consent or approval is required, the result of which is that either (1) any Person or Group other than the Related Parties becomes the Beneficial Owner, directly or indirectly, of 25% or more of the total voting power in the aggregate of all classes of capital stock of the Corporation then outstanding normally entitled to vote in the election of directors of the Corporation (or any surviving entity) (including in such calculation the shares of capital stock such Person or Group would receive if any Units owned by such Person or Group were presented for redemption and acquired by the Corporation for shares of capital stock) or (2) the Beneficial Owners of the capital stock of the Corporation normally entitled to vote in the election of directors immediately prior to the transaction or series of related transactions beneficially own less than 75% of the total voting power in the aggregate of all classes of capital stock of the Corporation then outstanding normally entitled to vote in the election of directors of the Corporation (or any surviving entity) immediately after such transaction or transactions (including in such calculation the shares of capital stock such Beneficial Owners would receive if any Units owned by such Beneficial Owners were presented for redemption and acquired by the Company for shares of capital stock); or (B) the Operating Partnership shall mean (i) any sale, transfer or other conveyance (whether by merger or consolidation of the Corporation or otherwise) by the Corporation of the general partnership interest in the Operating Partnership, except such transfers permitted under Section _____ of the Operating Partnership Agreement, (ii) any transaction or series of

related transactions (whether by purchase of existing Units, issuance of Units (other than as a result of a capital contribution by the Corporation following an issuance of shares of Equity Stock), merger, consolidation or otherwise), to which the Operating Partnership is a party or the consent or approval of the Corporation is required, the result of which is that either (1) any Person or Group other than the Related Parties becomes the Beneficial Owner, directly or indirectly, of Units which represent 25% or more of the total percentage of limited partnership interests therein or (2) the Beneficial Owners of limited partnership interests therein immediately prior to the transaction beneficially own less than 75% of the total percentage of limited partnership interests therein then outstanding immediately after such transaction or series of related transactions.

(ii) "PERSON" shall have the same meaning as such term has for purposes of Sections 13(d) and 14(d) of the Exchange Act.

(iii) "GROUP" shall have the same meaning as such term has for purposes of Sections 13(d) and 14(d) of the Exchange Act.

(iv) "BENEFICIAL OWNER" shall have the same meaning as such term has for purposes of Rule 13d-3 promulgated under the Exchange Act, except that a Person shall be deemed to have beneficial ownership of all shares that a Person has the right to acquire, whether or not such right is immediately exercisable. "BENEFICIALLY OWNS" and "BENEFICIALLY OWNED" shall have the correlative meanings.

(v) "UNITS" shall mean the units into which partnership interests in the Operating Partnership are divided, and as the same may be adjusted, as provided in the limited partnership agreement of the Operating Partnership (the "Operating Partnership Agreement").

C. ELECTION OF DIRECTORS. Election of directors need not be by written ballot unless the By-laws of the Corporation shall so provide.

D. NUMBER AND TERMS OF DIRECTORS. The Corporation shall have a Board of Directors initially consisting of five (5) directors. Thereafter, the number of directors shall be fixed by resolution duly adopted from time to time by the Board of Directors; PROVIDED, HOWEVER, that in no event shall the number of directors exceed eleven (11) or be less than the minimum number required by the DGCL. A director need not be a stockholder of the Corporation.

The directors shall be classified, with respect to the term for which they severally hold office, into three classes, as nearly equal in number as possible. The initial Class I Directors of the Corporation shall be _____; the initial Class II Directors of the Corporation shall be _____; and the initial Class III Directors of the Corporation shall be _____. The initial Class I Directors

shall serve for a term expiring at the annual meeting of stockholders to be held in 1998; the initial Class II Directors shall serve for a term expiring at the annual meeting of stockholders to be held in 1999; and the initial Class III Directors shall serve for a term expiring at the annual meeting of stockholders to be held in 2000. At each annual meeting of stockholders, the successor or successors of the class of directors whose term expires at that meeting shall be elected by a plurality of the votes of the shares present in person or represented by proxy at such meeting and entitled to vote on the election of directors, and shall hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election. The directors elected to each class shall hold office until their successors are duly elected and qualified or until their earlier resignation or removal.

Notwithstanding the foregoing, whenever, pursuant to the provisions of Article IV of this Certificate, the holders of any one or more series of Preferred Stock shall have the right, voting separately as a series or together with holders of other such series, to elect directors at an annual or special meeting of stockholders, the election, term of office, filling of vacancies and other features of such directorships shall be governed by the terms of this Certificate and any certificates of designation applicable thereto, and such directors so elected shall not be divided into classes pursuant to this Section (C).

During any period when the holders of any series of Preferred Stock have the right to elect additional directors as provided for or fixed pursuant to the provisions of Article IV of this Certificate, then upon commencement and for the duration of the period during which such right continues: (a) the then otherwise total authorized number of directors of the Corporation shall automatically be increased by such specified number of directors, and the holders of such Preferred Stock shall be entitled to elect the additional directors so provided for or fixed pursuant to said provisions and (b) each such additional director shall serve until such director's successor shall have been duly elected and qualified, or until such director's right to hold such office terminates pursuant to said provisions, whichever occurs earlier, subject to such director's earlier death, disqualification, resignation or removal. Except as otherwise provided by the Board in the resolution or resolutions establishing such series, whenever the holders of any series of Preferred Stock having such right to elect additional directors are divested of such right pursuant to the provisions of such stock, the terms of office of all such additional directors elected by the holders of such stock, or elected to fill any vacancies resulting from the death, resignation, disqualification or removal of such additional directors, shall forthwith terminate and the total authorized number of directors of the Corporation shall be reduced accordingly.

E. REMOVAL OF DIRECTORS. Subject to the rights, if any, of the holders of any series of Preferred Stock to elect directors and to remove any director whom such holders have the right to elect, any director (including persons elected by directors to fill vacancies in the Board of Directors) may be removed from office (a) only with cause and (b) only by the affirmative vote of the holders of at least 75% of the shares then entitled to vote at a meeting of the stockholders called for that purpose. At least 30 days prior to any meeting of stockholders at which it is proposed that any director be removed from office, written notice of

such proposed removal shall be sent to the director whose removal will be considered at the meeting. For purposes of this Certificate, "cause," with respect to the removal of any director, shall mean only (i) conviction of a felony, (ii) declaration of unsound mind by order of a court, (iii) gross dereliction of duty, (iv) commission of any act involving moral turpitude or (v) commission of an act that constitutes intentional misconduct or a knowing violation of law if such action in either event results both in an improper substantial personal benefit to such director and a material injury to the Corporation.

F. VACANCIES. Subject to the rights, if any, of the holders of any series of Preferred Stock to elect directors and to fill vacancies in the Board of Directors relating thereto, any and all vacancies in the Board of Directors, however occurring, including, without limitation, by reason of an increase in size of the Board of Directors, or the death, resignation, disqualification or removal of a director, shall be filled solely by the affirmative vote of a majority of the remaining directors then in office, even if less than a quorum of the Board of Directors. Any director appointed in accordance with the preceding sentence shall hold office for the remainder of the full term of the class of directors in which the new directorship was created or the vacancy occurred and until such director's successor shall have been duly elected and qualified or until such director's earlier resignation or removal. Subject to the rights, if any, of the holders of any series of Preferred Stock, when the number of directors is increased or decreased, the Board of Directors shall determine the class or classes to which the increased or decreased number of directors shall be apportioned; PROVIDED, HOWEVER, that no decrease in the number of directors shall shorten the term of any incumbent director. In the event of a vacancy in the Board of Directors, the remaining directors, except as otherwise provided by law, may exercise the powers of the full Board of Directors until such vacancy is filled.

ARTICLE VII

LIMITATION OF LIABILITY

A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (a) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (b) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (c) under Section 174 of the DGCL or (d) for any transaction from which the director derived an improper personal benefit. If the DGCL is amended after the effective date of this Certificate to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the DGCL, as so amended.

Any repeal or modification of this Article VII by either (i) the stockholders of the Corporation or (ii) an amendment to the DGCL shall not adversely affect any right or protection existing at the time of such repeal or modification with respect to any acts or

omissions occurring before such repeal or modification of a person who has served as a director prior to, or is then serving as a director at the time of, such repeal or modification.

ARTICLE VIII

MAINTENANCE OF REIT STATUS

For so long as the Board of Directors deems the maintenance of REIT status to be in the best interests of the Corporation, the Corporation shall seek to satisfy the requirements for qualification as a REIT under the Code, including, but not limited to, the ownership of its outstanding stock, the nature of its assets, the sources of its income, and the amount and timing of its distributions to its stockholders.

ARTICLE IX

AMENDMENT OF BYLAWS

A. AMENDMENT BY DIRECTORS. Except as otherwise provided by law, the By-laws of the Corporation may be amended or repealed by the Board of Directors by the affirmative vote of a majority of the directors then in office.

B. AMENDMENT BY STOCKHOLDERS. The By-laws of the Corporation may be amended or repealed at any annual meeting of stockholders, or at any special meeting of stockholders called for such purpose, by the affirmative vote of at least 75% of the outstanding shares of capital stock of the Corporation entitled to vote on such amendment or repeal, voting together as a single class; PROVIDED, HOWEVER, that if the Board of Directors recommends that stockholders approve such amendment or repeal at such meeting of stockholders, such amendment or repeal shall only require the affirmative vote of the majority of the shares present in person or represented by proxy at such meeting and entitled to vote on such amendment or repeal, voting together as a single class.

ARTICLE X

AMENDMENT OF CERTIFICATE OF INCORPORATION

The Corporation reserves the right to amend or repeal this Certificate in the manner now or hereafter prescribed by statute and this Certificate, and all rights conferred upon stockholders herein are granted subject to this reservation.

No amendment or repeal of this Certificate shall be made unless the same is first approved by the Board of Directors pursuant to a resolution adopted by the Board of Directors in accordance with Section 242 of the DGCL, and, except as otherwise provided by law, thereafter approved by the stockholders. Whenever any vote of the holders of voting stock is required to amend or repeal any provision of this Certificate, then in addition to any other vote

of the holders of voting stock that is required by this Certificate or by law, the affirmative vote of two-thirds of the outstanding shares of capital stock of the Corporation entitled to vote on such amendment or repeal, voting together as a single class, and the affirmative vote of two-thirds of the outstanding shares of each class entitled to vote thereon as a class, shall be required to amend or repeal any provision of this Certificate (except that in each case only a majority rather than two-thirds shall be needed if the Board of Directors recommends that stockholders approve such amendment or repeal); PROVIDED, HOWEVER, that the affirmative vote of not less than 75% of the outstanding shares entitled to vote on such amendment or repeal, voting together as a single class, and the affirmative vote of not less than 75% of the outstanding shares of each class entitled to vote thereon as a class, shall be required to amend or repeal any of the provisions of Article V, Article VI, Article VII, Article IX or Article X of this Certificate.

Form of Amended and Restated By-laws of
Boston Properties, Inc.

AMENDED AND RESTATED
BY-LAWS
OF
BOSTON PROPERTIES, INC.

ARTICLE I

DEFINITIONS

For purposes of these By-laws, the following words shall have the meanings set forth below:

(a) "AFFILIATE" of a Person shall mean (i) any Person that, directly or indirectly, controls or is controlled by or is under common control with such other Person, (ii) any Person that owns, beneficially, directly or indirectly, 5% or more of the outstanding capital stock, shares or equity interests of such other Person or (iii) any officer, director, employee, partner or trustee of such other Person or any Person controlling, controlled by or under common control with such Person (excluding directors and Persons serving in similar capacities who are not otherwise Affiliates of such Person). For the purposes of this definition, the term "Person" shall mean, and includes, any natural person, corporation, partnership, association, trust, limited liability company or any other legal entity. For the purposes of this definition, "control" (including the correlative meanings of the terms "controlled by" and "under common control with"), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, through the ownership of voting securities, partnership interests or other equity interests.

(b) "CERTIFICATE" shall mean the Certificate of Incorporation of the Corporation, as amended from time to time.

(c) "CORPORATION" shall mean Boston Properties, Inc.

(d) "DGCL" shall mean the Delaware General Corporation Law, as amended from time to time.

(e) "EQUITY STOCK" shall mean the common stock, par value \$.01 per share, and the preferred stock, par value \$.01 per share of the Corporation.

(f) "PUBLIC ANNOUNCEMENT" shall mean: (i) disclosure in a press release reported by the Dow Jones News Service, Associated Press or other similar national news service, (ii) a report or other document filed publicly with the Securities and Exchange

Commission (including, without limitation, a Form 8-K) or (iii) a letter or report sent to stockholders of record of the Corporation at the time of the mailing of such letter or report.

ARTICLE II

MEETINGS OF STOCKHOLDERS

2.1 PLACES OF MEETINGS. All meetings of the stockholders shall be held at such place, either within or without the State of Delaware, as from time to time may be fixed by the majority of the Board of Directors, the Chairman of the Board, if one is elected, or the President, which place may subsequently be changed at any time by vote of the Board of Directors.

2.2 ANNUAL MEETINGS. The annual meeting of the stockholders, for the election of directors and transaction of such other business as may come properly before the meeting, shall be held at such date and time as shall be determined by a majority of the Board of Directors, the Chairman of the Board, if one is elected, or the President, which date and time may subsequently be changed at any time by vote of the Board of Directors. If no annual meeting has been held for a period of thirteen months after the Corporation's last annual meeting of stockholders, a special meeting in lieu thereof may be held, and such special meeting shall have, for the purposes of these By-laws or otherwise, all the force and effect of an annual meeting. Any and all references hereafter in these By-laws to an annual meeting or annual meetings also shall be deemed to refer to any special meeting(s) in lieu thereof.

At any annual meeting of stockholders or any special meeting in lieu of annual meeting of stockholders, only such business shall be conducted, and only such proposals shall be acted upon, as shall have been properly brought before such annual meeting. To be considered as properly brought before an annual meeting, business must be: (a) specified in the notice of meeting, (b) otherwise properly brought before the meeting by, or at the direction of, the Board of Directors, or (c) otherwise properly brought before the meeting by any holder of record (both as of the time notice of such proposal is given by the stockholder as set forth below and as of the record date for the annual meeting in question) of any shares of capital stock of the Corporation entitled to vote at such annual meeting who complies with the requirements set forth in Section 2.9.

2.3 SPECIAL MEETINGS. Except as otherwise required by law and subject to the rights, if any, of the holders of any series of preferred stock of the Corporation, special meetings of the stockholders may be called only by the Board of Directors pursuant to a resolution approved by the affirmative vote of a majority of the directors then in office. Only those matters set forth in the notice of the special meeting may be considered or acted upon at a special meeting of stockholders of the Corporation, unless otherwise provided by law.

2.4 NOTICE OF MEETINGS; ADJOURNMENTS. A written notice of each annual meeting stating the hour, date and place of such annual meeting shall be given by the

Secretary or an Assistant Secretary of the Corporation (or other person authorized by these By-laws or by law) not less than 10 days nor more than 60 days before the annual meeting, to each stockholder entitled to vote thereat and to each stockholder who, by law or under the Certificate or under these By-laws, is entitled to such notice, by delivering such notice to him or her or by mailing it, postage prepaid, addressed to such stockholder at the address of such stockholder as it appears on the stock transfer books of the Corporation. Such notice shall be deemed to be delivered when hand-delivered to such address or deposited in the mail so addressed, with postage prepaid.

Notice of all special meetings of stockholders shall be given in the same manner as provided for annual meetings, except that the written notice of all special meetings shall state the purpose or purposes for which the meeting has been called.

Notice of an annual meeting or special meeting of stockholders need not be given to a stockholder if a written waiver of notice is signed before or after such meeting by such stockholder or if such stockholder attends such meeting, unless such attendance was for the express purpose of objecting at the beginning of the meeting to the transaction of any business because the meeting was not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any annual meeting or special meeting of stockholders need be specified in any written waiver of notice.

The Board of Directors may postpone and reschedule any previously scheduled annual meeting or special meeting of stockholders and any record date with respect thereto, regardless of whether any notice or public disclosure with respect to any such meeting has been sent or made pursuant to this Section 2.4 or otherwise. In no event shall the Public Announcement of an adjournment, postponement or rescheduling of any previously scheduled meeting of stockholders commence a new time period for the giving of a stockholder's notice under Section 2.9 of these By-laws.

When any meeting is convened, the presiding officer of the meeting may adjourn the meeting if (a) no quorum is present for the transaction of business, (b) the Board of Directors determines that adjournment is necessary or appropriate to enable the stockholders to consider fully information that the Board of Directors determines has not been made sufficiently or timely available to stockholders or (c) the Board of Directors determines that adjournment is otherwise in the best interests of the Corporation. When any annual meeting or special meeting of stockholders is adjourned to another hour, date or place, notice need not be given of the adjourned meeting, other than an announcement at the meeting at which the adjournment is taken, of the hour, date and place to which the meeting is adjourned; PROVIDED, HOWEVER, that if the adjournment is for more than 30 days, or if after the adjournment a new record date is fixed for the adjourned meeting, notice of the adjourned meeting shall be given to each stockholder of record entitled to vote thereat and each stockholder who, by law or under the Certificate or under these By-laws, is entitled to such notice.

2.5 QUORUM. Except as otherwise required by the Certificate or law, any number of stockholders together holding at least a majority of the outstanding shares of capital stock entitled to vote with respect to the business to be transacted, who shall be present in person or represented by proxy at any meeting duly called, shall constitute a quorum for the transaction of business. Where a separate vote by a class or classes is required, a majority of the outstanding shares of such class or classes, present in person or represented by proxy, shall constitute a quorum entitled to take action with respect to that matter. If less than a quorum shall be in attendance at the time for which a meeting shall have been called, the holders of voting stock representing a majority of the voting power present at the meeting or represented by proxy or the presiding officer may adjourn the meeting from time to time, and the meeting may be held as adjourned without further notice. At such adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the meeting as originally noticed. The stockholders present at a duly constituted meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum.

2.6 VOTING AND PROXIES. Stockholders shall have one vote for each share of stock entitled to vote owned by them of record according to the stock transfer books of the Corporation, unless otherwise provided by law or by the Certificate. Stockholders may vote either in person or by written proxy, but no proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. Proxies shall be filed with the Secretary of the meeting before being voted. Except as otherwise limited therein or as otherwise provided by law, proxies authorizing a person to vote at a specific meeting shall entitle the persons authorized thereby to vote at any adjournment of such meeting, but they shall not be valid after final adjournment of such meeting. A proxy with respect to stock held in the name of two or more persons shall be valid if executed by or on behalf of any one of them unless at or prior to the exercise of the proxy the Corporation receives a specific written notice to the contrary from any one of them. A proxy purporting to be executed by or on behalf of a stockholder shall be deemed valid, and the burden of proving invalidity shall rest on the challenger.

2.7 ACTION AT MEETING. When a quorum is present, any matter before any meeting of stockholders shall be decided by the affirmative vote of the majority of shares present in person or represented by proxy at such meeting and entitled to vote on such matter, except where a larger vote is required by law, by the Certificate or by these By-laws. Where a separate vote by a class or classes is required, the affirmative vote of the majority of shares of such class or classes present in person or represented by proxy at the meeting shall be the act of such class. Any election by stockholders shall be determined by a plurality of the votes of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors, except where a larger vote is required by law, by the Certificate or by these By-laws. The Corporation shall not directly or indirectly vote any shares of its own stock; PROVIDED, HOWEVER, that the Corporation may vote shares which it holds in a fiduciary capacity to the extent permitted by law.

2.8 STOCKHOLDER LIST. The officer or agent having charge of the stock transfer books of the Corporation shall make, at least 10 days before every annual meeting or special meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting or any adjournment thereof, in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least 10 days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the hour, date and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

2.9 STOCKHOLDER PROPOSALS. In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a stockholder of record (both as of the time notice of such proposal is given by the stockholder as set forth below and as of the record date for the annual meeting in question) of any shares of capital stock entitled to vote at such annual meeting, such stockholder shall: (i) give timely written notice as required by this Section 2.9 to the Secretary of the Corporation and (ii) be present at such meeting, either in person or by a representative. For the first annual meeting following the initial public offering of the common stock of the Corporation, a stockholder's notice shall be timely if delivered to, or mailed to and received by, the Corporation at its principal executive office not later than the close of business on the later of (x) the 75th day prior to the scheduled date of such annual meeting or (y) the 15th day following the day on which the Public Announcement of the date of such annual meeting is first made by the Corporation. For all subsequent annual meetings, a stockholder's notice shall be timely if delivered to, or mailed to and received by, the Corporation at its principal executive office not less than 75 days nor more than 120 days prior to the anniversary date of the immediately preceding annual meeting (the "Anniversary Date"); PROVIDED, HOWEVER, that in the event the annual meeting is scheduled to be held on a date more than 30 days before the Anniversary Date or more than 60 days after the Anniversary Date, a stockholder's notice shall be timely if delivered to, or mailed to and received by, the Corporation at its principal executive office not later than the close of business on the later of (1) the 75th day prior to the scheduled date of such annual meeting or (2) the 15th day following the day on which Public Announcement of the date of such annual meeting is first made by the Corporation.

A stockholder's notice to the Secretary of the Corporation shall set forth as to each matter proposed to be brought before an annual meeting: (i) a brief description of the business the stockholder desires to bring before such annual meeting and the reasons for conducting such business at such annual meeting, (ii) the name and address, as they appear on the stock transfer books of the Corporation, of the stockholder proposing such business, (iii) the class and number of shares of the capital stock of the Corporation beneficially owned by the stockholder proposing such business, (iv) the names and addresses of the beneficial owners, if any, of any capital stock of the Corporation registered in such stockholder's name on such books, and the class and number of shares of the capital stock of the Corporation beneficially

owned by such beneficial owners, (v) the names and addresses of other stockholders known by the stockholder proposing such business to support such proposal, and the class and number of shares of the capital stock of the Corporation beneficially owned by such other stockholders and (vi) any material interest of the stockholder proposing to bring such business before such meeting (or any other stockholders known to be supporting such proposal) in such proposal.

If the Board of Directors or a designated committee thereof determines that any stockholder proposal was not made in a timely fashion in accordance with the provisions of this Section 2.9 or that the information provided in a stockholder's notice does not satisfy the information requirements of this Section 2.9 in any material respect, such proposal shall not be presented for action at the annual meeting in question. If neither the Board of Directors nor such committee makes a determination as to the validity of any stockholder proposal in the manner set forth above, the presiding officer of the annual meeting shall determine whether the stockholder proposal was made in accordance with the terms of this Section 2.9. If the presiding officer determines that any stockholder proposal was not made in a timely fashion in accordance with the provisions of this Section 2.9 or that the information provided in a stockholder's notice does not satisfy the information requirements of this Section 2.9 in any material respect, such proposal shall not be presented for action at the annual meeting in question. If the Board of Directors, a designated committee thereof or the presiding officer determines that a stockholder proposal was made in accordance with the requirements of this Section 2.9, the presiding officer shall so declare at the annual meeting and ballots shall be provided for use at the meeting with respect to such proposal.

Notwithstanding the foregoing provisions of this Section 2.9, a stockholder shall also comply with all applicable requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations thereunder with respect to the matters set forth in this Section 2.9, and nothing in this Section 2.9 shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act (or any successor provision thereof).

2.10 VOTING PROCEDURES AND INSPECTORS OF ELECTIONS. The Corporation shall, in advance of any meeting of stockholders, appoint one or more inspectors to act at the meeting and make a written report thereof. The Corporation may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting of stockholders, the presiding officer shall appoint one or more inspectors to act at the meeting. Any inspector may, but need not, be an officer, employee or agent of the Corporation. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. The inspectors shall perform such duties as are required by the DGCL, including the counting of all votes and ballots. The inspectors may appoint or retain other persons or entities to assist the inspectors in the performance of the duties of the inspectors. The presiding officer may review all determinations made by the inspectors, and in so doing the presiding officer shall be entitled to exercise his or her sole judgment and discretion and he or she shall not be bound by any

determinations made by the inspectors. All determinations by the inspectors and, if applicable, the presiding officer, shall be subject to further review by any court of competent jurisdiction.

2.11 PRESIDING OFFICER. The Chairman of the Board, if one is elected, or if not elected or in his or her absence, the President, shall preside at all annual meetings or special meetings of stockholders and shall have the power, among other things, to adjourn such meeting at any time and from time to time, subject to Sections 2.4 and 2.5 of this Article II. The order of business and all other matters of procedure at any meeting of the stockholders shall be determined by the presiding officer.

ARTICLE III

DIRECTORS

3.1 GENERAL POWERS. The property, affairs and business of the Corporation shall be managed by or under the direction of the Board of Directors and, except as otherwise expressly provided by law, the Certificate or these By-laws, all of the powers of the Corporation shall be vested in such Board.

3.2 NUMBER OF DIRECTORS. The number of directors shall be fixed by resolution duly adopted from time to time by the Board of Directors. The directors shall hold office in the manner provided in the Certificate.

3.3 ELECTION AND REMOVAL OF DIRECTORS; QUORUM.

(a) Directors shall be elected and removed in the manner provided for in Article VII of the Certificate.

(b) Vacancies in the Board of Directors shall be filled in the manner provided for in Article VII of the Certificate.

(c) At any meeting of the Board of Directors, a majority of the number of directors then in office shall constitute a quorum for the transaction of business. However, if less than a quorum is present at a meeting, a majority of the directors present may adjourn the meeting from time to time, and the meeting may be held as adjourned without further notice, except as provided in Section 3.6 of this Article III. Any business which might have been transacted at the meeting as originally noticed may be transacted at such adjourned meeting at which a quorum is present.

(d) No director need be a stockholder of the Corporation.

(e) A director may resign at any time by giving written notice to the Chairman of the Board, if one is elected, the President or the Secretary. A resignation shall be effective upon receipt, unless the resignation otherwise provides.

3.4 REGULAR MEETINGS. The regular annual meeting of the Board of Directors shall be held, without notice other than this Section 3.4, on the same date and at the same place as the annual meeting following the close of such meeting of stockholders. Other regular meetings of the Board of Directors may be held at such hour, date and place as the Board of Directors may by resolution from time to time determine without notice other than such resolution.

3.5 SPECIAL MEETINGS. Special meetings of the Board of Directors may be called, orally or in writing, by or at the request of a majority of the directors, the Chairman of the Board, if one is elected, or the President. The person calling any such special meeting of the Board of Directors may fix the hour, date and place thereof.

3.6 NOTICE OF MEETINGS. Notice of the hour, date and place of all special meetings of the Board of Directors shall be given to each director by the Secretary or an Assistant Secretary, or in case of the death, absence, incapacity or refusal of such persons, by the Chairman of the Board, if one is elected, or the President or such other officer designated by the Chairman of the Board, if one is elected, or the President. Notice of any special meeting of the Board of Directors shall be given to each director in person, by telephone, or by facsimile, telex, telecopy, telegram, or other written form of electronic communication, sent to his or her business or home address, at least 24 hours in advance of the meeting, or by written notice mailed to his or her business or home address, at least 48 hours in advance of the meeting. Such notice shall be deemed to be delivered when hand delivered to such address, read to such director by telephone, deposited in the mail so addressed, with postage thereon prepaid if mailed, dispatched or transmitted if faxed, telexed or telecopied, or when delivered to the telegraph company if sent by telegram.

When any Board of Directors meeting, either regular or special, is adjourned for 30 days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. It shall not be necessary to give any notice of the hour, date or place of any meeting adjourned for less than 30 days or of the business to be transacted thereat, other than an announcement at the meeting at which such adjournment is taken of the hour, date and place to which the meeting is adjourned.

A written waiver of notice signed before or after a meeting by a director and filed with the records of the meeting shall be deemed to be equivalent to notice of the meeting. The attendance of a director at a meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting at the beginning of the meeting to the transaction of any business because such meeting is not lawfully called or convened. Except as otherwise required by law, by the Certificate or by these By-laws, neither the business to be transacted at, nor the purpose of, any meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting.

3.7 NOMINATIONS. Nominations of candidates for election as directors of the Corporation at any annual meeting may be made only (a) by, or at the direction of, a majority

of the Board of Directors or (b) by any holder of record (both as of the time notice of such nomination is given by the stockholder as set forth below and as of the record date for the annual meeting in question) of any shares of the capital stock of the Corporation entitled to vote at such annual meeting who complies with the timing, informational and other requirements set forth in this Section 3.7. Any stockholder who has complied with the timing, informational and other requirements set forth in this Section 3.7 and who seeks to make such a nomination must be, or his, her or its representative must be, present in person at the annual meeting. Only persons nominated in accordance with the procedures set forth in this Section 3.7 shall be eligible for election as directors at an annual meeting.

Nominations, other than those made by, or at the direction of, the Board of Directors shall be made pursuant to timely notice in writing to the Secretary of the Corporation as set forth in this Section 3.7. For the first annual meeting following the initial public offering of the common stock of the Corporation, a stockholder's notice shall be timely if delivered to, or mailed to and received by, the Corporation at its principal executive office not later than the close of business on the later of (i) the 75th day prior to the scheduled date of such annual meeting or (ii) the 15th day following the day on which the Public Announcement of the date of such annual meeting is first made by the Corporation. For all subsequent annual meetings, a stockholder's notice shall be timely if delivered to, or mailed to and received by, the Corporation at its principal executive office not less than 75 days nor more than 120 days prior to the Anniversary Date; PROVIDED, HOWEVER, that in the event the annual meeting is scheduled to be held on a date more than 30 days before the Anniversary Date or more than 60 days after the Anniversary Date, a stockholder's notice shall be timely if delivered to, or mailed and received by, the Corporation at its principal executive office not later than the close of business on the later of (x) the 75th day prior to the scheduled date of such annual meeting or (y) the 15th day following the day on which Public Announcement of the date of such annual meeting is first made by the Corporation.

A stockholder's notice to the Secretary of the Corporation shall set forth as to each person whom the stockholder proposes to nominate for election or re-election as a director: (1) the name, age, business address and residence address of such person; (2) the principal occupation or employment of such person; (3) the class and number of shares of the capital stock of the Corporation which are beneficially owned by such person on the date of such stockholder notice; and (4) the consent of each nominee to serve as a director if elected. A stockholder's notice to the Secretary of the Corporation shall further set forth as to the stockholder giving such notice: (a) the name and address, as they appear on the stock transfer books of the Corporation, of such stockholder and of the beneficial owners (if any) of the capital stock of the Corporation registered in such stockholder's name and the name and address of other stockholders known by such stockholder to be supporting such nominee(s); (b) the class and number of shares of the capital stock of the Corporation which are held of record, beneficially owned or represented by proxy by such stockholder and by any other stockholders known by such stockholder to be supporting such nominee(s) on the record date for the annual meeting in question (if such date shall then have been made publicly available and shall be earlier than the date of such stockholder notice) and on the date of such

stockholder's notice; and (c) a description of all arrangements or understandings between such stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by such stockholder.

If the Board of Directors or a designated committee thereof determines that any stockholder nomination was not made in accordance with the terms of this Section 3.7 or that the information provided in a stockholder's notice does not satisfy the informational requirements of this Section 3.7 in any material respect, then such nomination shall not be considered at the annual meeting in question. If neither the Board of Directors nor such committee makes a determination as to whether a nomination was made in accordance with the provisions of this Section 3.7, the presiding officer of the annual meeting shall determine whether a nomination was made in accordance with such provisions. If the presiding officer determines that any stockholder nomination was not made in accordance with the terms of this Section 3.7 or that the information provided in a stockholder's notice does not satisfy the informational requirements of this Section 3.7 in any material respect, then such nomination shall not be considered at the annual meeting in question. If the Board of Directors, a designated committee thereof or the presiding officer determines that a nomination was made in accordance with the terms of this Section 3.7, the presiding officer shall so declare at the annual meeting and ballots shall be provided for use at the meeting with respect to such nominee.

Notwithstanding anything to the contrary in the second paragraph of this Section 3.7, in the event that the number of directors to be elected to the Board of Directors is increased and there is no Public Announcement by the Corporation naming all of the nominees for director or specifying the size of the increased Board of Directors at least 75 days prior to the Anniversary Date, a stockholder's notice required by this Section 3.7 shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if such notice shall be delivered to, or mailed to and received by, the Corporation at its principal executive office not later than the close of business on the 15th day following the day on which such Public Announcement is first made by the Corporation.

No person shall be elected by the stockholders as a director of the Corporation unless nominated in accordance with the procedures set forth in this Section 3.7. Election of directors at an annual meeting need not be by written ballot, unless otherwise provided by the Board of Directors or presiding officer at such annual meeting. If written ballots are to be used, ballots bearing the names of all the persons who have been nominated for election as directors at the annual meeting in accordance with the procedures set forth in this Section 3.7 shall be provided for use at the annual meeting.

3.8 ACTION AT MEETING AND BY CONSENT. (a) At any meeting of the Board of Directors at which a quorum is present, a majority of the directors present may take any action on behalf of the Board of Directors, unless otherwise required by law, by the Certificate or by these By-laws.

(b) Any action required or permitted to be taken at any meeting of the Board of Directors may be taken without a meeting if all members of the Board of Directors consent thereto in writing. Such written consent shall be filed with the records of the meetings of the Board of Directors and shall be treated for all purposes as a vote at a meeting of the Board of Directors.

3.9 MANNER OF PARTICIPATION. Directors may participate in meetings of the Board of Directors by means of conference telephone or similar communications equipment by means of which all directors participating in the meeting can hear each other, and participation in a meeting in accordance herewith shall constitute presence in person at such meeting for purposes of these By-laws.

3.10 COMPENSATION OF DIRECTORS. By resolution of the Board of Directors, directors may be allowed a fee for serving as a director and a fee and expenses for attendance at a meeting of the Board, but nothing herein shall preclude directors from serving the Corporation in other capacities and receiving compensation for such other services; PROVIDED, HOWEVER, that directors who are serving the Corporation as employees and who receive compensation for their services as such shall not receive any salary or other compensation for their services as directors of the Corporation.

ARTICLE IV

COMMITTEES

4.1 EXECUTIVE COMMITTEE. The Board of Directors, by resolution duly adopted, may designate an Executive Committee which shall consist of not less than two directors, including the Chairman of the Board. The members of the Executive Committee shall serve until their successors are designated by the Board of Directors, until removed, or until the Executive Committee is dissolved by the Board of Directors. All vacancies that may occur in the Executive Committee shall be filled by the Board of Directors.

When the Board of Directors is not in session, the Executive Committee shall have all power vested in the Board of Directors by law, by the Certificate, or by these By-laws, except as otherwise provided in the DGCL or by a resolution adopted by the Board of Directors. The Executive Committee shall report at the next regular or special meeting of the Board of Directors all action that the Executive Committee may have taken on behalf of the Board of Directors since the last regular or special meeting of the Board of Directors.

Meetings of the Executive Committee shall be held at such places and at such times fixed by resolution of the Executive Committee, or upon call of the Chairman of the Board. Not less than 12 hours' notice shall be given by letter, facsimile, telegraph or telephone (or in person) of all meetings of the Executive Committee; PROVIDED, HOWEVER, that notice need not be given of regular meetings held at times and places fixed by resolution of the Executive Committee and that meetings may be held at any time without notice if all of the

members of the Executive Committee are present or if those not present waive notice in writing either before or after the meeting; PROVIDED, FURTHER, that attendance at a meeting for the express purpose of objecting at the beginning of a meeting to the transaction of any business because the meeting is not lawfully convened shall not be considered a waiver of notice. A majority of the members of the Executive Committee then serving shall constitute a quorum for the transaction of business at any meeting of the Executive Committee.

4.2 COMPENSATION COMMITTEE. The Board of Directors, by resolution duly adopted, may designate a Compensation Committee which shall consist of two or more non-employee directors. In addition, the Board of Directors at any time may designate one or more alternate members of the Compensation Committee, who shall be non-employee directors, who may act in place of any absent regular member upon invitation by the chairman or secretary of the Compensation Committee.

With respect to bonuses, the Compensation Committee shall have and may exercise the powers to determine the amounts annually available for bonuses pursuant to any bonus plan or formula approved by the Board of Directors, to determine bonus awards to executive officers and to exercise such further powers with respect to bonuses as may from time to time be conferred by the Board of Directors.

With respect to salaries, the Compensation Committee shall have and may exercise the power to fix and determine from time to time all salaries of the executive officers of the Corporation, and such further powers with respect to salaries as may from time to time be conferred by the Board of Directors.

The Compensation Committee shall administer the Corporation's stock incentive plans and from time to time may grant, consistent with the plans, stock options and other awards permissible under such plans.

Vacancies in the Compensation Committee shall be filled by the Board of Directors, and members of the Compensation Committee shall be subject to removal by the Board of Directors at any time.

The Compensation Committee shall fix its own rules of procedure. A majority of the number of regular members then serving on the Compensation Committee shall constitute a quorum; and regular and alternate members present shall be counted to determine whether there is a quorum. The Compensation Committee shall keep minutes of its meetings, and all action taken by it shall be reported to the Board of Directors.

4.3 AUDIT COMMITTEE. The Board of Directors, by resolution duly adopted, may designate an Audit Committee which shall consist of two or more directors whose membership on the Audit Committee shall meet the requirements set forth in the rules of the New York Stock Exchange, as amended from time to time. Vacancies in the Audit Committee shall be filled by the Board of Directors with directors meeting the requirements set forth

above, giving consideration to continuity of the Audit Committee, and members shall be subject to removal by the Board of Directors at any time. The Audit Committee shall fix its own rules of procedure and a majority of the members serving shall constitute a quorum. The Audit Committee shall meet at least twice per year with both the internal and the Corporation's outside auditors present at each meeting and shall keep minutes of its meetings and all action taken shall be reported to the Board of Directors. The Audit Committee shall review the reports and minutes of any audit committees of the Corporation's subsidiaries. The Audit Committee shall review the Corporation's financial reporting process, including accounting policies and procedures. The Audit Committee shall examine the report of the Corporation's outside auditors, consult with them with respect to their report and the standards and procedures employed by them in their audit, report to the Board of Directors the results of its study and recommend the selection of auditors for each fiscal year.

4.4 NOMINATING COMMITTEE. The Board of Directors, by resolution duly adopted, may designate a Nominating Committee which shall consist of two or more directors. The Nominating Committee shall make recommendations to the Board of Directors regarding nominees for election as directors by the stockholders at each annual meeting of stockholders and make such other recommendations regarding tenure, and classification of directors as the Nominating Committee may deem advisable from time to time. The Nominating Committee shall fix its own rules of procedure and a majority of the members then serving shall constitute a quorum.

4.5 OTHER COMMITTEES. The Board of Directors, by resolution adopted, may establish such other standing or special committees of the Board of Directors as it may deem advisable, and the members, terms and authority of such committees shall be as set forth in the resolutions establishing the same.

ARTICLE V

OFFICERS

5.1 ENUMERATION. The officers of the Corporation shall consist of a President, a Treasurer, a Secretary and such other officers, including, without limitation, a Chairman of the Board of Directors, a Chief Executive Officer, a Chief Operating Officer and one or more Vice Presidents (including Executive Vice Presidents or Senior Vice Presidents), Assistant Vice Presidents, Assistant Treasurers and Assistant Secretaries, and such other officers as the Board of Directors may determine.

5.2 ELECTION. At the regular annual meeting of the Board following the annual meeting of stockholders, the Board of Directors shall elect the President, the Treasurer and the Secretary. Other officers may be elected by the Board of Directors at such regular annual meeting of the Board of Directors or at any other regular or special meeting.

5.3 QUALIFICATION. No officer need be a stockholder or a director. Any person may occupy more than one office of the Corporation at any time. Any officer may be required by the Board of Directors to give bond for the faithful performance of his or her duties in such amount and with such sureties as the Board of Directors may determine.

5.4 TENURE. Except as otherwise provided by the Certificate or by these By-laws, each of the officers of the Corporation shall hold office until the regular annual meeting of the Board of Directors following the next annual meeting of stockholders and until his or her successor is elected and qualified or until his or her earlier resignation or removal.

5.5 RESIGNATION. Any officer may resign by delivering his or her written resignation to the Corporation addressed to the President or the Secretary, and such resignation shall be effective upon receipt unless it is specified to be effective at some other time or upon the happening of some other event.

5.6 REMOVAL. Except as otherwise provided by law, the Board of Directors may remove any officer with or without cause by the affirmative vote of a majority of the directors then in office.

5.7 ABSENCE OR DISABILITY. In the event of the absence or disability of any officer, the Board of Directors may designate another officer to act temporarily in place of such absent or disabled officer.

5.8 VACANCIES. Any vacancy in any office may be filled for the unexpired portion of the term by the Board of Directors.

5.9 PRESIDENT. The President shall, subject to the direction of the Board of Directors, have general supervision and control of the Corporation's business. If there is no Chairman of the Board or if he or she is absent, the President shall preside, when present, at all meetings of stockholders and of the Board of Directors. The President shall have such other powers and perform such other duties as the Board of Directors may from time to time designate.

5.10 CHAIRMAN OF THE BOARD. The Chairman of the Board, if one is elected, shall preside, when present, at all meetings of the stockholders and of the Board of Directors. The Chairman of the Board shall have such other powers and shall perform such other duties as the Board of Directors may from time to time designate.

5.11 CHIEF EXECUTIVE OFFICER. The Chief Executive Officer, if one is elected, shall have such powers and shall perform such duties as the Board of Directors may from time to time designate. If there shall be a Chief Executive Officer at any time, such officer shall have authority to take any action that the President is authorized to take.

5.12 VICE PRESIDENTS AND ASSISTANT VICE PRESIDENTS. Any Vice President (including any Executive Vice President or Senior Vice President) and any Assistant Vice President shall have such powers and shall perform such duties as the Board of Directors or the Chief Executive Officer may from time to time designate.

5.13 TREASURER AND ASSISTANT TREASURERS. The Treasurer shall, subject to the direction of the Board of Directors and except as the Board of Directors or the President may otherwise provide, have general charge of the financial affairs of the Corporation and shall cause to be kept accurate books of account. The Treasurer shall have custody of all funds, securities, and valuable documents of the Corporation. He or she shall have such other duties and powers as may be designated from time to time by the Board of Directors or the Chief Executive Officer.

Any Assistant Treasurer shall have such powers and perform such duties as the Board of Directors or the Chief Executive Officer may from time to time designate.

5.14 SECRETARY AND ASSISTANT SECRETARIES. The Secretary shall record all the proceedings of the meetings of the stockholders and the Board of Directors (including committees of the Board) in books kept for that purpose. In his or her absence from any such meeting, a temporary secretary chosen at the meeting shall record the proceedings thereof. The Secretary shall have charge of the stock ledger (which may, however, be kept by any transfer or other agent of the Corporation). The Secretary shall have custody of the seal of the Corporation, and the Secretary, or an Assistant Secretary, shall have authority to affix it to any instrument requiring it, and, when so affixed, the seal may be attested by his or her signature or that of an Assistant Secretary. The Secretary shall have such other duties and powers as may be designated from time to time by the Board of Directors or the Chief Executive Officer. In the absence of the Secretary, any Assistant Secretary may perform his or her duties and responsibilities.

Any Assistant Secretary shall have such powers and perform such duties as the Board of Directors or the Chief Executive Officer may from time to time designate.

5.15 OTHER POWERS AND DUTIES. Subject to these By-laws and to such limitations as the Board of Directors may from time to time prescribe, the officers of the Corporation shall each have such powers and duties as generally pertain to their respective offices, as well as such powers and duties as from time to time may be conferred by the Board of Directors, the Chairman of the Board or the President.

ARTICLE VI

CAPITAL STOCK

6.1 CERTIFICATES. Each stockholder shall be entitled to a certificate of the capital stock of the Corporation in such form as may from time to time be prescribed by the

Board of Directors. Such certificate shall be signed by the Chairman of the Board, the President or a Vice President and by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary. The Corporation seal and the signatures by the Corporation's officers, the transfer agent or the registrar may be facsimiles. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed on such certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, the certificate may be issued by the Corporation with the same effect as if he or she were such officer, transfer agent or registrar at the time of its issue. Every certificate for shares of stock which are subject to a restriction on transfer (as provided in Article V of the Certificate) and every certificate issued when the Corporation is authorized to issue more than one class or series of stock shall contain such legend (as provided in Article V of the Certificate) with respect thereto as is required by law.

6.2 LOST, DESTROYED AND MUTILATED CERTIFICATES. Holders of the shares of the stock of the Corporation shall immediately notify the Corporation of any loss, destruction or mutilation of the certificate therefor, and the Board of Directors may in its discretion cause one or more new certificates for the same number of shares in the aggregate to be issued to such stockholder upon the surrender of the mutilated certificate or upon satisfactory proof of such loss or destruction, and the deposit of a bond in such form and amount and with such surety as the Board of Directors may require.

6.3 TRANSFER OF STOCK. Subject to the restrictions on transfer of stock described in Article V of the Certificate, shares of stock of the Corporation shall be transferable or assignable only on the stock transfer books of the Corporation by the holder in person or by attorney upon surrender to the Corporation or its transfer agent of the certificate theretofore properly endorsed or, if sought to be transferred by attorney, accompanied by a written assignment or power of attorney properly executed, with transfer stamps (if necessary) affixed, and with such proof of the authenticity of signatures as the Corporation or its transfer agent may reasonably require.

6.4 RECORD HOLDERS. Except as may otherwise be required by law, by the Certificate or by these By-laws, the Corporation shall be entitled to treat the record holder of stock as shown on its books as the owner of such stock for all purposes, including the payment of dividends and the right to vote with respect thereto, regardless of any transfer, pledge or other disposition of such stock, until the shares have been transferred on the books of the Corporation in accordance with the requirements of these By-laws.

It shall be the duty of each stockholder to notify the Corporation of his or her postal address and any changes thereto.

6.5 RECORD DATE. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of

stock or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date: (a) in the case of determination of stockholders entitled to vote at any meeting of stockholders, shall, unless otherwise required by law, not be more than sixty nor less than ten days before the date of such meeting and (b) in the case of any other action, shall not be more than sixty days prior to such other action. If no record date is fixed: (i) the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held and (ii) the record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

ARTICLE VII

INDEMNIFICATION

7.1 DEFINITIONS. For purposes of this Article VII:

(a) "Corporate Status" describes the status of a person who (i) in the case of a Director, is or was a director of the Corporation and is or was acting in such capacity, (ii) in the case of an Officer, is or was an officer, employee or agent of the Corporation or is or was a director, officer, employee or agent of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise that such Officer is or was serving at the request of the Corporation and (iii) in the case of a Non-Officer Employee, is or was an employee of the Corporation or is or was a director, officer, employee or agent of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise that such Non-Officer Employee is or was serving at the request of the Corporation;

(b) "Director" means any person who serves or has served the Corporation as a director on the Board of Directors;

(c) "Disinterested Director" means, with respect to each Proceeding in respect of which indemnification is sought hereunder, a Director of the Corporation who is not and was not a party to such Proceeding;

(d) "Expenses" means all reasonable attorneys' fees, retainers, court costs, transcript costs, fees of expert witnesses, private investigators and professional advisors (including, without limitation, accountants and investment bankers), travel expenses, duplicating costs, printing and binding costs, costs of preparation of demonstrative evidence and other courtroom presentation aids and devices, costs incurred in connection with document review, organization, imaging and computerization, telephone charges, postage, delivery service fees, and all other disbursements, costs or expenses of the type customarily incurred in

connection with prosecuting, defending, preparing to prosecute or defend, investigating, being or preparing to be a witness in, settling or otherwise participating in, a Proceeding;

(e) "Non-Officer Employee" means any person who serves or has served as an employee of the Corporation, but who is not or was not a Director or Officer;

(f) "Officer" means any person who serves or has served the Corporation as an officer appointed by the Board of Directors; and

(g) "Proceeding" means any threatened, pending or completed action, suit, arbitration, alternate dispute resolution mechanism, inquiry, investigation, administrative hearing or other proceeding, whether civil, criminal, administrative, arbitrate or investigative.

7.2 INDEMNIFICATION OF DIRECTORS AND OFFICERS. Subject to the operation of Section 7.4 of these By-laws, each Director and Officer shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the DGCL, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than such law permitted the Corporation to provide prior to such amendment) against any and all Expenses, judgments, penalties, fines and amounts reasonably paid in settlement, in each case to the extent actually and reasonably incurred by such Director or Officer or on such Director's or Officer's behalf in connection with any threatened, pending or completed Proceeding or any claim, issue or matter therein, which such Director or Officer is, or is threatened to be made, a party to or participant in by reason of such Director's or Officer's Corporate Status, if such Director or Officer acted in good faith and in a manner such Director or Officer reasonably believed to be in or not opposed to the best interests of the Corporation and, with respect to any criminal proceeding, had no reasonable cause to believe his or her conduct was unlawful. The rights of indemnification provided by this Section 7.2 shall exist as to a Director or Officer after he or she has ceased to be a Director or Officer and shall inure to the benefit of his or her heirs, executors, administrators and personal representatives. Notwithstanding the foregoing, the Corporation shall indemnify any Director or Officer seeking indemnification in connection with a Proceeding initiated by such Director or Officer only if such Proceeding was authorized by the Board of Directors. The Company hereby agrees to indemnify such Director's or Officer's spouse (whether by statute or at common law and without regard to the location of the governing jurisdiction) and children as express third-party beneficiaries hereunder to the same extent and subject to the same limitations applicable to such Director or Officer hereunder for claims arising out of the status of such person as a spouse or child of such Director or Officer, including claims seeking damages from marital property (including community property) or property held by such Director or Officer and such spouse or property transferred to such spouse or child.

7.3 INDEMNIFICATION OF NON-OFFICER EMPLOYEES. Subject to the operation of Section 7.4 of these By-laws, each Non-Officer Employee may, in the discretion

of the Board of Directors, be indemnified by the Corporation to the fullest extent authorized by the DGCL, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than such law permitted the Corporation to provide prior to such amendment), against any and all Expenses, judgments, penalties, fines and amounts reasonably paid in settlement, in each case to the extent actually and reasonably incurred by such Non-Officer Employee or on such Non-Officer Employee's behalf in connection with any threatened, pending or completed Proceeding, or any claim, issue or matter therein, which such Non-Officer Employee is, or is threatened to be made, a party to or participant in by reason of such Non-Officer Employee's Corporate Status, if such Non-Officer Employee acted in good faith and in a manner such Non-Officer Employee reasonably believed to be in or not opposed to the best interests of the Corporation and, with respect to any criminal proceeding, had no reasonable cause to believe his or her conduct was unlawful. The rights of indemnification provided by this Section 7.3 shall exist as to a Non-Officer Employee after he or she has ceased to be a Non-Officer Employee and shall inure to the benefit of his or her heirs, personal representatives, executors and administrators. Notwithstanding the foregoing, the Corporation may indemnify any Non-Officer Employee seeking indemnification in connection with a Proceeding initiated by such Non-Officer Employee only if such Proceeding was authorized by the Board of Directors. The Company hereby agrees to indemnify such Non-Officer Employee's spouse (whether by statute or at common law and without regard to the location of the governing jurisdiction) and children as express third-party beneficiaries hereunder to the same extent and subject to the same limitations applicable to such Non-Officer Employee hereunder for claims arising out of the status of such person as a spouse or child of such Non-Officer Employee, including claims seeking damages from marital property (including community property) or property held by such Director or Officer and such Non-Officer Employee and such spouse or property transferred to such spouse or child.

7.4 GOOD FAITH. Unless ordered by a court, no indemnification shall be provided pursuant to this Article VII to a Director, to an Officer or to a Non-Officer Employee unless a determination shall have been made that such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation and, with respect to any criminal Proceeding, such person had no reasonable cause to believe his or her conduct was unlawful. Such determination shall be made by (a) a majority vote of the Disinterested Directors, even though less than a quorum of the Board of Directors, (b) if there are no such Disinterested Directors, or if a majority of Disinterested Directors so direct, by independent legal counsel in a written opinion or (c) by the stockholders of the Corporation.

7.5 NOTICE/COOPERATION BY INDEMNITEE. Any Director, Officer or Non-Employee Director shall, as a condition precedent to his or her right to be indemnified under these By-laws, give the Company notice in writing as soon as practicable of any claim made against such Director, Officer or Non-Officer Employee for which indemnification will or could be sought under these By-laws. Such notice shall contain the written affirmation of the Director, Officer or Non-Officer Director that the standard of conduct necessary for

indemnification hereunder has been satisfied. Notice to the Company shall be directed to the Chief Executive Officer of the Company in the manner set forth below. The Director, Officer or Non-Officer Director shall give the Company such information and cooperation as it may reasonably require and as shall be within such Director, Officer or Non-Officer Employee's power. A delay in giving notice under this Section 7.5 shall not invalidate the Director, Officer or Non-Officer Director's right to be indemnified under these By-laws unless such delay prejudices the defense of the claim or the availability to the Company of insurance coverage for such claim. All notices, requests, demands and other communications under these By-laws shall be in writing and shall be deemed duly given (i) if delivered by hand and receipted for by the party addressed, on the date of such receipt or (ii) if mailed by domestic certified or registered mail with postage prepaid, on the third business day after the date postmarked.

7.6 ADVANCEMENT OF EXPENSES TO DIRECTORS PRIOR TO FINAL DISPOSITION.

The Corporation shall advance all Expenses incurred by or on behalf of any Director in connection with any Proceeding in which such Director is involved by reason of such Director's Corporate Status within 10 days after the receipt by the Corporation of a written statement from such Director requesting such advance or advances from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the Expenses incurred by such Director and shall be preceded or accompanied by an undertaking by or on behalf of such Director to repay any Expenses so advanced if it shall ultimately be determined that such Director is not entitled to be indemnified against such Expenses.

7.7 ADVANCEMENT OF EXPENSES TO OFFICERS AND NON-OFFICER EMPLOYEES

PRIOR TO FINAL DISPOSITION. The Corporation may, in the discretion of the Board of Directors, advance any or all Expenses incurred by or on behalf of any Officer or Non-Officer Employee in connection with any Proceeding in which such Officer or Non-Officer Employee is involved by reason of such Officer or Non-Officer Employee's Corporate Status upon the receipt by the Corporation of a statement or statements from such Officer or Non-Officer Employee requesting such advance or advances from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the Expenses incurred by such Officer or Non-Officer Employee and shall be preceded or accompanied by an undertaking by or on behalf of such Officer or Non-Officer Employee to repay any Expenses so advanced if it shall ultimately be determined that such Officer or Non-Officer Employee is not entitled to be indemnified against such Expenses.

7.8 CONTRACTUAL NATURE OF RIGHTS.

The foregoing provisions of this Article VII shall be deemed to be a contract between the Corporation and each Director and Officer entitled to the benefits hereof at any time while this Article VII is in effect, and any repeal or modification thereof shall not affect any rights or obligations then existing with respect to any state of facts then or theretofore existing or any Proceeding theretofore or thereafter brought based in whole or in part upon any such state of facts. If a claim for indemnification or advancement of Expenses hereunder by a Director or Officer is not paid in

full by the Corporation within (a) 60 days after the receipt by the Corporation of a written claim for indemnification or (b) in the case of a Director, 10 days after the receipt by the Corporation of documentation of Expenses and the required undertaking, such Director or Officer may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim, and if successful in whole or in part, such Director or Officer shall also be entitled to be paid the expenses of prosecuting such claim. The failure of the Corporation (including its Board of Directors or any committee thereof, independent legal counsel, or stockholders) to make a determination concerning the permissibility of such indemnification or, in the case of a Director, advancement of Expenses, under this Article VII shall not be a defense to the action and shall not create a presumption that such indemnification or advancement is not permissible. It is the parties' intention that if the Company contests any Director's, Officer's or Non-Officer Employee's right to indemnification, the question of such Director's, Officer's or Non-Officer Employee's right to indemnification shall be for the court to decide, and neither the failure of the Company (including its Board of Directors, any committee or subgroup of the Board of Directors, independent legal counsel, or its shareholders) to have made a determination that indemnification of such Director, Officer or Non-Officer Employee is proper in the circumstances because the Director, Officer or Non-Officer Employee has met the applicable standard of conduct required by applicable law, nor an actual determination by the Company (including its Board of Directors, any committee or subgroup of the Board of Directors, independent legal counsel, or its stockholders) that the Director, Officer or Non-Officer Employee has not met such applicable standard of conduct, shall create a presumption that such Director, Officer or Non-Officer Employee has or has not met the applicable standard of conduct.

7.9 NON-EXCLUSIVITY OF RIGHTS. The rights to indemnification and advancement of Expenses set forth in this Article VII shall not be exclusive of any other right which any Director, Officer or Non-Officer Employee may have or hereafter acquire under any statute, provision of the Certificate or these By-laws, agreement, vote of stockholders or Disinterested Directors or otherwise.

7.10 PARTIAL INDEMNIFICATION. If any Director, Officer or Non-Officer Employee is entitled under any provision of these By-laws to indemnification by the Company for some or a portion of the expenses, judgments, fines or penalties actually or reasonably incurred by him in the investigation, defense, appeal or settlement of any civil or criminal action or proceeding, but not, however, for the total amount thereof, the Company shall nevertheless indemnify such Director, Officer or Non-Officer Employee for the portion of such expenses, judgments, fines or penalties to which such Director, Officer or Non-Officer Employee is entitled.

7.11 MUTUAL ACKNOWLEDGMENT. By accepting any potential benefits under this Article VII each Director, Officer or Non-Officer Employee acknowledges that in certain instances, Federal law or applicable public policy may prohibit the Company from indemnifying its directors, officers and employees under these By-laws or otherwise. The Director, Officer or Non-Officer Employee understands and acknowledges that the Company

has undertaken and may be required in the future to undertake with the Securities and Exchange Commission to submit the question of indemnification to a court in certain circumstances for a determination of the Company's right under public policy to indemnify Director, Officer or Non-Officer Employee.

7.12 INSURANCE. The Corporation may maintain insurance, at its expense, to protect itself and any Director, Officer or Non-Officer Employee against any liability of any character asserted against or incurred by the Corporation or any such Director, Officer or Non-Officer Employee, or arising out of any such person's Corporate Status, whether or not the Corporation would have the power to indemnify such person against such liability under the DGCL or the provisions of this Article VII.

ARTICLE VIII

MISCELLANEOUS PROVISIONS

8.1 SEAL. The seal of the Corporation shall consist of a flat-faced circular die, of which there may be any number of counterparts, on which there shall be engraved the word "Seal" and the name of the Corporation. The Board of Directors shall have the power to adopt and alter the seal of the Corporation.

8.2 FISCAL YEAR. The fiscal year of the Corporation shall end on such date and shall consist of such accounting periods as may be fixed by the Board of Directors.

8.3 CHECKS, NOTES AND DRAFTS. Checks, notes, drafts and other orders for the payment of money shall be signed by such persons as the Board of Directors from time to time may authorize. When the Board of Directors so authorizes, however, the signature of any such person may be a facsimile.

8.4 EXECUTION OF INSTRUMENTS. All deeds, leases, transfers, contracts, bonds, notes and other obligations to be entered into by the Corporation in the ordinary course of its business without director action may be executed on behalf of the Corporation by the Chairman of the Board, if one is elected, the President or the Treasurer or any other officer, employee or agent of the Corporation as the Board of Directors or Executive Committee may authorize.

8.5 RESIDENT AGENT. The Board of Directors may appoint a resident agent upon whom legal process may be served in any action or proceeding against the Corporation.

8.6 CORPORATE RECORDS. The original or attested copies of the Certificate, By-laws and records of all meetings of the incorporators, stockholders and the Board of Directors and the stock transfer books, which shall contain the names of all stockholders, their record addresses and the amount of stock held by each, may be kept outside the State of Delaware and shall be kept at the principal office of the Corporation, at the office of its

counsel or at an office of its transfer agent or at such other place or places as may be designated from time to time by the Board of Directors.

8.7 AMENDMENT OF BY-LAWS.

(a) AMENDMENT BY DIRECTORS. Except as provided otherwise by law, these By-laws may be amended or repealed by the Board of Directors by the affirmative vote of a majority of the directors then in office.

(b) AMENDMENT BY STOCKHOLDERS. These By-laws may be amended or repealed at any annual meeting of stockholders, or special meeting of stockholders called for such purpose, by the affirmative vote of at least seventy-five percent of the shares present in person or represented by proxy at such meeting and entitled to vote on such amendment or repeal, voting together as a single class; PROVIDED, HOWEVER, that if the Board of Directors recommends that stockholders approve such amendment or repeal at such meeting of stockholders, such amendment or repeal shall only require the affirmative vote of a majority of the shares present in person or represented by proxy at such meeting and entitled to vote on such amendment or repeal, voting together as a single class.

8.8 VOTING OF STOCK HELD. Unless otherwise provided by resolution of the Board of Directors or of the Executive Committee, if any, the Chairman of the Board, if one is elected, the President or the Treasurer may from time to time waive notice of and act on behalf of this Corporation, or appoint an attorney or attorneys or agent or agents of the Corporation, in the name and on behalf of the Corporation, to cast the vote that the Corporation may be entitled to cast as a stockholder or otherwise in any other corporation, any of whose securities may be held by the Corporation, at meetings of the holders of the shares or other securities of such other corporation, or to consent in writing to any action by any such other corporation; and the Chairman of the Board, if one is elected, the President or the Treasurer shall instruct the person or persons so appointed as to the manner of casting such votes or giving such consent and may execute or cause to be executed on behalf of the Corporation, and under its corporate seal or otherwise, such written proxies, consents, waivers or other instruments as may be necessary or proper in the premises. In lieu of such appointment, the Chairman of the Board,

if one is elected, the President or the Treasurer may himself or herself attend any meetings of the holders of shares or other securities of any such other corporation and there vote or exercise any or all power of the Corporation as the holder of such shares or other securities of such other corporation.

Adopted _____, 199_ and effective as of _____, 199_.

367077.c2
5/22/97

NONCOMPETITION AGREEMENT

AGREEMENT (this "Agreement") made as of the ___ day of June, 1997 by and between Mortimer B. Zuckerman residing at 950 Fifth Avenue, New York, New York 10021 ("Mr. Zuckerman") and Boston Properties, Inc., a Delaware corporation, with a principal place of business at 8 Arlington Street, Boston, Massachusetts 02116 (together with its subsidiaries, the "Company").

WHEREAS, Mr. Zuckerman is Chairman of the Board of Directors of the Company;

WHEREAS, Mr. Zuckerman was a senior executive officer and has been a director of the Company or its predecessor for ___ years, during which time Mr. Zuckerman has acquired specialized knowledge, expertise and abilities with respect to the Company's business;

WHEREAS, Mr. Zuckerman has access, in the course of the performance by him of his duties to the Company, to the Company's confidential information and the Company desires to assure that such confidential information will not be misappropriated by Mr. Zuckerman;

WHEREAS, the Company has decided to undertake an initial public offering of its common stock (the "IPO") and desires to obtain Mr. Zuckerman's commitment not to compete against the Company for a period of time as provided herein; and

WHEREAS, Mr. Zuckerman will have a substantial interest in the Company following the IPO through the ownership of equity interests in the Company, and therefore, since he will benefit from the IPO, Mr. Zuckerman desires to further assure its success by entering into this Agreement.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements contained herein, and intending to be legally bound hereby, Mr. Zuckerman and the Company agree as follows:

1. NONCOMPETITION.

(a) Mr. Zuckerman covenants and agrees that for so long as he serves as a director of the Company and for one year thereafter, and in any event until the third anniversary of the closing of the IPO, Mr. Zuckerman shall not, without the prior written consent of the Company (which shall be authorized by approval of the Board of Directors of the Company, including the approval of a majority of the independent Directors of the Company), directly or indirectly:

(i) engage, participate or assist in, either individually or as an owner, partner, employee, consultant, director, officer, trustee, or agent of any business that engages or attempts to engage in, directly or indirectly, the acquisition, development, construction, operation, management, or leasing of any commercial real estate property;

(ii) intentionally interfere with, disrupt or attempt to disrupt the relationship, contractual or otherwise, between the Company or its affiliates and any tenant, supplier, contractor, lender, employee, or governmental agency or authority; or

(iii) call upon, compete for, solicit, divert, or take away, or attempt to divert or take away any of the tenants or employees of the Company or its affiliates, either for himself or for any other business, operation, corporation, partnership, association, agency, or other person or entity.

(b) Subparagraph 1(a) shall not be interpreted to prevent Mr. Zuckerman from (i) engaging in Minority Interest Passive Investments, (ii) conducting ownership, development, operation, management or leasing activities with respect to that property described as the "Excluded Property" in the Company's registration statement on Form S-11 (Registration No. 333-25279) or (iii) participating as an officer or director of, or advisor to, any charitable or other tax exempt organization. Engaging in a "MINORITY INTEREST PASSIVE INVESTMENT" means acquiring, holding, and exercising the voting rights associated with an investment made through (i) the purchase of securities (including partnership interests) that represent a non-controlling, minority interest in an entity or (ii) the lending of money, in either case with the purpose or intent of obtaining a return on such investment but without management by Mr. Zuckerman of the property or business to which such investment directly or indirectly relates and without any business or strategic consultation by Mr. Zuckerman with such entity.

(c) This Section 1 shall not apply and shall be of no force or effect following a Change of Control. For this purpose a "Change of Control" shall be deemed to occur if persons who, as of the effective date of the IPO, constitute the Company's Board of Directors (the "Incumbent Directors") cease for any reason, including, without limitation, as a result of a tender offer, proxy contest, merger or similar transaction, to constitute at least a majority of the Board of Directors, provided that any person becoming a director of the Company subsequent to such date whose election was approved by a vote of at least two-thirds of the Incumbent Directors or whose nomination for election was approved by a nominating committee comprised of Incumbent Directors shall, for purposes of this Agreement, be considered an Incumbent Director.

2. RECORDS/NONDISCLOSURE/COMPANY POLICIES.

(a) GENERAL. All records, financial statements and similar documents obtained, reviewed or compiled by Mr. Zuckerman in the course of the performance by him of his duties to the Company, whether or not confidential information or trade secrets, shall be the exclusive property of the Company. Mr. Zuckerman shall have no rights in such documents under any circumstances.

(b) CONFIDENTIAL INFORMATION. Mr. Zuckerman will not disclose to any person or entity (except as required by applicable law, the rules of the New York Stock Exchange, or otherwise in connection with the performance of his duties to the Company), or use for his own benefit or gain, any confidential information of the Company obtained by him incident to his role as Chairman of the Board of Directors of the Company or otherwise. Mr. Zuckerman shall take all reasonable steps to safeguard any confidential information and to protect such confidential information against disclosure, misuse, loss, or theft. The term "CONFIDENTIAL INFORMATION" includes, without limitation, financial information, business plans, prospects, and opportunities which have been discussed or considered by the management of the Company, but does not include any information which has become part of the public domain by means other than Mr. Zuckerman's non-observance of his obligations hereunder.

This Paragraph 2 shall survive the termination of this Agreement.

3. REASONABLE AND NECESSARY RESTRICTIONS. Mr. Zuckerman acknowledges and agrees that the restrictions contained in Paragraphs 1 and 2 are reasonable, fair and equitable in scope, term and duration, in view of the business in which the Company is engaged and Mr. Zuckerman's role as Chairman of the Board of Directors of the Company. Mr. Zuckerman further acknowledges that such restrictions are necessary to protect the legitimate business interests of the Company and are supported by the substantial benefits that will accrue to him as a result of the IPO.

4. CONFLICTING AGREEMENTS. Mr. Zuckerman hereby represents and warrants that the execution of this Agreement and the performance of his obligations hereunder will not breach or be in conflict with any other agreement to which he is a party or is bound, and that he is not now subject to any covenants against competition or similar covenants which would affect the performance of his obligations hereunder.

5. NOTICES. All notices, requests, demands, and other communications under this Agreement shall be in writing and shall be deemed duly given (i) if delivered by hand and receipted for by the party addressee, on the date of such receipt or (ii) if mailed by domestic certified or registered mail with postage prepaid, on the third business day after the date postmarked. Addresses for notice for the parties are as shown above, or as subsequently modified by written notice.

6. MISCELLANEOUS. This Agreement (i) constitutes the entire agreement between the parties concerning the subjects hereof and supersedes any and all prior agreements or understandings and (ii) may be assigned by the Company and shall be binding upon, and inure to the benefit of, the Company's successors and assigns. Headings herein are for convenience of reference only and shall not define, limit or interpret the contents hereof.

7. AMENDMENT. This Agreement may be amended, modified or supplemented by the mutual consent of the parties in writing, but no oral amendment, modification or supplement shall be effective.

8. ARBITRATION; OTHER DISPUTES. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in Boston, Massachusetts, in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered in any court having jurisdiction. Notwithstanding the above, the Company shall be entitled to seek a restraining order or injunction in any court of competent jurisdiction to prevent any continuation of any violation of Paragraph 1 or 2 hereof.

9. EFFECTIVENESS. This Agreement is conditioned and shall become effective only upon the completion of the IPO.

10. SEVERABILITY. If any provision of this Agreement shall to any extent be held void or unenforceable (as to duration, scope, activity, subject or otherwise) by a court of competent jurisdiction, such provision shall be deemed to be modified so as to constitute a

provision conforming as nearly as possible to the original provision while still remaining valid and enforceable. In such event, the remainder of this Agreement (or the application of such provision to persons or circumstances other than those in respect of which it is deemed to be void or unenforceable) shall not be affected thereby. Each other provision of this Agreement, unless specifically conditioned upon the voided aspect of such provision, shall remain valid and enforceable to the fullest extent permitted by law; any other provisions of this Agreement that are specifically conditioned on the voided aspect of such invalid provision shall also be deemed to be modified so as to constitute a provision conforming as nearly as possible to the original provision while still remaining valid and enforceable to the fullest extent permitted by law.

11. GOVERNING LAW. This Agreement shall be construed and regulated in all respects under the laws of the State of Delaware.

IN WITNESS WHEREOF, this Agreement is entered into as of the date and year first above written.

BOSTON PROPERTIES, INC.

By:

Name: Edward H. Linde
Title: Chief Executive Officer and President

Mortimer B. Zuckerman

514117.C2
5/21/97

FORM OF EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT (this "Agreement") made as of the ___ day of June, 1997 by and between _____ residing at _____, _____, _____ (hereinafter referred to as "Employee") and Boston Properties, Inc., a Delaware corporation, with a principal place of business at 8 Arlington Street, Boston, Massachusetts 02116 (hereinafter referred to as the "Company").

1. TERM. The term of this Agreement shall commence on the closing of the initial public offering (the "IPO") of the Company's common stock and shall terminate on the third anniversary of the closing of the IPO (the "Term"). The Term shall be extended automatically for additional one-year periods (each a "Renewal Term"), unless notice that this Agreement will not be extended is given by either party to the other not less than thirty (30) days prior to the expiration of the Term (as extended by any Renewal Term). (The period of Employee's employment hereunder within the Term (as extended by any Renewal Term) is herein referred to as the "Employment Period").

2. EMPLOYMENT/DUTIES.

(a) During the Employment Period, Employee shall be employed in the business of the Company and its affiliates. Employee shall serve as an officer of the Company with the title _____ and, upon the reasonable request of the Board of Directors of the Company, as director and/or officer of any of its affiliates. Employee's duties and authority shall be commensurate with his title and position with the Company.

(b) Employee agrees to his employment as described in this Paragraph 2 and agrees to devote substantially all of his working time and efforts to the performance of his duties hereunder, except as otherwise approved by the Board of Directors. Notwithstanding the foregoing, nothing herein shall be interpreted to preclude Employee from (i) engaging in Minority Interest Passive Investments (as defined below), including Minority Interest Passive Investments in, or relating to the ownership, development, operation, management, or leasing of, commercial real estate properties, (ii) conducting ownership, development, operation, management, or leasing activities with respect to that property described as the "Excluded Property" in the Company's Registration Statement on Form S-11 (Registration No. 333-25279), or (iii) participating as an officer or director of, or advisor to, any charitable or other tax exempt organization; PROVIDED that such activities and related duties and pursuits do not restrict Employee's ability to fulfill his obligations as an officer and employee of the Company as set forth herein.

Engaging in a "MINORITY INTEREST PASSIVE INVESTMENT" means acquiring, holding, and exercising the voting rights associated with an investment made through (i) the purchase of securities (including partnership interests) that represent a non-controlling,

minority interest in an entity or (ii) the lending of money, in either case with the purpose or intent of obtaining a return on such investment but without management by Employee of the property or business to which such investment directly or indirectly relates and without any business or strategic consultation by Employee with such entity.

3. COMPENSATION.

(a) BASE SALARY. The Company shall pay Employee an annual salary of _____ during the Employment Period ("Base Salary"). Base Salary shall be payable in accordance with the Company's normal business practices (including tax withholding), but in no event less frequently than monthly. Employee's Base Salary shall be reviewed no less frequently than annually by the Company and may be increased but not decreased during the Employment Period.

(b) BONUSES. Commencing on the first annual compensation determination date established by the Company during the Employment Period and on each such date thereafter, the Company shall review the performance of the Company and of Employee during the prior year, and the Company may provide Employee with additional compensation as a bonus if the Board of Directors, or any compensation committee thereof, in its discretion, determines that Employee's contribution to the Company warrants such additional payment and the Company's anticipated financial performance for the present period permits such payment.

4. BENEFITS.

(a) MEDICAL/DENTAL INSURANCE. During the Employment Period, Employee shall be entitled to participate in any and all medical and dental insurance plans as in effect from time to time for senior executives of the Company and based on Employee's Base Salary. Such participation shall be subject to (i) the terms of the applicable plan documents, (ii) generally applicable policies of the Company, and (iii) the discretion of the Board of Directors of the Company or any administrative or other committee provided for in, or contemplated by, such plan.

(b) LIFE INSURANCE/DISABILITY INSURANCE. During the Employment Period, the Company shall provide Employee with such life and/or disability insurance as the Company may from time to time make available to senior executives of the Company.

(c) EXPENSES. The Company shall promptly reimburse Employee for all reasonable business expenses incurred by Employee during the Employment Period in accordance with the practices of the Company for senior executives of the Company, as in effect from time to time.

(d) VACATION. During the Employment Period, Employee shall receive paid vacation annually in accordance with terms determined for such Employee by the Company, but in no event shall Employee receive less than four weeks of paid vacation per year.

(e) STOCK OPTIONS. During the Employment Period, Employee shall be entitled to stock options in an amount to be determined by the Board of Directors, or any compensation committee thereof, in its discretion under the Boston Properties, Inc. 1997 Stock Option and Incentive Plan (the "Stock Option Plan").

(f) AUTOMOBILE. During the Employment Period, the Company shall provide Employee with a reasonable automobile allowance, such amount to be determined in the Company's sole discretion and to be paid to Employee no less frequently than monthly.

(g) OTHER BENEFITS. During the Employment Period, the Company shall provide to Employee such other benefits, including the right to participate in such retirement or pension plans, as are made generally available to employees of the Company from time to time. Such participation shall be subject to (i) the terms of the applicable plan documents, (ii) generally applicable policies of the Company, and (iii) the discretion of the Board of Directors of the Company or any administrative or other committee provided for in, or contemplated by, such plan.

5. INDEMNIFICATION. To the full extent permitted by law and subject to the Company's Certificate of Incorporation and Bylaws, the Company shall indemnify Employee with respect to any actions commenced against Employee in his capacity as a director or officer or former director or officer of the Company, or any affiliate thereof for which he may serve in such capacity, and the Company shall advance on a timely basis any expenses incurred in defending such actions. The obligation to indemnify hereunder shall survive the termination of this Agreement. The Company agrees to use its best efforts to secure and maintain directors' and officers' liability insurance with respect to Employee.

6. COMPANY AUTHORITY/POLICIES. Employee agrees to observe and comply with the rules and regulations of the Company as adopted by its Board of Directors respecting the performance of his duties and to carry out and perform orders, directions and policies communicated to him from time to time by the Board of Directors.

7. RECORDS/NONDISCLOSURE/COMPANY POLICIES.

(a) GENERAL. All records, financial statements and similar documents obtained, reviewed or compiled by Employee in the course of the performance by him of services for the Company, whether or not confidential information or trade secrets, shall be the exclusive property of the Company. Employee shall have no rights in such documents upon any termination of this Agreement.

(b) CONFIDENTIAL INFORMATION. Employee will not disclose to any person or entity (except as required by applicable law, the rules of the New York Stock Exchange, or otherwise in connection with the performance of his duties and responsibilities hereunder), or use for his own benefit or gain, any confidential information of the Company obtained by him incident to his employment with the Company. Employee shall take all reasonable steps to safeguard any confidential information and to protect such confidential information against disclosure, misuse, loss, or theft. The term "CONFIDENTIAL INFORMATION" includes, without limitation, financial information, business plans, prospects, and opportunities which have been discussed or considered by the management of the Company, but does not include any information which has become part of the public domain by means other than Employee's non-observance of his obligations hereunder.

This Paragraph 7 shall survive the termination of this Agreement.

8. TERMINATION/SEVERANCE.

(a) GENERAL.

(i) AT WILL EMPLOYMENT. Employee's employment hereunder is "at will" and, therefore, may be terminated at any time, with or without cause, at the option of the Company, subject only to the severance obligations under this Paragraph 8.

(ii) NOTICE OF TERMINATION. Except for termination as specified in Subparagraph 8(b), any termination of Employee's employment by the Company or any such termination by Employee shall be communicated by written Notice of Termination to the other party hereto. For purposes of this Agreement, a "NOTICE OF TERMINATION" shall mean a notice which shall indicate the specific termination provision hereunder relied upon by the terminating party.

(iii) DATE OF TERMINATION. "DATE OF TERMINATION" shall mean: (A) if Employee's employment is terminated by his death, the date of his death; (B) if Employee's employment is terminated on account of disability under Subparagraph 8(c), the date on which Notice of Termination is given; (C) if Employee's employment is terminated by the Company under Subparagraph 8(d), thirty (30) days after the date on which a Notice of Termination is given; (D) if Employee's employment is terminated by the Company under

Subparagraph 8(e)(i), ninety (90) days after the date on which a Notice of Termination is given; and (E) if Employee's employment is terminated by Employee under Subparagraph 8(e)(ii) or 8(f), thirty (30) days after the date on which a Notice of Termination is given.

(b) DEATH. Employee's employment hereunder shall terminate upon his death. If Employee's employment terminates by reason of his death, the Company shall, within ninety (90) days of death, pay in a lump sum amount to such person as Employee shall designate in a notice filed with the Company or, if no such person is designated, to Employee's estate, Employee's accrued and unpaid Base Salary to his date of death, plus his accrued and unpaid bonus under Paragraph 3. All unvested stock options and stock-based grants shall immediately vest in Employee's estate or other legal representatives and become exercisable or nonforfeitable, and Employee's estate or other legal representatives shall have one (1) year from the Date of Termination, or remaining option term, if earlier, to exercise the stock options. For a period of one (1) year following the Date of Termination, the Company shall pay such health insurance premiums as may be necessary to allow Employee's spouse and dependents to receive health insurance coverage substantially similar to the coverage they received prior to the Date of Termination. In addition to the foregoing, any payments to which Employee's spouse, beneficiaries, or estate may be entitled under any employee benefit plan shall also be paid in accordance with the terms of such plan or arrangement. Such payments, in the aggregate, shall fully discharge the Company's obligations hereunder.

(c) DISABILITY. If, as a result of Employee's incapacity due to physical or mental illness, Employee shall have been absent from his duties hereunder on a full-time basis for one hundred eighty (180) calendar days in the aggregate in any twelve (12) month period, the Company may terminate Employee's employment hereunder. During any period that Employee fails to perform his duties hereunder as a result of incapacity due to physical or mental illness, Employee shall continue to receive his accrued and unpaid Base Salary and accrued and unpaid bonus under Paragraph 3, until Employee's employment is terminated due to disability in accordance with this Subparagraph (c) or until Employee terminates his employment in accordance with Subparagraph (e)(ii) or (f), if earlier. All unvested stock options and stock-based grants shall immediately vest and become exercisable or nonforfeitable, and Employee shall have one (1) year from the Date of Termination, or remaining option term, if earlier, to exercise the stock options. For a period of one (1) year following the Date of Termination, the Company shall pay such health insurance premiums as may be necessary to allow Employee, Employee's spouse and dependents to receive health insurance coverage substantially similar to the coverage they received prior to the Date of Termination. In addition to the foregoing, any payments to which Employee may be entitled under any employee benefit plan shall also be paid in accordance with the terms of such plan or arrangement. Such payments, in the aggregate, shall fully discharge the Company's obligations hereunder.

(d) TERMINATION BY THE COMPANY FOR CAUSE.

(i) At any time during the Employment Period, the Company may terminate Employee's employment hereunder for Cause. "CAUSE" shall mean: (A) gross negligence or willful misconduct by Employee in connection with the performance of his material duties hereunder; (B) a breach by Employee of any of his material duties hereunder (for reasons other than physical or mental illness) and the failure of Employee to cure such breach within thirty (30) days after written notice thereof by the Company; (C) conduct by Employee against the material best interests of the Company or a material act of common law fraud against the Company or its affiliates or employees; or (D) conviction of Employee of a felony and such conviction has a material adverse affect on the interests or reputation of the Company.

(ii) If Employee's employment is terminated by the Company for Cause, then the Company shall, through the Date of Termination, pay Employee his accrued and unpaid Base Salary. Thereafter, the Company shall have no further obligations to Employee except as otherwise provided hereunder; PROVIDED that any such termination shall not adversely affect or alter Employee's rights under any employee benefit plan of the Company in which Employee, at the Date of Termination, has a vested interest, unless otherwise provided in such employee benefit plan or any agreement or other instrument attendant thereto. Notwithstanding the foregoing and in addition to whatever other rights or remedies the Company may have at law or in equity, all stock options and other stock-based grants held by Employee, whether vested or unvested as of the Date of Termination, shall immediately expire on the Date of Termination if Employee's employment is terminated by the Company for Cause.

(e) TERMINATION BY THE COMPANY WITHOUT CAUSE OR BY EMPLOYEE FOR GOOD REASON.

(i) At any time during the Employment Period, the Company may terminate Employee's employment hereunder without Cause if such termination is approved by the Board of Directors. Any termination by the Company of Employee's employment hereunder which does not (A) constitute a termination for Cause under Subparagraph (d)(i), (B) result from the death or disability of the Employee under Subparagraph (b) or (c), or (C) result from the expiration of the Term (as extended by any Renewal Term), shall be deemed a termination without Cause.

(ii) At any time during the Employment Period, Employee may terminate his employment hereunder for Good Reason. "GOOD REASON" shall mean: (A) a substantial adverse change, not consented to by Employee, in the nature or scope of Employee's responsibilities, authorities, powers, functions, or duties under this Agreement or (B) a breach by the Company of any of its material obligations hereunder and the failure of the Company to cure such breach within thirty (30) days after written notice thereof by Employee.

(iii) If Employee's employment is terminated during the Employment Period by the Company without Cause or if Employee terminates his employment during the Employment Period for Good Reason, then the Company shall, through the Date of Termination, pay Employee his accrued and unpaid Base Salary and his accrued and unpaid bonus under Paragraph 3. In addition, subject to signing by Employee of a general release of claims in a form and manner satisfactory to the Company,

(A) the Company shall pay Employee an amount (the "Severance Amount") equal to the sum of (x) his Base Salary under Subparagraph 3(a) payable for the period in which the noncompetition provision of Paragraph 9 is in effect or would have been in effect but for the last subparagraph of Paragraph 9 (the "Noncompetition Period") and (y) the amount of his cash bonus, if any, received in respect of the immediately preceding year under Subparagraph 3(b) multiplied by the number of full and fractional calendar years during the Noncompetition Period. Notwithstanding the foregoing, in the event the Company, in its sole discretion, elects to waive the noncompetition provision of Paragraph 9, the Company shall not be obligated to pay or continue to pay a Severance Amount in excess of the sum of (xx) Employee's annual Base Salary under Subparagraph 3(a) and (yy) the amount of his cash bonus, if any, received in respect of the immediately preceding year under Subparagraph 3(b). The Severance Amount shall be paid in monthly installments over a 12-month period, or if longer, the Noncompetition Period; and

(B) Employee shall receive all rights and benefits granted or in effect with respect to Employee under the Stock Option Plan and agreements with Employee pursuant thereto. The vesting and exercise of any stock options and the forfeitability of any stock-based grants held by Employee shall be governed by the terms of the Stock Option Plan and the related agreements between Employee and the Company.

(f) VOLUNTARY TERMINATION BY EMPLOYEE. At any time during the Employment Period, Employee may terminate his employment hereunder for any reason, including, but not limited to, Good Reason in accordance with Subparagraph (e)(ii). If Employee's employment is terminated by Employee other than for Good Reason, then the Company shall, through the Date of Termination, pay Employee his accrued and unpaid Base Salary. Thereafter, the Company shall have no further obligations to Employee except as otherwise expressly provided hereunder; PROVIDED any such termination shall not adversely affect or alter Employee's rights under any employee benefit plan of the Company in which Employee, at the Date of Termination, has a vested interest, unless otherwise provided in such employee benefit plan or any agreement or other instrument attendant thereto.

(g) NO MITIGATION. Without regard to the reason for the termination of Employee's employment hereunder, Employee shall be under no obligation to mitigate damages with respect to such termination under any circumstances and in the event Employee

is employed or receives income from any other source, there shall be no offset against the amounts due from the Company hereunder.

9. NONCOMPETITION. Because Employee's services to the Company are special and because Employee has access to the Company's confidential information, Employee covenants and agrees that during the Employment Period and until the later of (i) the end of the Term and (ii) the end of a one-year period following the termination of Employee's employment with the Company for any reason, Employee shall not, without the prior written consent of the Company (which shall be authorized by approval of the Board of Directors of the Company, including the approval of a majority of the independent Directors of the Company), directly or indirectly:

(a) engage, participate or assist in, either individually or as an owner, partner, employee, consultant, director, officer, trustee, or agent of any business that engages or attempts to engage in, directly or indirectly, the acquisition, development, construction, operation, management, or leasing of any commercial real estate property

(b) intentionally interfere with, disrupt or attempt to disrupt the relationship, contractual or otherwise, between the Company or its affiliates and any tenant, supplier, contractor, lender, employee, or governmental agency or authority; or

(c) call upon, compete for, solicit, divert, or take away, or attempt to divert or take away any of the tenants or employees of the Company or its affiliates, either for himself or for any other business, operation, corporation, partnership, association, agency, or other person or entity.

This Paragraph 9 shall not be interpreted to prevent Employee from engaging in Minority Interest Passive Investments or any other activity permitted under Subparagraph 2(b). This Paragraph 9 shall survive the termination of this Agreement.

Notwithstanding anything to the contrary herein, the noncompetition provision of this

Paragraph 9 shall not apply if Employee's employment terminates after a Change of Control. For this purpose a "Change of Control" shall be deemed to occur if persons who, as of the effective date of the Company's IPO, constitute the Company's Board of Directors (the "Incumbent Directors") cease for any reason, including, without limitation, as a result of a tender offer, proxy contest, merger or similar transaction, to constitute at least a majority of the Board, provided that any person becoming a director of the Company subsequent to such date whose election was approved by a vote of at least two-thirds of the Incumbent Directors or whose nomination for election was approved by a nominating committee comprised of Incumbent Directors shall, for purposes of this Agreement, be considered an Incumbent Director.

10. **CONFLICTING AGREEMENTS.** Employee hereby represents and warrants that the execution of this Agreement and the performance of his obligations hereunder will not breach or be in conflict with any other agreement to which he is a party or is bound, and that he is not now subject to any covenants against competition or similar covenants which would affect the performance of his obligations hereunder.

11. **NOTICES.** All notices, requests, demands, and other communications under this Agreement shall be in writing and shall be deemed duly given (i) if delivered by hand and receipted for by the party addressee, on the date of such receipt or (ii) if mailed by domestic certified or registered mail with postage prepaid, on the third business day after the date postmarked. Addresses for notice for the parties are as shown above, or as subsequently modified by written notice.

12. **MISCELLANEOUS.** This Agreement (i) constitutes the entire agreement between the parties concerning the subjects hereof and supersedes any and all prior agreements or understandings, (ii) may not be assigned by Employee without the prior written consent of the Company, and (iii) may be assigned by the Company and shall be binding upon, and inure to the benefit of, the Company's successors and assigns. Headings herein are for convenience of reference only and shall not define, limit or interpret the contents hereof.

13. **AMENDMENT.** This Agreement may be amended, modified or supplemented by the mutual consent of the parties in writing, but no oral amendment, modification or supplement shall be effective.

14. **ARBITRATION; OTHER DISPUTES.** Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in Boston, Massachusetts, in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered in any court having jurisdiction. Notwithstanding the above, the Company shall be entitled to seek a restraining order or injunction in any court of competent jurisdiction to prevent any continuation of any violation of Paragraph 7 or 9 hereof.

In the event that the Company terminates Employee's employment for Cause under Subparagraph 8(d)(i) and Employee contends that Cause did not exist, then the Company's only obligation shall be to submit such claim to arbitration and the only issue before the arbitrator will be whether Employee was in fact terminated for Cause. If the arbitrator determines that Employee was not terminated for Cause by the Company, then the only remedies that the arbitrator may award are (i) the Severance Amount specified in Subparagraph 8(e)(iii)(A), (ii) the costs of arbitration, (iii) Employee's attorneys' fees, and (iv) the acceleration of Employee's stock options in accordance with Subparagraph 8(e)(iii)(B). If the arbitrator finds that Employee was terminated for Cause, the arbitrator will be without authority to award Employee anything, and the parties will each be responsible for their own attorneys' fees, and they will divide the costs of arbitration equally. Furthermore, should a dispute occur concerning Employee's mental or physical capacity as described in Subparagraph 8(c), a doctor selected by Employee and a doctor selected by the Company shall be entitled to examine Employee. If the opinion of the Company's doctor and Employee's doctor conflict, the Company's doctor and Employee's doctor shall together agree upon a third doctor, whose opinion shall be binding. This Paragraph 14 shall survive the termination of this Agreement.

15. LITIGATION AND REGULATORY COOPERATION. During and after Employee's employment, Employee shall reasonably cooperate with the Company in the defense or prosecution of any claims or actions now in existence or which may be brought in the future against or on behalf of the Company which relate to events or occurrences that transpired while Employee was employed by the Company; PROVIDED that such cooperation shall not materially and adversely affect Employee or expose Employee to an increased probability of civil or criminal litigation. Employee's cooperation in connection with such claims or actions shall include, without limitation, being available to meet with counsel to prepare for discovery or trial and to act as a witness on behalf of the Company at mutually convenient times. During and after Employee's employment, Employee also shall cooperate fully with the Company in connection with any investigation or review of any federal, state or local regulatory authority as any such investigation or review relates to events or occurrences that transpired while Employee was employed by the Company. The Company shall also provide Employee with compensation on an hourly basis calculated at his final base compensation rate for requested litigation and regulatory cooperation that occurs after his termination of employment, and reimburse Employee for all costs and expenses incurred in connection with his performance under this Paragraph 15, including, without limitation, reasonable attorneys' fees and costs.

16. EFFECTIVENESS. This Agreement is conditioned and shall become effective only upon the completion of the IPO.

17. SEVERABILITY. If any provision of this Agreement shall to any extent be held void or unenforceable (as to duration, scope, activity, subject or otherwise) by a court of competent jurisdiction, such provision shall be deemed to be modified so as to constitute a

provision conforming as nearly as possible to the original provision while still remaining valid and enforceable. In such event, the remainder of this Agreement (or the application of such provision to persons or circumstances other than those in respect of which it is deemed to be void or unenforceable) shall not be affected thereby. Each other provision of this Agreement, unless specifically conditioned on the voided aspect of such provision, shall remain valid and enforceable to the fullest extent permitted by law; any other provisions of this Agreement that are specifically conditioned on the voided aspect of such invalid provision shall also be deemed to be modified so as to constitute a provision conforming as nearly as possible to the original provision while still remaining valid and enforceable to the fullest extent permitted by law.

18. GOVERNING LAW. This Agreement shall be construed and regulated in all respects under the laws of the State of Delaware.

IN WITNESS WHEREOF, this Agreement is entered into as of the date and year first above written.

BOSTON PROPERTIES, INC.

By:

Name: David G. Gaw
Title: Chief Financial Officer

May 23, 1997

EXHIBIT 10.9

Form of Registration Rights
and Lock-up Agreement

REGISTRATION RIGHTS AND LOCK-UP AGREEMENT

BY AND BETWEEN

BOSTON PROPERTIES, INC.

AND THE

HOLDERS NAMED HEREIN

_____, 1997

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REGISTRATION RIGHTS AND LOCK-UP AGREEMENT

This Registration Rights and Lock-Up Agreement (this "AGREEMENT") is entered into as of _____, 1997 by and between Boston Properties, Inc., a Delaware corporation (the "COMPANY"), and certain shareholders of the Company or partners of Boston Properties Limited Partnership, a Delaware limited partnership, who have executed a signature page to this Agreement (each a "HOLDER" and, collectively, the "HOLDERS").

WHEREAS, the Holders have or are to receive shares of common stock of the Company, \$.01 par value ("COMMON SHARES"), or units of limited partnership interest in Boston Properties Limited Partnership ("UNITS"), in each case issued without registration under the Securities Act of 1933, as amended (the "SECURITIES ACT"), in connection with the formation transactions described in the Registration Statement on Form S-11 (File No. 333-_____), as amended, relating to the Offering (as defined below);

WHEREAS, in order to induce the representatives of the several underwriters to enter into the Purchase Agreement between the Company and such representatives related to the Offering, the Affiliated Holders (as defined below) have agreed to the Lock-up (as defined below) set forth in Section 2 hereof; and

WHEREAS, it is a condition precedent to the obligations of the Holders to consummate the transactions described in the registration statement relating to the Offering that the Company provide the Holders with the registration rights set forth in Section 3 hereof.

NOW, THEREFORE, in consideration of the foregoing, the mutual promises and agreements set forth herein, and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. CERTAIN DEFINITIONS.

As used in this Agreement, in addition to the other terms defined herein, the following capitalized defined terms shall have the following meanings:

"AFFILIATED HOLDERS" shall mean the Holders listed as executive or senior officers in the Company's Registration Statement on Form S-11 (File No. 333-_____), as amended (or each individually as appropriate), including their successors and permitted assigns and transferees. The Affiliated Holders are listed on SCHEDULE A attached hereto.

"IPO DATE" means the date of the final prospectus relating to the Offering.

"MERRILL LYNCH" means Merrill Lynch, Pierce, Fenner & Smith Incorporated.

"NASD" shall mean the National Association of Securities Dealers, Inc.

"OFFERING" shall mean the sale of shares of Common Stock in connection with the Company's initial public offering.

"PERSON" shall mean an individual, partnership, corporation, trust, or unincorporated organization, or a government or agency or political subdivision thereof.

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

"REGISTRABLE SHARES" (a) when used with respect to a Holder, shall mean the Shares of such Holder, excluding (i) Shares for which a Registration Statement relating to the sale thereof shall have become effective under the Securities Act and which have been issued or disposed of under such Registration Statement, (ii) Shares sold pursuant to Rule 144 or (iii) Shares eligible for sale pursuant to Rule 144(k) (or any successor provision) and (b) when used without reference to a Holder, shall mean the Registrable Shares of all Holders.

"REGISTRATION EXPENSES" shall mean any and all expenses incident to performance of or compliance with this Agreement, including, without limitation: (i) all SEC, stock exchange or NASD registration and filing fees; (ii) all fees and expenses incurred in connection with compliance with state securities or "blue sky" laws (including reasonable fees and disbursements of counsel in connection with "blue sky" qualification of any of the Registrable Shares and the preparation of a Blue Sky Memorandum) and compliance with the rules of the NASD; (iii) all expenses of any Persons in preparing or assisting in preparing, word processing, printing and distributing any Registration Statement, any Prospectus, certificates and other documents relating to the performance of and compliance with this Agreement; (iv) all fees and expenses incurred in connection with the listing, if any, of any of the Registrable Shares on any securities exchange or exchanges pursuant to Section 5 hereof; and (v) the fees and disbursements of counsel for the Company and of the independent public accountants of the Company, including the expenses of any special audit or "cold comfort" letters required by or incident to such performance and compliance. Registration Expenses shall specifically exclude underwriting discounts and commissions relating to the sale or disposition of Registrable Shares by a selling Holder, the fees and disbursements of counsel representing a selling Holder, and transfer taxes, if any, relating to the sale or disposition of Registrable Shares by a selling Holder, all of which shall be borne by such Holder in all cases.

"REGISTRATION STATEMENT" shall mean any registration statement of the Company which covers the issuance or resale of any of the Registrable Shares on an appropriate form, and all amendments and supplements to such registration statement, including post-effective amendments, in each case including the Prospectus contained therein, all exhibits thereto and all materials incorporated by reference therein.

"RULE 144" means Rule 144 under the Securities Act (or any successor provision).

"SEC" shall mean the Securities and Exchange Commission.

"SHARES" (a) when used with respect to a Holder, shall mean (i) the Common Shares issued to the Holder on the date hereof, and (ii) any Common Shares issued or to be issuable to the Holder upon redemption or in exchange for Units held by such Holder, and (b) when used without reference to a Holder, shall mean the Shares of all Holders.

"UNAFFILIATED HOLDERS" shall mean the Holders not listed on SCHEDULE A attached hereto (or each individually as appropriate), including their successors and permitted assigns and transferees.

2. LOCK-UP AGREEMENT.

(a) Each Holder hereby agrees that, except as set forth in Section 2(b) below, from the date hereof until two (2) years (in the case of Affiliated Holders) or one (1) year (in the case of Unaffiliated Holders) following the IPO Date (the "LOCK-UP PERIOD"), without the prior written consent of Merrill Lynch and the Company, it will not offer, pledge, sell, contract to sell, grant any options for the sale of or otherwise dispose of, directly or indirectly (collectively "DISPOSE OF"), any Shares or Units (the "LOCK-UP").

(b) The following Dispositions of Shares and/or Units shall not be subject to the Lock-up set forth in Section 2(a):

(i) a Holder who is a natural person may Dispose of Shares or Units to his or her spouse, siblings, parents or any natural or adopted children or other descendants or to any personal trust in which any such family member or such Holder retains the entire beneficial interest;

(ii) a Holder that is a corporation, partnership, joint venture or other business entity may Dispose of Shares or Units to one or more Persons who have an ownership interest in such Holder or to one or more other entities that are wholly owned and controlled, legally and beneficially, by such Holder or by one or more of the Persons who have an ownership interest in such Holder;

(iii) a Holder may Dispose of Shares or Units on his or her death to such Holder's estate, executor, administrator or personal representative or to such Holder's beneficiaries pursuant to a devise or bequest or by laws of descent and distribution;

(iv) a Holder may Dispose of Shares or Units as a gift or other transfer without consideration; and

(v) a Holder may Dispose of Shares or Units pursuant to a pledge, grant of security interest or other encumbrance effected in a bona fide transaction with an unrelated and unaffiliated pledgee;

PROVIDED, HOWEVER, that in the case of any transfer of Shares or Units pursuant to clauses (i), (ii), (iv) and (v), the transferor shall, at the request of the Company, provide evidence satisfactory to the Company that the transfer is exempt from the registration requirements of the Securities Act.

In the event a Holder Disposes of Shares or Units described in this Section 2(b), such Shares or Units shall remain subject to this Agreement and, as a condition of the validity of such disposition, the transferee shall be required to execute and deliver a counterpart of this Agreement (except that a pledgee shall not be required to execute and deliver a counterpart of this Agreement until it forecloses upon such Shares or Units). Thereafter, such transferee shall be deemed to be a Holder for purposes of this Agreement.

3. REGISTRATION.

(a) FILING OF AFFILIATED HOLDER RESALE SHELF REGISTRATION. Subject to the conditions set forth in this Agreement, the Company shall cause to be filed a Registration Statement under Rule 415 under the Securities Act relating to the sale by the Affiliated Holders of all of the Registrable Shares of the Affiliated Holders in accordance with the terms hereof, and shall use reasonable efforts to cause such Registration Statement to be declared effective by the SEC by the expiration of the Lock-up Period. The Company agrees to use reasonable efforts to keep the Registration Statement, after its date of effectiveness, continuously effective with respect to the Registrable Shares of a particular Affiliated Holder until the earlier of (a) the date on which such Affiliated Holder no longer holds any Registrable Shares or (b) the date on which all of the Registrable Shares held by such Affiliated Holder have become eligible for sale pursuant to Rule 144(k) (or any successor provision) (hereinafter referred to as the "AFFILIATED RESALE SHELF REGISTRATION EXPIRATION DATE").

(b) FILING OF AN UNAFFILIATED RESALE SHELF REGISTRATION STATEMENT. Subject to the conditions set forth in this Agreement, the Company shall cause to be filed a Registration Statement under Rule 415 under the Securities Act relating to the sale by the Unaffiliated Holders of all of the Registrable Shares of the Unaffiliated Holders in accordance with the terms hereof, and shall use reasonable efforts to cause such Registration Statement to be declared effective by the SEC by that date which is fourteen (14) months after the IPO Date. The Company agrees to use reasonable efforts to keep the Registration Statement, after its date of effectiveness, continuously effective with respect to the Registrable Shares of a particular Unaffiliated Holder until the earlier of (a) the date on which such Unaffiliated Holder no longer holds any Registrable Shares or (b) the date on which all of the Registrable Shares held by such Unaffiliated Holder have become eligible for sale pursuant to Rule 144(k) (or any successor provision) (hereinafter referred to as the "UNAFFILIATED RESALE SHELF REGISTRATION EXPIRATION DATE").

(c) DEMAND REGISTRATION. Subject to the conditions set forth in this Agreement, at any time after the Affiliated Resale Shelf Registration Expiration Date or the Unaffiliated Resale Shelf Registration Expiration Date, as applicable, and while any Registrable Shares are outstanding, the Company shall, at the written request of any Affiliated Holder or Unaffiliated Holder, respectively, who is unable to sell its Registrable Shares pursuant to Rule 144(k) (or any successor provision), cause to be filed as soon as practicable after the date of such request by such Holder a Registration Statement under Rule 415 under the Securities Act relating to the sale by the Holder of all of the Registrable Shares held by such Holder in accordance with the terms hereof, and shall use reasonable efforts to cause such Registration Statement to be declared effective by the SEC as soon as practicable thereafter. The Company may, in its sole discretion, elect to file the Registration Statement before receipt of notice from any Holder. The Company agrees to use reasonable efforts to keep the Registration Statement continuously effective, after its date of effectiveness, until the date on which such Holder no longer holds any Registrable Shares.

(d) PIGGYBACK REGISTRATION. If, at any time after the Affiliated Resale Shelf Registration Expiration Date or the Unaffiliated Resale Shelf Registration Expiration Date, as applicable, and while any Registrable Shares or Units are outstanding and a Registration Statement applicable to Holder under Sections 3(a), 3(b) or 3(c) is not effective, the Company (in its sole discretion and without any obligation to do so) proposes to file a registration statement under the Securities Act with respect to an offering solely of Common Shares solely for cash (other than a registration statement (i) on Form S-8 or any successor form to such Form or in connection with any employee or director welfare, benefit or compensation plan, (ii) on Form S-4 or any successor form to such Form or in connection with an exchange offer, (iii) in connection with a rights offering exclusively to existing holders of Common Shares, (iv) in connection with an offering solely to employees of the Company or its subsidiaries, or (v) relating to a transaction pursuant to Rule 145 of the Securities Act), for its own account, the Company shall give prompt written notice of such proposed filing to the Holders. The notice referred to in the preceding sentence shall offer Holders the opportunity to register such amount of Registrable Shares as each Holder may request (a "PIGGYBACK REGISTRATION"). Subject to the provisions of Section 4 below, the Company shall include in such Piggyback Registration, in the registration and qualification for sale under the blue sky or securities laws of the various states and in any underwriting in connection therewith all Registrable Shares for which the Company has received written requests for inclusion therein within ten (10) calendar days after the notice referred to above has been given by the Company to the Holders. Holders of Registrable Shares shall be permitted to withdraw all or part of the Registrable Shares from a Piggyback Registration at any time prior to the effective date of such Piggyback Registration. If a Piggyback Registration is an underwritten primary registration on behalf of the Company and the managing underwriter advises the Company that the total number of Common Shares requested to be included in such registration exceeds the number of Common Shares that can be sold in such offering without impairing the pricing or other commercial practicality of such offering, the Company will include in such registration in the following priority: (i) first, all Common Shares the Company proposes to sell, (ii) second, up to the full number of applicable Registrable Shares requested to be included in such registration by any Unaffiliated Holders and (iii) third, up to the full number of applicable Registrable Shares

requested to be included in such registration by any Affiliated Holders which, in the case of clauses (ii) and (iii), in the opinion of such managing underwriter, can be sold without adversely affecting the price range or probability of success of such offering (with Registrable Shares allocated pro rata among the Unaffiliated Holders, and, if the request by all Unaffiliated Holders is satisfied and clause (iii) is therefore applicable, the Affiliated Holders on the basis of the total number of Registrable Shares requested to be included in such registration by all such Unaffiliated or Affiliated Holders, as applicable, pursuant to clauses (ii) and (iii) above, respectively).

(e) REGISTRATION STATEMENT COVERING ISSUANCE OF COMMON STOCK. In lieu of the registration rights set forth in Sections 3(a), 3(b), 3(c) and 3(d) above, the Company may, in its sole discretion, prior to the first date upon which the Units held by the Holders may be redeemed (or such other date as may be required under applicable provisions of the Securities Act) file a registration statement (the "ISSUANCE REGISTRATION STATEMENT") under Rule 415 under the Securities Act relating to the issuance to Holders of Common Shares upon the redemption of Units or in exchange for Units. Thereupon, the Company shall use reasonable efforts to cause such Registration Statement to be declared effective by the SEC for all Common Shares covered thereby. The Company agrees to use reasonable efforts to keep the Issuance Shelf Registration Statement continuously effective, with respect to the Registrable Shares of a particular Holder, until the date on which such Holder has redeemed or exchanged such Holder's Units for Common Stock. In the event that the Company is unable to cause such Issuance Registration Statement to be declared effective by the SEC or (except as otherwise permitted by Sections 8(b) and 9) is unable to keep such Issuance Registration Statement effective until the date on which each Holder has redeemed or exchanged such Holder's Units for Common Stock, then the rights of each Holder set forth in Sections 3(a), 3(b), 3(c) and 3(d) above shall be restored.

(f) NOTIFICATION AND DISTRIBUTION OF MATERIALS. The Company shall notify each Holder of the effectiveness of any Registration Statement applicable to the Shares of Holder and shall furnish to each such Holder such number of copies of the Registration Statement (including any amendments, supplements and exhibits), the Prospectus contained therein (including each preliminary prospectus and all related amendments and supplements) and any documents incorporated by reference in the Registration Statement or such other documents as such Holder may reasonably request in order to facilitate its sale of the Registrable Shares in the manner described in the Registration Statement.

(g) AMENDMENTS AND SUPPLEMENTS. The Company shall prepare and file with the SEC from time to time such amendments and supplements to the Registration Statement and Prospectus used in connection therewith as may be necessary to keep the Registration Statement effective and to comply with the provisions of the Securities Act with respect to the disposition of all the Registrable Shares until the earlier of (a) such time as all of the Registrable Shares have been issued or disposed of in accordance with the intended methods of disposition by the Holders or issuance by the Company as set forth in the Registration Statement or (b) the date on which the Registration Statement ceases to be effective in accordance with the terms of this Section 3. Upon twenty (20) business days'

notice, the Company shall file any supplement or post-effective amendment to the Registration Statement with respect to the plan of distribution or such Holder's ownership interests in Registrable Shares that is reasonably necessary to permit the sale of the Holder's Registrable Shares pursuant to the Registration Statement. The Company shall file any necessary listing applications or amendments to the existing applications to cause the Shares registered under any Registration Statement to be then listed or quoted on the primary exchange or quotation system on which the Common Shares are then listed or quoted.

(h) NOTICE OF CERTAIN EVENTS. The Company shall promptly notify each Holder of, and confirm in writing, the filing of the Registration Statement or any Prospectus, amendment or supplement related thereto or any post-effective amendment to the Registration Statement and the effectiveness of any post-effective amendment.

At any time when a Prospectus relating to the Registration Statement is required to be delivered under the Securities Act by a Holder to a transferee, the Company shall immediately notify each Holder of the happening of any event as a result of which the Prospectus included in such Registration Statement, as then in effect, includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. In such event, the Company shall promptly prepare and furnish to each applicable Holder a reasonable number of copies of a supplement to or an amendment of such Prospectus as may be necessary so that, as thereafter delivered to the purchasers of Registrable Shares, such Prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they are made, not misleading. The Company will, if necessary, amend the Registration Statement of which such Prospectus is a part to reflect such amendment or supplement.

4. STATE SECURITIES LAWS. Subject to the conditions set forth in this Agreement, the Company shall, in connection with the filing of any Registration Statement hereunder, file such documents as may be necessary to register or qualify the Registrable Shares under the securities or "Blue Sky" laws of such states as any Holder may reasonably request, and the Company shall use its best efforts to cause such filings to become effective; PROVIDED, HOWEVER, that the Company shall not be obligated to qualify as a foreign corporation to do business under the laws of any such state in which it is not then qualified or to file any general consent to service of process in any such state. Once effective, the Company shall use its best efforts to keep such filings effective until the earlier of (a) such time as all of the Registrable Shares have been disposed of in accordance with the intended methods of disposition by the Holder as set forth in the Registration Statement, (b) in the case of a particular state, a Holder has notified the Company that it no longer requires an effective filing in such state in accordance with its original request for filing or (c) the date on which the Registration Statement ceases to be effective.

5. EXPENSES. The Company shall bear all Registration Expenses incurred in connection with the registration of the Registrable Shares pursuant to this Agreement, except that each Holder shall be responsible for any brokerage or underwriting commissions and

taxes of any kind (including, without limitation, transfer taxes) with respect to any disposition, sale or transfer of Registrable Shares sold by it and for any legal, accounting and other expenses incurred by it.

6. INDEMNIFICATION BY THE COMPANY. The Company agrees to indemnify each of the Holders and their respective officers, directors, employees, agents, representatives and affiliates, and each person or entity, if any, that controls a Holder within the meaning of the Securities Act, and each other person or entity, if any, subject to liability because of his, her or its connection with a Holder (each, an "INDEMNITEE"), against any and all losses, claims, damages, actions, liabilities, costs and expenses (including without limitation reasonable fees, expenses and disbursements of attorneys and other professionals), joint or several, arising out of or based upon any violation by the Company of any rule or regulation promulgated under the Securities Act applicable to the Company and relating to action or inaction required of the Company in connection with any Registration Statement or Prospectus, or upon any untrue or alleged untrue statement of material fact contained in the Registration Statement or any Prospectus, or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; PROVIDED, THAT the Company shall not be liable to such Indemnitee or any person who participates as an underwriter in the offering or sale of Registrable Shares or any other person, if any, who controls such underwriter within the meaning of the Securities Act, in any such case to the extent that any such loss, claim, damage, liability (or action or proceeding in respect thereof) or expense arises out of or is based upon (i) an untrue statement or alleged untrue statement or omission or alleged omission made in such Registration Statement or in any such Prospectus in reliance upon and in conformity with information regarding such Indemnitee or its plan of distribution or ownership interests which was furnished to the Company for use in connection with the Registration Statement or the Prospectus contained therein by such Indemnitee or (ii) such Holder's failure to send or give a copy of the final, amended or supplemented prospectus furnished to the Holder by the Company at or prior to the time such action is required by the Securities Act to the person claiming an untrue statement or alleged untrue statement or omission or alleged omission if such statement or omission was corrected in such final, amended or supplemented prospectus.

7. COVENANTS OF HOLDERS. Each of the Holders hereby agrees (a) to cooperate with the Company and to furnish to the Company all such information concerning its plan of distribution and ownership interests with respect to its Registrable Shares in connection with the preparation of a Registration Statement with respect to such Holder's Registrable Shares and any filings with any state securities commissions as the Company may reasonably request, (b) to deliver or cause delivery of the Prospectus contained in such Registration Statement (other than an Issuance Registration Statement) to any purchaser of the shares covered by such Registration Statement from the Holder and (c) to indemnify the Company, its officers, directors, employees, agents, representatives and affiliates, and each person, if any, who controls the Company within the meaning of the Securities Act, and each other person, if any, subject to liability because of his connection with the Company, against any and all losses, claims, damages, actions, liabilities, costs and expenses arising out of or

based upon (i) any untrue statement or alleged untrue statement of material fact contained in either such Registration Statement or the Prospectus contained therein, or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, if and to the extent that such statement or omission occurs from reliance upon and in conformity with written information regarding the Holder, its plan of distribution or its ownership interests, which was furnished to the Company by the Holder for use therein unless such statement or omission was corrected in writing to the Company not less than three (3) business days prior to the date of the final prospectus (as supplemented or amended, as the case may be) or (ii) the failure by the Holder to deliver or cause to be delivered the Prospectus contained in such Registration Statement (as amended or supplemented, if applicable) furnished by the Company to the Holder to any purchaser of the shares covered by such Registration Statement from the Holder through no fault of the Company.

8. SUSPENSION OF REGISTRATION REQUIREMENT; RESTRICTION ON SALES.

(a) The Company shall promptly notify each Holder of, and confirm in writing, the issuance by the SEC of any stop order suspending the effectiveness of a Registration Statement with respect to such Holder's Registrable Shares or the initiation of any proceedings for that purpose. The Company shall use its best efforts to obtain the withdrawal of any order suspending the effectiveness of such a Registration Statement at the earliest possible moment.

(b) Notwithstanding anything to the contrary set forth in this Agreement, the Company's obligation under this Agreement to cause a Registration Statement and any filings with any state securities commission to become effective or to amend or supplement a Registration Statement shall be suspended in the event and during such period as unforeseen circumstances exist (including without limitation (i) an underwritten primary offering by the Company if the Company is advised by the underwriters that the sale of Registrable Shares under the Registration Statement would impair the pricing or commercial practicality of the primary offering or (ii) pending negotiations relating to, or consummation of, a transaction or the occurrence of an event that would require additional disclosure of material information by the Company in the Registration Statement or such filing, as to which the Company has a BONA FIDE business purpose for preserving confidentiality or which renders the Company unable to comply with SEC requirements) (such unforeseen circumstances being hereinafter referred to as a "SUSPENSION EVENT") that would make it impractical or inadvisable to cause the Registration Statement or such filings to become effective or to amend or supplement the Registration Statement, but such suspension shall continue only for so long as such event or its effect is continuing. The Company shall notify the Holders of the existence and, in the case of circumstances referred to in clause (i) of this Section 8(b), nature of any Suspension Event.

(c) Each holder of Registrable Shares agrees, if requested by the Company in the case of a Company-initiated nonunderwritten offering or if requested by the managing underwriter or underwriters in a Company-initiated underwritten offering, not to effect any

public sale or distribution of any of the securities of the Company, including a sale pursuant to Rule 144, during the 15-day period prior to, and during the 60-day period beginning on, the date of effectiveness of the registration statement relating to such Company-initiated offering.

9. **BLACK-OUT PERIOD.** Each Holder agrees that, following the effectiveness of any Registration Statement (except an Issuance Registration Statement) relating to Registrable Shares of such Holder, such Holder will not effect any sales of the Registrable Shares pursuant to the Registration Statement or any filings with any state Securities Commission at any time after such Holder has received notice from the Company to suspend sales as a result of the occurrence or existence of any Suspension Event or so that the Company may correct or update the Registration Statement or such filing. The Holder may recommence effecting sales of the Shares pursuant to the Registration Statement or such filings following further notice to such effect from the Company, which notice shall be given by the Company not later than five (5) business days after the conclusion of any such Suspension Event.

10. **ADDITIONAL SHARES.** The Company, at its option, may register, under any Registration Statement and any filings with any state securities commissions filed pursuant to this Agreement, any number of unissued Common Shares of the Company or any Common Shares of the Company owned by any other shareholder or shareholders of the Company.

11. **CONTRIBUTION.** If the indemnification provided for in Sections 6 and 7 is unavailable to an indemnified party with respect to any losses, claims, damages, actions, liabilities, costs or expenses referred to therein or is insufficient to hold the indemnified party harmless as contemplated therein, then the indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages, actions, liabilities, costs or expenses in such proportion as is appropriate to reflect the relative fault of the Company, on the one hand, and the Indemnitee, on the other hand, in connection with the statements or omissions which resulted in such losses, claims, damages, actions, liabilities, costs or expenses as well as any other relevant equitable considerations. The relative fault of the Company, on the one hand, and of the Indemnitee, on the other hand, shall be determined by reference to, among other factors, whether the untrue or alleged untrue statement of a material fact or omission to state a material fact relates to information supplied by the Company or by the Indemnitee and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission; PROVIDED, HOWEVER, that in no event shall the obligation of any indemnifying party to contribute under this Section 11 exceed the amount that such indemnifying party would have been obligated to pay by way of indemnification if the indemnification provided for under Sections 6 or 7 hereof had been available under the circumstances.

The Company and the Holders agree that it would not be just and equitable if contribution pursuant to this Section 11 were determined by PRO RATA allocation or by any

other method of allocation that does not take account of the equitable considerations referred to in the immediately preceding paragraph.

Notwithstanding the provisions of this Section 11, no Holder shall be required to contribute any amount in excess of the amount by which the gross proceeds from the sale of Shares exceeds the amount of any damages that the Holder has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission. No indemnified party guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any indemnifying party who was not guilty of such fraudulent misrepresentation.

12. NO OTHER OBLIGATION TO REGISTER. Except as otherwise expressly provided in this Agreement, the Company shall have no obligation to the Holders to register the Registrable Shares under the Securities Act.

13. AMENDMENTS AND WAIVERS. The provisions of this Agreement may not be amended, modified, or supplemented or waived without the prior written consent of the Company and Holders holding in excess of two-thirds of the aggregate of all Shares and Units held by Holders and, in the case of Sections 2 and 20 hereof, without the prior written consent of Merrill Lynch.

14. NOTICES. Except as set forth below, all notices and other communications provided for or permitted hereunder shall be in writing and shall be deemed to have been duly given if delivered personally or sent by telex or telecopier, registered or certified mail (return receipt requested), postage prepaid or courier or overnight delivery service to the respective parties at the following addresses (or at such other address for any party as shall be specified by like notice, provided that notices of a change of address shall be effective only upon receipt thereof), and further provided that in case of directions to amend the Registration Statement pursuant to Section 3(g) or Section 7, a Holder must confirm such notice in writing by overnight express delivery with confirmation of receipt:

If to the Company: Boston Properties, Inc.
8 Arlington Street
Boston, MA 02116
Attn: Edward H. Linde, President
Telecopy: (617) 536-4233

with a copy to: Goodwin, Procter & Hoar LLP
Exchange Place
Boston, MA 02109
Attn: Gilbert G. Menna, P.C.
Telecopy: (617) 523-1231

If to the Holders: As listed on the applicable Holder Signature Page

In addition to the manner of notice permitted above, notices given pursuant to Sections 3, 8 and 9 hereof may be effected telephonically and confirmed in writing thereafter in the manner described above.

15. SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon the parties hereto and their respective successors and assigns and shall inure to the benefit of the parties hereto and their respective successors and assigns. This Agreement may not be assigned by any Holder and any attempted assignment hereof by any Holder will be void and of no effect and shall terminate all obligations of the Company hereunder; PROVIDED, THAT any Holder may assign its rights hereunder to any person to whom such Holder may Dispose of Shares and/or Units pursuant to Section 2(b) hereof.

16. COUNTERPARTS. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

17. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware applicable to contracts made and to be performed wholly within said State.

18. SEVERABILITY. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstances, is held invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be in any way impaired thereby, it being intended that all of the rights and privileges of the parties hereto shall be enforceable to the fullest extent permitted by law.

19. ENTIRE AGREEMENT. This Agreement is intended by the parties as a final expression of their agreement and intended to be the complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein, with respect to such subject matter. This Agreement supersedes all prior agreements and understandings between the parties with respect to such subject matter.

20. THIRD PARTY BENEFICIARY. Merrill Lynch shall be a third party beneficiary or intended beneficiary to the agreement made by the Holders pursuant to Section 2 hereof and shall have the right to enforce such agreement directly to the extent it deems such enforcement necessary or desirable to protect its rights hereunder.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

BOSTON PROPERTIES, INC.

By:

Name:
Title:

REGISTRATION RIGHTS AND LOCK-UP AGREEMENT
HOLDER SIGNATURE PAGE

Holder:

Print Name:

ADDRESS FOR NOTICE:

Copy to:

*Signed this day by one or more of the undersigned as attorneys-in-fact on behalf of the Holder named above under the power of attorney granted to such attorney-in-fact by such Holder pursuant to Article V of the Omnibus Option Agreement dated as of _____, 1997 by and among the Company and the Grantors named therein.

Mortimer B. Zuckerman, Attorney-in-Fact

Edward H. Linde, Attorney-in-Fact

Raymond A. Ritchey, Attorney-in-Fact

William J. Wedge, Attorney-in-Fact

SCHEDULE A

AFFILIATED HOLDERS

Mortimer B. Zuckerman

Edward H. Linde

John J. Baraldi

David R. Barrett

Robert E. Burke

John D. Camera

Frederick J. DeAngelis

David G. Gaw

Peter D. Johnston

E. Mitchell Norville

Raymond A. Ritchey

James C. Rosenfeld

Robert Selsam

DOCS\500247.2
4/4/97

OPTION AGREEMENT

BETWEEN

BOSTON PROPERTIES LIMITED PARTNERSHIP

AND

SQUARE 36 PROPERTIES LIMITED PARTNERSHIP

Dated as of April __, 1997

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OPTION AGREEMENT

This Option Agreement (including all exhibits, hereinafter referred to as this "OPTION AGREEMENT") relates to a proposed acquisition by Boston Properties Limited Partnership of a 99% general partnership interest in Square 36 Office Joint Venture, a District of Columbia limited partnership (such interest, the "INTEREST," and such partnership, the "PROPERTY PARTNERSHIP"), which owns the building located at 2300 N Street, N.W., Washington, D.C. (such property, the "ASSET"). This Option Agreement is executed as of this day of April, 1997 by Boston Properties Limited Partnership, a Delaware limited partnership ("OPTIONEE"), and Square 36 Properties Limited Partnership, a Massachusetts limited partnership ("GRANTOR");

WHEREAS, Optionee desires to acquire from Grantor, and Grantor desires to grant to Optionee, an option to purchase, on the terms and conditions set forth herein, the Interest;

WHEREAS, the parties acknowledge that Optionee is considering the purchase of the Interest in connection with a proposed initial public offering (the "IPO") of shares of common stock ("COMMON STOCK") of Boston Properties Inc., a Delaware corporation (the "COMPANY"); and

WHEREAS, the current general partner of the Optionee (Boston Properties, Inc., a Massachusetts corporation) intends to merge with and into the Company contemporaneously with the IPO, after which the Company will be general partner of the Optionee.

NOW, THEREFORE, in consideration of the mutual covenants and conditions set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Optionee and Grantor agree as follows:

ARTICLE I: THE OPTION

1.1 Grant of Option. Grantor hereby grants to Optionee an option to purchase the Interest and all right, title and interest of Grantor therein (the "PURCHASE OPTION") on the terms and conditions hereinafter set forth. Optionee shall be under no obligation to exercise the Purchase Option and acquire the Interest, whether or not the IPO occurs and regardless of what other properties or interests therein Optionee may choose to acquire in connection with the IPO, it being in Optionee's sole discretion at all times as to whether to exercise the Purchase Option.

1.2 Term and Exercise of Option. The Purchase Option may be exercised, in whole or in part, at any time from and after the date hereof through 5:00 p.m., Boston, Massachusetts, time on the earlier of (i) December 31, 1997 or (ii) the Cessation Date (as such term is defined in Section 2.4 hereof) (the earlier of such dates, the "OPTION TERMINATION DATE"). The Purchase Option can be exercised only by the giving of notice by Optionee to Grantor or any of its Attorneys-in-Fact named in Article V hereof (an

"OPTION EXERCISE NOTICE"). If Optionee does not exercise the Purchase Option by the Option Termination Date, the Purchase Option shall automatically terminate and shall be of no further force and effect and Grantor shall have no further obligations hereunder.

1.3 Purchase Price and Payment. The full purchase price for the Interest (the "PURCHASE PRICE") shall be a number of Units (as hereinafter defined) having an aggregate value equal to \$990,000.00. As used herein, the term "UNITS" means Units representing a limited partnership interest in Optionee, and the value of each Unit shall equal the public offering price of a share of Common Stock of the Company in the IPO.

ARTICLE II: CONTRACT TO PURCHASE AND CLOSING PROCEDURES.

2.1 Purchase and Sale. Upon Optionee's exercise of the Purchase Option, Grantor shall, subject to Section 2.2 hereof, sell, transfer, assign, and convey to Optionee, and Optionee shall purchase and accept from Grantor, all right, title and interest of Grantor in the Interest, free and clear of all Encumbrances (as defined in Section 3.1) for the Purchase Price, such sale to be closed in accordance with this Article II.

2.2 Closing; Condition to Obligations. In connection with or at any time after the exercise by Optionee of the Purchase Option, Optionee will specify a closing date, which date will be no later than December 31, 1997, for the initial closing (the "PRE-CLOSING") of the purchase and sale of the Interest. At or before such Pre-closing, which shall be held at a place and time determined by Optionee in its sole discretion, Optionee and Grantor (or its attorney-in-fact) will execute all closing documents (the "CLOSING DOCUMENTS") required by Optionee in accordance with Section 2.3 and deliver the same to a person designated by Optionee (such person, the "CLOSING AGENT").

Upon the exercise of the Purchase Option, the transactions contemplated by this Option Agreement and by the Closing Documents executed and deposited in connection with such exercise will be consummated only if the IPO Closing (as hereinafter defined) occurs simultaneously with or within fifteen (15) business days after the date of the Pre-closing. For purposes hereof, the "IPO CLOSING" will be deemed to have occurred if, but only if, the share of the net proceeds to the Company from the IPO that is made available to Optionee is sufficient, as determined by Optionee in its reasonable discretion, to enable Optionee (i) to acquire the Interest and (ii) to apply such share of the net proceeds to acquire such other properties or interests and to repay principal, interest and other amounts due with respect to indebtedness and to meet such other obligations as may be described in the Registration Statement on Form S-11 prepared and filed in connection with the IPO, as the same is in effect on the day of the IPO Closing. If the IPO Closing occurs within such fifteen (15) business day period,

- (i) Optionee shall, contemporaneously with the IPO Closing, cause to be delivered to Grantor a certificate of the General Partner of Optionee certifying that

Grantor has been or will be, effective upon the Final Closing (as hereinafter defined), admitted as a limited partner of Optionee and that Optionee's books and records indicate that Grantor is the holder of the number of Units which are called for pursuant to the Purchase Price,

- (ii) upon receipt of the consideration set forth in clause (i) above, the Closing Agent will release the Closing Documents to Optionee, and
- (iii) the transactions described or otherwise contemplated herein or in the Closing Documents will thereupon be deemed to have been consummated (such consummation, the "FINAL CLOSING").

Notwithstanding the above, Optionee may, in its sole discretion, elect not to complete the purchase of the Interest if Grantor has identified, in the Assignment delivered pursuant to Section 2.3, a breach of or other exception with respect to Article III hereof or has otherwise breached this Option Agreement, in which case Optionee shall, in lieu of the delivery with respect to Grantor pursuant to clause (i) above, notify the Closing Agent of such election and direct the Closing Agent to return the Closing Documents and Ancillary Agreements (as defined below) to Grantor.

If the IPO Closing does not occur within fifteen (15) business days after the date of the Pre-closing, then neither party shall have any obligations under the Closing Documents executed in connection with the related exercise of the Purchase Option or under any agreements or instruments executed in connection with the transactions contemplated by such exercise (such other agreements or instruments, collectively, "ANCILLARY AGREEMENTS"), the Closing Documents and the Ancillary Agreements shall be deemed null and void ab initio and the Closing Agent will be directed to destroy the Closing Documents and any Ancillary Agreements it holds and return to Optionee the consideration delivered by Optionee to the Closing Agent in accordance with the previous paragraph. This Option Agreement shall thereafter remain in effect and Optionee may thereafter exercise the Grantor's Purchase Option again at any time before the Option Termination Date.

2.3 Documents to be Delivered at Closing. At the Pre-closing, Grantor shall, directly or through the Attorney-in-Fact appointed pursuant to Article V hereof, execute, acknowledge where deemed desirable or necessary by Optionee, and deliver to the Closing Agent, in addition to any other documents mentioned elsewhere herein, the following:

- (a) An Assignment of Interest (the "ASSIGNMENT"), which assignment shall be in a form satisfactory to Optionee, shall contain a warranty of title that Grantor owns the Interest free and clear of all Encumbrances (as defined in Section 3.1) and shall either (i) reaffirm the accuracy of all representations and warranties and the satisfaction of all covenants made by Grantor in Article III hereof or (ii) if such reaffirmation cannot be made, identify those representations, warranties and covenants of Article III hereof (other than

Section 3.7) with respect to which circumstances have changed, represent that Grantor has used all reasonable efforts within its control to prevent and remedy such breach, and reaffirm the accuracy of all other representations and warranties and the satisfaction of all other covenants made by Grantor in Article III hereof.

(b) If requested by Optionee, a certified copy of all appropriate partnership actions authorizing the execution, delivery and performance by Grantor of this Option Agreement, the Ancillary Agreements, if any, and the Closing Documents (including certified copies of the corporate or partnership actions taken by the constituent parties of Grantor, if applicable, in connection with their consents to give Grantor such authority).

(c) If requested by Optionee, an opinion from counsel for Grantor in form and content reasonably acceptable to Optionee substantially to the effect that:

(i) Grantor is a limited partnership duly organized, validly existing and in good standing under the laws of The Commonwealth of Massachusetts and, to the knowledge of such counsel, had and has all applicable partnership power and authority to enter into, deliver and perform this Option Agreement, the Ancillary Agreements, if any, and the Closing Documents;

(ii) the execution, delivery and performance of this Option Agreement, the Ancillary Agreements, if any, and the Closing Documents, and the transactions contemplated hereby and thereby, do not and will not constitute a breach or a violation of Grantor's partnership agreement or other governing instruments; and

(iii) all applicable partnership, corporate or other action necessary for Grantor to execute and deliver this Option Agreement, the Ancillary Agreements, if any, and the Closing Documents has been taken and that the same have been validly executed and delivered and are the valid and binding obligations of Grantor enforceable against it in accordance with their terms, subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other similar laws affecting creditors' rights and remedies generally.

(d) An affidavit establishing an exemption from the withholding requirements of the Foreign Investment in Real Property Tax Act ("FIRPTA"), as amended. In the event Grantor fails to provide such an affidavit, Optionee shall be entitled to withhold from the purchase price and pay to the Internal Revenue Service the sums required to be withheld pursuant to FIRPTA (and the amount so withheld shall be paid by Optionee to the Internal Revenue Service, in order for Optionee to comply with the provisions of Section 1445 of the Internal Revenue Code of 1986 or successor similar legislation, as the same may be amended hereafter).

(e) Any other documents reasonably necessary to assign, transfer and convey the Interest and effectuate the transactions contemplated hereby, including filings with any applicable governmental jurisdiction in which the Optionee is required to file its partnership documentation.

2.4 Cessation of Public Offering. If at any time Optionee or its underwriter or underwriters determine in good faith to abandon the IPO (the date of such determination being referred to as the "CESSATION DATE"), Optionee will so advise Grantor in writing and thereupon all parties hereto will be relieved of all obligations under this Option Agreement, all Ancillary Agreements, and all Closing Documents (except for obligations arising under Sections 3.5 and 4.2).

2.5 Further Assurances. Grantor will, from time to time, execute and deliver to Optionee all such other and further instruments and documents and take or cause to be taken all such other and further action as Optionee may reasonably request in order to effect the transactions contemplated by this Agreement, including instruments or documents deemed necessary or desirable by Optionee to effect and evidence the conveyance of the Interest in accordance with the terms of this Option Agreement.

ARTICLE III: REPRESENTATIONS, WARRANTIES AND COVENANTS OF GRANTORS

As a material inducement to Optionee to enter into this Option Agreement and to consummate the transactions contemplated hereby, Grantor hereby makes to Optionee each of the representations and warranties set forth in this Article III, which representations and warranties are true as of the date hereof. As a condition to Optionee's obligation to complete the purchase of the Interest, such representations and warranties must continue to be true as of the date of the Pre-closing and as of the date of the Final Closing.

3.1 Title to Interest. Grantor owns beneficially and of record, free and clear of any claim, lien, pledge, voting agreement, option, charge, security interest, mortgage, deed of trust, encumbrance, rights of assignment, purchase rights or other rights of any nature whatsoever of any third party (collectively, "ENCUMBRANCES"), and has full power and authority to convey free and clear of any Encumbrances, the Interest and, upon delivery of an Assignment by Grantor conveying the Interest and payment for the Interest as herein provided, Optionee (or its designee) will acquire good and valid title thereto, free and clear of any Encumbrance except Encumbrances created in favor of Optionee by the transactions contemplated hereby. The Interest has been validly issued and Grantor has funded (or will fund before the same is past due) all capital contributions and advances to the Property Partnership that are required to be funded or advanced prior to the date hereof and the dates of the Pre-closing and the Final Closing. There are no agreements, instruments or understandings with respect to the Interest except as set forth in the partnership agreement of the Property Partnership. Grantor has no equity interest, either direct or indirect, in the Asset except for the Interest.

3.2 Authority. Grantor has full right, authority, power and capacity: (i) to enter into this Option Agreement and each agreement, document and instrument to be executed and delivered by or on behalf of Grantor pursuant to this Option Agreement; (ii) to carry out the transactions contemplated hereby and thereby; and (iii) to transfer, sell and deliver the Interest to Optionee (or its designee) upon exercise by Optionee of the Purchase Option and payment therefor in accordance with this Option Agreement. This Option Agreement and each agreement, document and instrument executed and delivered by or on behalf of Grantor pursuant to this Option Agreement constitutes, or when executed and delivered will constitute, the legal, valid and binding obligation of Grantor, each enforceable in accordance with its respective terms. The execution, delivery and performance of this Option Agreement and each such agreement, document and instrument by or on behalf of Grantor: (x) does not and will not violate Grantor's partnership agreement or other governing instruments; (y) does not and will not violate any foreign, federal, state, local or other laws applicable to Grantor or require Grantor to obtain any approval, consent or waiver of, or make any filing with, any person or authority (governmental or otherwise) that has not been obtained or made or which does not remain in effect; and (z) does not and will not result in a breach of, constitute a default under, accelerate any obligation under or give rise to a right of termination of, any indenture or loan or credit agreement or any other agreement, contract, instrument, mortgage, lien, lease, permit, authorization, order, writ, judgment, injunction, decree, determination or arbitration award to which Grantor is a party or by which the property of Grantor is bound or affected, or result in the creation of any Encumbrance on any of the property or assets of any partnership in which the Interest of Grantor represents an interest.

3.3 Litigation. There is no litigation or proceeding, either judicial or administrative, pending or overtly threatened, affecting the Interest or Grantor's ability to consummate the transactions contemplated hereby. Grantor knows of no outstanding order, writ, injunction or decree of any court, government, governmental entity or authority or arbitration against or affecting the Interest, which in any such case would impair Grantor's ability to enter into and perform all of its obligations under this Option Agreement.

3.4 No Other Agreements to Sell. Grantor represents that it has made no agreement with, and will not enter into any agreement with, and has no obligation (absolute or contingent) to, any other person or firm to sell, transfer or in any way encumber the Interest or to not sell Grantor's Interest, or to enter into any agreement with respect to a sale, transfer or encumbrance of, or put or call right with respect to, the Interest.

3.5 No Brokers. Grantor and each of its constituent partners represent that it has not entered into, and covenants that it will not enter into, any agreement, arrangement or understanding with any person or firm which will result in the obligation of Optionee to pay any finder's fee, brokerage commission or similar payment in connection with the transactions contemplated hereby.

3.6 Investment Representations and Warranties.

(a) Grantor has had an opportunity to review the "Summary of Certain Provisions of the Operating Partnership Agreement and the Registration Rights Agreement" and the discussion entitled "Tax Matters," each of which was sent to the Grantor by the Company (collectively, including all supplements thereto, if any, the "PARTNERSHIP SUMMARY"), and the Private Placement Memorandum of the Optionee dated April 3, 1997 (including all supplements thereto, if any, the "PRIVATE PLACEMENT MEMORANDUM") and understands the risks of, and other considerations relating to, the purchase of the Units. Grantor, by reason of its business and financial experience, together with the business and financial experience of those persons, if any, retained by it to represent or advise it with respect to its investment in the Units, has such knowledge, sophistication and experience in financial and business matters and in making investment decisions of this type that it is capable of evaluating the merits and risks of an investment in Optionee and of making an informed investment decision, (ii) is capable of protecting its own interest or has engaged representatives or advisors to assist it in protecting its interests and (iii) is capable of bearing the economic risk of such investment. Grantor has reviewed the definition of "accredited investor" under Regulation D of the Securities Act of 1933, as amended (the "SECURITIES ACT"), and represents that (i) it is an "accredited investor," and (ii) it recognizes that the Optionee is relying on such representation in entering into this Agreement and issuing Units to the Grantor.

(b) Grantor understands that an investment in the Optionee involves substantial risks. Grantor has been given the opportunity to make a thorough investigation of the proposed activities of Optionee and has been furnished with materials relating to the Optionee and its proposed activities, including, without limitation, the Private Placement Memorandum and the Partnership Summary. Grantor has been afforded the opportunity to obtain any additional information deemed necessary by Grantor to verify the accuracy of any representations made or information conveyed to the Grantor. Grantor confirms that all documents, records, and books pertaining to its investment in the Partnership and requested by Grantor have been made available or delivered to Grantor. Grantor has had an opportunity to ask questions of and receive answers from Optionee, or from a person or persons acting on Optionee's behalf, concerning the terms and conditions of this investment. GRANTOR HAS RELIED UPON, AND IS MAKING ITS INVESTMENT DECISION SOLELY UPON, THE PRIVATE PLACEMENT MEMORANDUM AND THE PARTNERSHIP SUMMARY.

(c) The Units to be issued to Grantor if Optionee acquires the Interest will be acquired by Grantor for its own account for investment only and not with a view to, or with any intention of, a distribution or resale thereof, in whole or in part, or the grant of any participation therein, without prejudice, however, to Grantor's right (subject to the terms of the Units) at all times to sell or otherwise dispose of all or any part of its Units under an exemption from such registration available under the Securities Act, and applicable state securities laws, and subject, nevertheless, to the disposition of its assets being at all times

within its control. Grantor was not formed for the specific purpose of acquiring an interest in Optionee. Grantor will retain the Units that may be acquired by it hereunder for at least two years before distributing such Units to its partners or otherwise disposing of such Units, unless Optionee in its sole discretion agrees to permit such distribution, transfer or disposition.

(d) Grantor acknowledges that (i) the Units to be issued to Grantor if Optionee acquires Grantor's Interest have not been registered under the Securities Act or state securities laws by reason of a specific exemption or exemptions from registration under the Securities Act and applicable state securities laws and, if such Units are represented by certificates, such certificates will bear a legend to such effect, (ii) the Company's and Optionee's reliance on such exemptions is predicated in part on the accuracy and completeness of the representations and warranties of Grantor contained herein, (iii) such Units, therefore, cannot be resold unless registered under the Securities Act and applicable state securities laws, or unless an exemption from registration is available, (iv) there is no public market for such Units, and (v) Optionee has no obligation or intention to register such Units for resale under the Securities Act or any state securities laws or to take any action that would make available any exemption from the registration requirements of such laws. Grantor hereby acknowledges that because of the restrictions on transfer or assignment of such Units to be issued hereunder, which will be set forth in the partnership agreement of Optionee, the Grantor may have to bear the economic risk of the investment commitment evidenced by this Option Agreement and any Units purchased hereby for an indefinite period of time, although under the terms of the partnership agreement of Optionee, as it will be in effect at the time of the initial public offering of the Company's Common Stock, Units will be redeemable at the request of the holder thereof at any time after a period not exceeding fourteen months after their issuance for cash or (at the option of the Company) for shares of the Company's Common Stock.

3.7 Covenant to Remedy Breaches. Grantor covenants to use all reasonable efforts within its control (i) to prevent the breach of any representation or warranty of it hereunder, (ii) to satisfy all covenants of Grantor hereunder and (iii) to promptly cure any breach of a representation, warranty or covenant of Grantor hereunder upon its learning of same.

ARTICLE IV: REPRESENTATIONS, WARRANTIES AND COVENANTS OF OPTIONEE

As a material inducement to Grantor to enter into this Option Agreement and to consummate the transactions contemplated hereby, Optionee hereby makes to Grantor each of the representations and warranties set forth in this Article IV, which representations and warranties shall be true as of the date hereof, as of the date of the Pre-closing and as of the date of consummation of the Final Closing.

4.1 Authority. Optionee has full right, authority, power and capacity: (i) to enter into this Option Agreement and each agreement, document and instrument to be executed and delivered by or on behalf of it pursuant to this Option Agreement; (ii) to carry out the transactions contemplated hereby and thereby; and (iii) to issue Units to Grantor as provided

herein. This Option Agreement and each agreement, document and instrument executed and delivered by Optionee pursuant to this Option Agreement constitutes, or when executed and delivered will constitute, the legal, valid and binding obligation of Optionee, each enforceable in accordance with their respective terms. The execution, delivery and performance of this Option Agreement and each such agreement, document and instrument by Optionee: (x) does not and will not violate the partnership agreement of Optionee; (y) does not and will not violate any foreign, federal, state, local or other laws applicable to Optionee or require Optionee to obtain any approval, consent or waiver of, or make any filing with, any person or authority (governmental or otherwise) that has not been obtained or made; and (z) does not and will not result in a breach of, constitute a default under, accelerate any obligation under or give rise to a right of termination of, any indenture or loan or credit agreement or any other agreement, contract, instrument, mortgage, lien, lease, permit, authorization, order, writ, judgment, injunction, decree, determination or arbitration award to which Optionee is a party or by which the property of Optionee is bound or affected.

4.2 No Brokers. Optionee represents that it has not entered into, and covenants that it will not enter into, any agreement, arrangement or understanding with any person or firm which will result in the obligation of Grantor to pay any finder's fee, brokerage commission or similar payment in connection with the transactions contemplated hereby.

ARTICLE V: POWER OF ATTORNEY

5.1 Grant of Power of Attorney. Grantor hereby irrevocably appoints Mortimer B. Zuckerman and Edward H. Linde, and each of them individually and any successor thereof from time to time (such persons or any such successor of any of them acting in his, her or its capacity as Attorney-in-Fact pursuant to this Article V, the "ATTORNEY-IN-FACT") as the true and lawful Attorney-in-Fact and agent of Grantor, with the power to act in the name, place and stead of Grantor:

(a) To take for Grantor all steps deemed necessary or advisable, if any, by Optionee in connection with the registration of the Company's Common Stock under the Securities Act, including without limitation (i) filing a registration statement and amendments thereto (the "REGISTRATION STATEMENT") under the Securities Act that describes the benefits to be received by Grantor in connection with the formation of the Operating Partnership and the offering of the Company's Common Stock, (ii) distributing a preliminary prospectus and prospectus regarding the offering of the Company's Common Stock that contain such information as is deemed necessary or desirable to lawfully effect the initial public offering of such shares, and (iii) to take such other steps as the Attorney-in-Fact may deem necessary or advisable.

(b) To make, execute, acknowledge and deliver all such other contracts, orders, receipts, notices, requests, instructions, certificates, consents, letters and other writings (including without limitation the execution of Closing Documents, Ancillary Agreements, the

partnership agreement, as then in effect, of Optionee, any other documents relating to the acquisition by Optionee of the Interest, and any consents and waivers given or contemplated by or in furtherance of Section 6.10 hereof) and, in general, to do all things and to take all action which the Attorney-in-Fact in its sole discretion may consider necessary or proper in connection with or to carry out the transactions contemplated by this Option Agreement, the Ancillary Agreements, if any, and the Closing Documents as fully as could Grantor if personally present and acting.

(d) To make, acknowledge, verify and file on behalf of Grantor applications, consents to service of process and such other undertakings or reports as may be required by law with state commissioners or officers administering state securities or Blue Sky laws and to take any other action required to facilitate the exemption from registration of the Units and the qualification of the Company's Common Stock under the securities or Blue Sky laws of the jurisdictions in which the Units and the Company's Common Stock are to be offered.

The Power of Attorney granted by Grantor pursuant to this Article V and all authority conferred by this Article V is granted and conferred subject to and in consideration of the interests of the Optionee and the Company and is for the purpose of completing the transactions contemplated by this Option Agreement. The Power of Attorney of Grantor granted by this Article V and all authority conferred by this Article V is coupled with an interest and therefore shall be irrevocable and shall not be terminated by any act of Grantor or by operation of law, whether by the death, disability, incapacity or liquidation of Grantor or by the occurrence of any other event or events (including without limitation the termination of any trust or estate for which Grantor is acting as a fiduciary or fiduciaries), and if, after the execution hereof, Grantor is liquidated, or if any other such event or events shall occur before the completion of the transactions contemplated by this Option Agreement, the Attorney-in-Fact shall nevertheless be authorized and directed to complete all such transactions as if such liquidation or other event or events had not occurred and regardless of notice thereof. Grantor acknowledges that the Attorneys-in-Fact named in the first paragraph of this Section 5.1 have, and any successor thereof acting as Attorney-in-Fact may have, an economic interest in the transactions contemplated by this Option Agreement. Grantor agrees that, at the request of Optionee, it will promptly execute a separate Power of Attorney on the same terms set forth in this Article V, such execution to be witnessed and notarized if so requested by an Attorney-in-Fact.

5.2 Limitation on Liability. It is understood that each Attorney-in-Fact assumes no responsibility or liability to any person by virtue of the Power of Attorney granted by Grantor hereby. Each Attorney-in-Fact makes no representations with respect to and shall have no responsibility for the formation of the Operating Partnership, the acquisitions of the Interest by Optionee, the Registration Statement, the prospectus or any preliminary prospectus relating to the offer and sale of Common Stock in the IPO, nor for any aspect of the offering of the Common Stock, and he shall not be liable for any error of judgment or for any act done or omitted or for any mistake of fact or law except for his own gross negligence or willful

misconduct. Grantor agrees to indemnify the Attorney-in-Fact for and to hold the Attorney-in-Fact harmless against any loss, claim, damage or liability incurred on its part arising out of or in connection with it acting as the Attorney-in-Fact under the Power of Attorney created by Grantor hereby, as well as the cost and expense of investigating and defending against any such loss, claim, damage or liability, except to the extent such loss, claim, damage or liability is due to the gross negligence or willful misconduct of the Attorney-in-Fact. Grantor agrees that an Attorney-in-Fact may consult with counsel of his own choice (who may be counsel for Optionee or the Company) and he shall have full and complete authorization and protection for any action taken or suffered by him hereunder in good faith and in accordance with the advice of such counsel. It is understood that the Attorney-in-Fact may, without breaching any express or implied obligation to the Grantor hereunder, release, amend or modify any other Power of Attorney granted by any other person under any related agreement.

5.3 Ratification; Third Party Reliance. Grantor does hereby ratify and confirm all that the Attorney-in-Fact shall lawfully do or cause to be done by virtue of the exercise of the powers granted unto him by Grantor under this Article V, and Grantor authorizes the reliance of third parties on this Power of Attorney and waives its rights, if any, as against any such third party for its reliance hereon.

ARTICLE VI: MISCELLANEOUS

6.1 Amendment. Any amendment hereto shall be effective only against those parties hereto who have acknowledged in writing their consent to such amendment. No waiver of any provisions of this Option Agreement shall be valid unless in writing and signed by the party against whom enforcement is sought.

6.2 Entire Agreement; Counterparts; Applicable Law. This Option Agreement and all Ancillary Agreements (a) constitute the entire agreement and supersede all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof, (b) may be executed in several counterparts, each of which will be deemed an original and all of which shall constitute one and the same instrument and (c) shall be governed in all respects, including validity, interpretation and effect, by the laws of the State of Delaware without giving effect to the conflict of law provisions thereof. This Agreement shall be enforceable as between Grantor and the Optionee upon the execution by both of signature pages hereto.

6.3 Assignability. This Option Agreement shall be binding upon, and shall be enforceable by and inure to the benefit of, the parties hereto and their respective heirs, legal representatives, successors and assigns; provided, however, that this Option Agreement may not be assigned by Grantor without the prior written consent of the Optionee, and any attempted assignment without such consent shall be void and of no effect; and provided, further, that Optionee may assign this Option Agreement, the Closing Documents and the

Ancillary Agreements and any agreement contemplated hereunder or thereunder, in whole or in part, or the right to acquire from Grantor all or any part of the Interest after exercise of the Purchase Option, to the Company or to an affiliate of Optionee or the Company without the consent of Grantor.

6.4 Titles. The titles and captions of the Articles, Sections and paragraphs of this Option Agreement are included for convenience of reference only and shall have no effect on the construction or meaning of this Option Agreement.

6.5 Third Party Beneficiary. No provision of this Option Agreement is intended, nor shall it be interpreted, to provide or create any third party beneficiary rights or any other rights of any kind in any customer, affiliate, stockholder, partner, director, officer or employee of any party hereto or any other person or entity, provided, however, that Sections 5.2, 5.3 and 6.10 of this Option Agreement shall be enforceable by and shall inure to the benefit of the persons described therein.

6.6 Severability. If any provision of this Option Agreement, or the application thereof, is for any reason held to be invalid or unenforceable, the remainder of this Option Agreement and application of such provision to other persons or circumstances will be interpreted so as reasonably to effect the intent of the parties hereto. The parties further agree to replace such void or unenforceable provision of this Option Agreement with a valid and enforceable provision that will achieve, to the extent possible, the economic, business and other purposes of the void or unenforceable provision and to execute any amendment, consent or agreement deemed necessary or desirable by Optionee to effect such replacement.

6.7 Equitable Remedies. The parties hereto agree that irreparable damage would occur to the Operating Partnership in the event that any of the provisions of this Option Agreement were not performed by Grantor in accordance with their specific terms or were otherwise breached by Grantor. It is accordingly agreed that Optionee shall be entitled to an injunction or injunctions to prevent breaches of this Option Agreement by Grantor and to enforce specifically the terms and provisions hereof in any federal or state court located in Boston, Massachusetts (as to which the parties agree to submit to jurisdiction for the purposes of such action), this being in addition to any other remedy to which Optionee is entitled at law or in equity.

6.8 Disputes

(a) The parties agree that (subject to Section 6.8(b)) any and all disputes, claims or controversies arising out of or relating to this agreement that are not resolved by their mutual agreement shall be submitted to final and binding arbitration before J.A.M.S./ENDISPUTE, or its successor, in its Boston, Massachusetts office and pursuant to the United States Arbitration Act and the provisions of J.A.M.S./ENDISPUTE's

Streamlined Arbitration Rules and Procedures in effect at the time. The parties will cooperate with J.A.M.S./ENDISPUTE and with one another in selecting an arbitrator from J.A.M.S./ENDISPUTE's panel of neutrals and in scheduling the arbitration proceedings. The provisions of this Section may be enforced by any court of competent jurisdiction.

In the event of any dispute relating to the Interest, the consideration paid therefor or the actions taken in connection with the Formation Transactions (as defined in the Private Placement Memorandum), the arbitrator shall be instructed to value such Interest by (i) using the appraised value of the Asset and (ii) determining the Grantor's allocable share, in accordance with the applicable partnership agreement or partnership agreements, of the net proceeds of a sale of the Asset for a price equal to such appraised value (after deducting (x) the arbitrator's estimate of the costs of such a sale, and (y) the aggregate amount of indebtedness at the time of the IPO of the Property Partnership or that otherwise was secured by the Asset). The arbitrator shall be instructed that the appraised value of the Asset shall be determined (I) as of the date of the IPO (even though the appraisal may be conducted some time thereafter) and (II) by a qualified appraiser, chosen by the arbitrator, who shall use customary and traditional methods for valuing properties of the same type as the Asset.

By executing this agreement each party is agreeing (subject to Section 6.8(b)) to have all disputes, claims or controversies arising out of or relating to this agreement decided by neutral arbitration, and is giving up any rights it might possess to have those matters litigated in a court or jury trial. By executing this agreement each party is giving up its judicial rights to discovery and appeal except to the extent that they are specifically provided for under this agreement.

(b) Notwithstanding Section 6.8(a), the Operating Partnership may seek an injunction or injunctions or specific performance, in a court of competent jurisdiction, to the extent permitted by Section 6.7.

6.9 Notices; Exercise of Grantor's Purchase Option. Any notice or demand that must or may be given under this Option Agreement (including an Option Exercise Notice) or by law shall, except as otherwise provided, be in writing and shall be deemed to have been given (i) when physically received by personal delivery (which shall include the confirmed receipt of a telecopied facsimile transmission), or (ii) three business days after being deposited in the United States certified or registered mail, return receipt requested, postage prepaid, or (iii) one business day after being deposited with a nationally known commercial courier service

providing next day delivery service (such as Federal Express); addressed and delivered or telecopied (a) in the case of a notice to the Optionee at the following address and telecopy number:

Boston Properties Limited Partnership
8 Arlington Street
Boston, Massachusetts 02116
Telephone: (617) 859-2600
Telecopy: (617) 536-4233
Attn: William J. Wedge, Esq.

and (b) in the case of a notice to Grantor, at the address and telecopy number set forth on the signature page attached hereto.

6.10 Waiver of Rights; Consents with Respect to Partnership Interest.

Grantor acknowledges that the agreements contained herein and the transactions contemplated hereby and any actions taken in contemplation of the transactions contemplated hereby may conflict with, and may not have been contemplated by, the partnership agreement of the Property Partnership (the "PROPERTY PARTNERSHIP AGREEMENT") or another agreement among one or more persons with a direct or indirect interest in the Interest. With respect to the Property Partnership Agreement and other agreements, Grantor expressly gives all Consents (and any consents necessary to authorize the proper parties in interest to give all Consents) and Waivers (as each such capitalized term is hereinafter defined) necessary or desirable to facilitate the transfer of the Interest to Optionee pursuant to the terms hereof.

As used herein, the term "CONSENTS" means any consent necessary or desirable under the Property Partnership Agreement or any other agreement among all or any of the holders of direct or indirect interests therein or any other agreement relating thereto or referred to therein (i) to permit the transfer of the Interest as contemplated or to amend the Property Partnership Agreement and/or other agreements so that no provision thereof prohibits, restricts, impairs or interferes with the transfer of the Interest as contemplated (such amendments to include, without limitation, the deletion or modification of provisions which cause a default under such agreement if the Interest were transferred as contemplated herein), (ii) to admit Optionee (or its designees) as a substitute limited partner or general partner of the Property Partnership upon Optionee's acquisition of the Interest, and to adopt such amendment as is necessary or desirable to effect such admission, (iii) to continue the Property Partnership following the transfer of interests therein to Optionee and (iv) to cause an amendment to the Property Partnership Agreement that provides that any disputes arising thereunder, or any disputes arising among the partners of such partnership with respect to the Formation Transactions, shall be resolved by arbitration in accordance with the procedures and principles set forth in Section 6.8 hereof (and to cause any conflicting provision of such partnership agreement to be repealed). As used herein, the term "WAIVERS" means the waiving of any and all rights that Grantor may have with respect to, and (to the extent possible) that any other

person may have with respect to, or that may accrue to Grantor or any other person upon the transfer of the Interest, including, but not limited to, the following rights: rights of notice, rights to response periods, rights to purchase the direct or indirect interests of another partner in such partnership or to sell Grantor's or other person's direct or indirect interest therein to another partner, rights to sell Grantor's or any other person's direct or indirect interest therein at a price other than as provided herein, or rights to prohibit, limit, invalidate, otherwise restrict or impair the transfer of the Interest as contemplated herein or to cause a termination or dissolution of a partnership because of the transfer of the Interest as contemplated herein. Grantor further covenants that it will take no action to enjoin, or seek damages resulting from the transfer of the Interest as contemplated herein.

6.11 Computation of Time. Any time period provided for herein which shall end on a Saturday, Sunday or legal holiday shall extend to 5:00 p.m. of the next full business day. All times are Eastern Time.

6.12 Survival. It is the express intention and agreement of the parties hereto that the representations, warranties and covenants of Grantor set forth in this Option Agreement shall survive the consummation of the transactions contemplated hereby. The waiver by any party hereto of any of the conditions precedent to its obligations under this Agreement shall not preclude such party for seeking redress for any breach of this agreement.

6.13 Time of the Essence. Time is of the essence with respect to all obligations of Grantor under this Option Agreement.

IN WITNESS WHEREOF, each of the parties hereto has executed this Option Agreement, or caused this Option Agreement to be duly executed on its behalf, as of the date first above written.

OPTIONEE: BOSTON PROPERTIES LIMITED PARTNERSHIP
By: Boston Properties, Inc.,
as general partner
By: /s/ Edward H. Linde

Name:
Title:

GRANTOR: SQUARE 36 PROPERTIES LIMITED PARTNERSHIP
By: BOSTON SQUARE 36 OFFICE ASSOCIATES LIMITED PARTNERSHIP
By: Elandzee News
General Associates,
as general partner
By: /s/ Edward H. Linde

Name:
General Partner
and authorized representative
Telecopy Number:
Address:

BY THE GRANTOR'S EXECUTION OF THIS OPTION AGREEMENT,
THE GRANTOR GRANTS A POWER OF ATTORNEY TO CERTAIN INDIVIDUALS
PURSUANT TO ARTICLES V HEREOF AND AGREES TO THE ARBITRATION
OF ANY DISPUTE ARISING HEREUNDER PURSUANT TO SECTION 6.8.

JOINDER

Each of the undersigned is a constituent partner of the Grantor and desires to join this agreement solely for the purpose of (i) indicating his or its consent to the transfer of the Interest as contemplated herein, (ii) confirming, to our knowledge, the representations of Grantor set forth in Article III and, in addition, hereby making for the benefit of Optionee (I) the representations set forth in Section 3.6(a) and (b) (as if references to "Grantor" therein were references to such constituent partner) and (II) the agreement set forth in Section 6.10 (as if references to "Grantor" therein were references to such constituent partner and references to the "Property Partnership Agreement" therein were references to the partnership agreement of Grantor). 2300 N Street Associates further represents that each of its partners is an "accredited investor" under Regulation D of the Securities Act.

/s/ Mortimer B. Zuckerman

Mortimer B. Zuckerman, as the holder of a
25.2525% limited partnership interest
in the Grantor

BOSTON SQUARE 36 OFFICE
ASSOCIATE LIMITED PARTNERSHIP, as the
holder of a 24.2425% general partnership
interest in the Grantor

By: Elandzee News General Associates, as
general partner

By: /s/ Mortimer B. Zuckerman

Name:
General Partner
and authorized representative
Telecopy Number:
Address:

2300 N STREET ASSOCIATES, as the holder
of a 50.505% limited partnership
interest in the Grantor

By: /s/ Gerald Charnoff

Name: Gerald Charnoff,
General Partner
and authorized representative
Telecopy Number:
Address:

Form of Certificate of Incorporation
CERTIFICATE OF INCORPORATION
OF
BOSTON PROPERTIES MANAGEMENT, INC.

1. The name of the corporation is Boston Properties Management, Inc. (the "Corporation").

2. The address of its registered office in the State of Delaware is Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of its registered agent at such address is The Corporation Trust Company.

3. The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

4. The aggregate number of shares of capital stock which the Corporation shall have the authority to issue is ten thousand (10,000), of which 100 shares shall be known as Class A Common Stock with a par value of one cent (\$.01) per share, and nine thousand nine hundred (9,900) shares shall be known as Class B Common Stock with a par value of one cent (\$.01) per share. The preferences, limitations, and relative rights of the Class A and Class B Common Stock shall be identical except that (unless and to the extent otherwise made mandatory by law) the holders of Class B Common Stock shall have no right to vote for the election of directors or for any other purpose or consent in lieu thereof and shall not be entitled to receive notice of any meeting of stockholders, and all voting rights shall be vested entirely in the holders of Class A Common Stock.

5. The name and mailing address of the incorporator is as follows:

NAME	MAILING ADDRESS
Lisa R. Haddad	Goodwin, Procter & Hoar LLP Exchange Place Boston, MA 02109-2881

6. In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to adopt, amend or repeal the bylaws of the Corporation, subject to and in accordance with their terms.

7. Elections of directors need not be by written ballot unless the bylaws of the Corporation shall so provide.

8. A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived any improper personal benefit. No amendment or repeal of this Section shall adversely affect the rights and protection afforded to a director of the Corporation under this Section for acts or omissions occurring prior to such amendment or repeal.

9. Any action required or permitted by law to be taken at any annual or special meeting of stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

10. The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation; PROVIDED that Articles 4 and 6 hereof and this Article 10 may only be amended by the unanimous vote of the holders of Class A Common Stock of the Corporation.

THE UNDERSIGNED incorporator, for the purpose of forming a corporation pursuant to the General Corporation Law of the State of Delaware, does hereby make this certificate, hereby declaring and certifying that it is her free act and deed and the facts herein stated are true, and accordingly she has hereunto set her hand this ___ day of _____, 1997.

Lisa R. Haddad, Incorporator

BYLAWS

of

BOSTON PROPERTIES MANAGEMENT, INC.

ARTICLE I

STOCKHOLDERS

Section 1. ANNUAL MEETING. The Annual Meeting of Stockholders shall be held each year at the place, date and time determined by the Board of Directors. The purposes for which the annual meeting is to be held, in addition to those prescribed by law, by the Certificate of Incorporation or by these Bylaws, may be specified by the Board of Directors or the President. If no annual meeting has been held on the date as determined above, a special meeting in lieu thereof may be held, and such special meeting shall have, for the purposes of these Bylaws or otherwise, all the force and effect of an annual meeting.

Section 2. SPECIAL MEETINGS. Special meetings of the stockholders may be called at any time by the President or the Board of Directors.

Section 3. NOTICE OF MEETINGS. A written notice stating the place, date and hour of the Annual Meeting of Stockholders shall be given by the Secretary (or other person authorized by these Bylaws or by law) not less than ten (10), nor more than sixty (60), days before the meeting to each stockholder entitled to vote thereat, and to each stockholder who, under the Certificate of Incorporation or under these Bylaws, is entitled to such notice, by delivering such notice to him or her or by mailing it, postage prepaid, and addressed to such stockholder at such stockholder's address as it appears in the records of the Corporation. Notice need not be given to a stockholder if a written waiver of notice is executed before or after the meeting by such stockholder, if communication with such stockholder is unlawful, or if such stockholder attends the meeting in question, unless such attendance was for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting was not lawfully called or convened.

Notice of Special Meetings shall be given in the same manner as provided for Annual Meetings, except that the written notice of Special Meetings shall state clearly and briefly the purpose or purposes for which the meeting is called. Only such purposes shall be considered or dealt with at Special Meetings.

Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders need be specified in the written waiver of notice.

If a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place are announced at the meeting at which the adjournment is taken, except that if the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 4. QUORUM. The holders of a majority in interest of all stock issued, outstanding and entitled to vote, present in person or represented by proxy, shall constitute a quorum at a meeting of stockholders. Any meeting may be adjourned from time to time by a majority of the votes properly cast upon the question, whether or not a quorum is present.

Section 5. VOTING AND PROXIES. Stockholders shall have one vote for each share of stock entitled to vote owned by them of record according to the books of the Corporation unless otherwise provided by law or by the Certificate of Incorporation. Stockholders may vote either in person or by written proxy, but no proxy shall be voted or acted upon after three (3) years from its date, unless the proxy provides for a longer period. Proxies shall be filed with the Secretary of the meeting, or of any adjournment thereof. Except as otherwise limited therein, proxies shall entitle the persons authorized thereby to vote at any adjournment of such meeting. A proxy purporting to be executed by, or on behalf of, a stockholder shall be deemed valid unless challenged at or prior to its exercise, and the burden of proving invalidity shall rest on the challenger.

Section 6. ACTION AT MEETING. When a quorum is present, any matter before the meeting shall be decided by vote of the holders of a majority of the shares of stock voting on such matter except where a larger vote is required by law, by the Certificate of Incorporation or by these Bylaws. Any election of Directors by stockholders shall be determined by a plurality of the votes cast, except where a larger vote is required by law, by the Certificate of Incorporation or by these Bylaws. No ballot shall be required for any election. The Corporation shall not directly or indirectly vote any share of its own stock; PROVIDED, HOWEVER, that the Corporation may vote shares which it holds in a fiduciary capacity to the extent permitted by law.

Section 7. ACTION WITHOUT A MEETING. Any action required or permitted by law to be taken at any annual or special meeting of stockholders may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding common stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

Section 8. STOCKHOLDERS LISTS. The Secretary (or the Corporation's transfer agent or other person authorized by these Bylaws or by law) shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

ARTICLE II

DIRECTORS

Section 1. POWERS. The business of the Corporation shall be managed by or under the direction of a Board of Directors that may exercise all the powers of the Corporation except as otherwise provided by law, by the Certificate of Incorporation or by these Bylaws. In the event of a vacancy in the Board of Directors, the remaining Directors, except as otherwise provided by law, may exercise the powers of the full Board until the vacancy is filled.

Section 2. NUMBER; ELECTION AND QUALIFICATION. The number of Directors shall be not less than one nor more than nine (9) and shall initially be _____. At the first Annual Meeting of Stockholders and at each Annual Meeting thereafter, or by a consent in lieu thereof, the stockholders shall fix the number of Directors, and shall elect not more than the number so designated. No Director need be a stockholder.

Section 3. VACANCIES; REDUCTION OF BOARD. Any vacancy in the Board of Directors, however occurring, including a vacancy resulting from the enlargement of the Board of Directors, may be filled by the stockholders or by the Directors then in office or by a sole remaining Director. In lieu of filling any such vacancy the stockholders or Board of Directors may reduce the number of Directors, but not to a number less than the minimum number required by Section 2 of this Article II. When one or more Directors shall resign from the Board of Directors, effective at a future date, a majority of the Directors then in office, including those who have so resigned, shall have the power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective.

Section 4. ENLARGEMENT OF THE BOARD. The Board of Directors may be enlarged by the stockholders at any meeting or by the vote of a majority of the Directors then in office.

Section 5. TENURE. Except as otherwise provided by law, by the Certificate of Incorporation or by these Bylaws, Directors shall hold office for one year or until their successors are elected and qualified or until their earlier resignation or removal. Any Director may resign by delivering his or her written resignation to the Corporation. Such resignation shall be effective upon receipt unless it is specified to be effective at some other time or upon the happening of some other event.

Section 6. REMOVAL. A Director may be removed from office with or without cause by vote of the holders of a majority of the shares of stock entitled to vote in the election of Directors.

Section 7. MEETINGS. The regular Annual Meeting of the Board of Directors shall be held immediately after the close of the Annual Meeting of Stockholders or at such other date and time as the Board of Directors may determine. No notice shall be required for this meeting if held following the Annual Meeting of Stockholders. Other regular meetings of the Board of Directors may be held without notice at such time, date and place as the Board of Directors may from time to time determine. Special meetings of the Board of Directors may be called, orally or in writing, by the President designating the time, date and place thereof. Any matter of business which may properly come before the Board of Directors may be transacted at either a regular or special meeting thereof. Directors may participate in meetings of the Board of Directors by means of conference telephone or similar communications equipment by means of which all Directors participating in the meeting can hear each other, and participation in a meeting in accordance herewith shall constitute presence in person at such meeting.

Section 8. NOTICE OF MEETINGS. Notice of the time, date and place of all special meetings, and, if required, of the regular Annual Meeting, of the Board of Directors shall be given to each Director by the Secretary or Assistant Secretary, or in case of the death, absence, incapacity or refusal of such persons, by the President. Notice shall be given to each Director in person or by telephone or by telegram sent to his or her business or home address at least twenty-four (24) hours in advance of the meeting, or by written notice mailed to his or her business or home address at least forty-eight (48) hours in advance of the meeting. Notice need not be given to any Director if a written waiver of notice is executed by him or her before or after the meeting, or if communications with such Director is unlawful, or if all of the Directors are present at the meeting. A notice or waiver of notice of a meeting of the Board of Directors need not specify the purpose of the meeting.

Section 9. QUORUM. At any meeting of the Board of Directors, a majority of the Directors then in office shall constitute a quorum. Less than a quorum may adjourn any meeting from time to time and the meeting may be held as adjourned without further notice.

Section 10. ACTION AT MEETING. At any meeting of the Board of Directors at which a quorum is present, a majority of the Directors present may take any action on behalf of the Board of Directors, unless a larger number is required by law, by the Certificate of Incorporation or by these Bylaws.

Section 11. ACTION BY CONSENT. Any action required or permitted to be taken at any meeting of the Board of Directors may be taken without a meeting if all members of the Board of Directors consent thereto in writing, and the writing or writings are filed with the minutes of the Board of Directors. Such consent shall be treated as a vote of the Board of Directors for all purposes.

Section 12. COMMITTEES. The Board of Directors may designate one or more committees, each committee to consist of one or more of the Directors of the Corporation. The Board of Directors may designate one or more Directors as alternate members of any committee. In the absence or disqualification of a member of a committee, the member or members present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent delegated by resolution of the Board of Directors, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority to: (i) approve or adopt, or recommend to the stockholders, any action or matter expressly required by law, by the Certificate of Incorporation or by these Bylaws to be submitted to the stockholders for approval or (ii) adopt, amend, or repeal any of these Bylaws. The Board of Directors may abolish any such committee at any time. Any committee to which the Board of Directors delegates any of its powers or duties shall keep records of its meetings and shall report its action to the Board of Directors. The Board of Directors shall have power to rescind any action of any committee, but no such rescission shall have retroactive effect.

ARTICLE III

OFFICERS

Section 1. ENUMERATION. The officers of the Corporation shall consist of a Chairman of the Board, a Chief Executive Officer, a President, a Secretary, a Treasurer, and such other officers, including one or more Vice Presidents, Assistant Secretaries, and Assistant Treasurers, as the Board of Directors may determine.

Section 2. ELECTION. At its Annual Meeting or by consent in lieu thereof, the Board of Directors shall elect the Chief Executive Officer, the President, the Secretary, and the Treasurer. Other officers may be chosen by the Board of Directors at such meeting or any other meeting.

Section 3. QUALIFICATION. No officer need be a stockholder. No officer need be a Director. Any person may occupy more than one office of the Corporation at any time. Any officer may be required by the Board of Directors to give bond for the faithful performance of

his or her duties in such amount and with such sureties as the Board of Directors may determine.

Section 4. TENURE. Except as otherwise provided by the Certificate of Incorporation or by these Bylaws, each of the officers of the Corporation shall hold his or her office for one year or until his or her successor is elected and qualified or until his or her earlier resignation or removal. Any officer may resign by delivering his or her written resignation to the Corporation, and such resignation shall be effective upon receipt unless it is specified to be effective at some other time or upon the happening of some other event.

Section 5. REMOVAL. The Board of Directors may remove any officer with or without cause by a vote of a majority of the entire number of Directors then in office; PROVIDED that if an officer is to be removed for cause, he or she may only be removed after reasonable notice and an opportunity to be heard by the Board of Directors.

Section 6. ABSENCE OR DISABILITY. In the event of the absence or disability of any officer, the Board of Directors may designate another officer to act temporarily in place of such absent or disabled officer.

Section 7. VACANCIES. Any vacancy in any office may be filled for the unexpired portion of the term by the Board of Directors.

Section 8. CHAIRMAN OF THE BOARD. The Chairman of the Board, if one is elected, shall preside, when present, at all meetings of the stockholders and of the Board of Directors. The Chairman of the Board shall have such other powers and shall perform such other duties as the Board of Directors may from time to time designate.

Section 9. CHIEF EXECUTIVE OFFICER. The Chief Executive Officer shall, subject to the direction of the Board of Directors, have general supervision and control of the Corporation's business. If there is no Chairman of the Board or if he or she is absent, the Chief Executive Officer shall preside, when present, at all meetings of stockholders and of the Board of Directors. The Chief Executive Officer shall have such other powers and perform such other duties as the Board of Directors may from time to time designate.

Section 10. PRESIDENT. The President, if one is elected, shall have such powers and shall perform such duties as the Board of Directors may from time to time designate. Any power granted hereunder to the President may be exercised by the Chairman of the Board or the Chief Executive Officer.

Section 11. VICE PRESIDENTS AND ASSISTANT VICE PRESIDENTS. Any Vice President (including any Executive Vice President or Senior Vice President) and any Assistant Vice President shall have such powers and shall perform such duties as the Board of Directors or the Chief Executive Officer may from time to time designate.

Section 12. TREASURER AND ASSISTANT TREASURERS. The Treasurer shall, subject to the direction of the Board of Directors, have general charge of the financial affairs of the Corporation and shall cause to be kept accurate books of account. He or she shall have custody of all funds, securities, and valuable documents of the Corporation, except as the Board of Directors may otherwise provide.

Any Assistant Treasurer shall have such powers and perform such duties as the Board of Directors may from time to time designate.

Section 13. SECRETARY AND ASSISTANT SECRETARIES. The Secretary shall record all of the proceedings of the meetings of the stockholders and the Board of Directors (including committees of the Board) in books kept for that purpose. In his or her absence from any such meeting, a temporary secretary chosen at the meeting shall record the proceedings thereof. The Secretary shall have charge of the stock ledger (which may, however, be kept by any transfer or other agent of the Corporation). He or she shall have custody of the seal of the Corporation, and he or she, or an Assistant Secretary, shall have authority to affix it to any instrument requiring it, and, when so affixed, the seal may be attested by his or her signature. He or she shall have such other duties and powers as may be designated from time to time by the Board of Directors or the President.

Any Assistant Secretary shall have such powers and perform such duties as the Board of Directors may from time to time designate.

The Secretary and any Assistant Secretary may certify as to resolutions or consents adopted by the Board of Directors and as to the incumbency of any officer.

Section 14. OTHER POWERS AND DUTIES. Subject to these Bylaws and to such limitations as the Board of Directors may from time to time prescribe, the officers of the Corporation shall each have such powers and duties as generally pertain to their respective offices, as well as such powers and duties as from time to time may be conferred by the Board of Directors.

ARTICLE IV

CAPITAL STOCK

Section 1. CERTIFICATES OF STOCK. Each stockholder shall be entitled to a certificate of the capital stock of the Corporation in such form as may from time to time be prescribed by the Board of Directors. Such certificate shall be signed by the President or a Vice President and by the Treasurer or the Secretary. The signatures by the officers of the Corporation may be facsimile if the certificate is manually countersigned by an authorized person on behalf of a transfer agent or registrar other than the Corporation or its employee. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has

been placed on such certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he or she were such officer, transfer agent or registrar at the time of its issue. Every certificate for shares of stock which are subject to any restriction on transfer and every certificate issued when the Corporation is authorized to issue more than one class or series of stock shall contain such legend with respect thereto as is required by law.

Section 2. TRANSFERS. Subject to the restrictions on transfer contained in Article V, shares of stock may be transferred on the books of the Corporation by the surrender to the Corporation or its transfer agent of the certificate therefor properly endorsed or accompanied by a written assignment or power of attorney properly executed, with transfer stamps (if necessary) affixed, and with such proof of the authenticity of signature as the Corporation or its transfer agent may reasonably require.

Section 3. RECORD HOLDERS. Except as may otherwise be required by law, by the Certificate of Incorporation or by these Bylaws, the Corporation shall be entitled to treat the record holder of stock as shown on its books as the owner of such stock for all purposes, including the payment of dividends and the right to vote with respect thereto, regardless of any transfer, pledge or other disposition of such stock, until the shares have been transferred on the books of the Corporation in accordance with the requirements of these Bylaws.

It shall be the duty of each stockholder to notify the Corporation of his post office address.

Section 4. RECORD DATE. In order that the Corporation may determine the stockholders entitled to receive notice of or to vote at any meeting of stockholders or any adjournments thereof, or to express consent to corporate action in writing without a meeting, the Board of Directors may fix, in advance, a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting, or, in the case of corporate action in writing without a meeting, more than ten (10) days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which shall not be more than sixty (60) days prior to such other action. In each case, only stockholders of record on such record date shall be so entitled, notwithstanding any transfer of stock on the books of the Corporation after the record date.

If no record date is fixed: (i) the record date for determining stockholders entitled to receive notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of

business on the day next preceding the day on which the meeting is held; (ii) the record date for determining stockholders entitled to express consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is necessary, shall be the first day on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation at its principal office; and (iii) the record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

Section 5. REPLACEMENT OF CERTIFICATES. In case of the alleged loss, destruction or mutilation of a certificate of stock, a duplicate certificate may be issued in place thereof, upon such terms as the Board of Directors may prescribe, and the Corporation may require the owner of the lost, stolen, or destroyed certificate, or the owner's legal representative to give the Corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate.

ARTICLE V

RESTRICTIONS ON TRANSFER

Section 1. NO PLEDGES. No stockholder shall pledge, grant a security interest in or otherwise permit any lien to be placed upon any stock owned by such stockholder.

Section 2. TERMINATION OF EMPLOYMENT. Upon the termination of the employment of any stockholder as an officer of the Corporation for any reason (including, but not limited to, death, disability or voluntary separation), the remaining stockholders will have an option to purchase the stock owned by such stockholder for cash within three hundred sixty (360) days after the date of such termination, PROVIDED that, if collectively the remaining stockholders exercise such option for a greater number of shares than the shares held by the terminating stockholder, the number of shares to be purchased by each such remaining stockholder shall be determined pro rata on the basis of the number of shares of stock owned by such stockholder. The option price of the stock to be purchased will be the net book value of the stock as reflected on the Corporation's regular financial statements on the date of termination or if such date is not the last day of the month, then as of the last day of the month preceding such date of termination, reduced by any distribution of cash or property (except common stock) since such date. In the event that such option is not exercised by the remaining stockholders (as a group), or is exercised for less than all of such terminating stockholder's stock of the Corporation, the Corporation shall have the right (which right shall be assignable to any person who is an officer of the Corporation) to purchase all of such terminating stockholder's stock at the option price and on the terms set forth above within ten (10) days after the earlier of (i) three hundred sixty (360) days after the date of termination of the employment of the terminating stockholder or (ii) the date on which the remaining stockholders

give notice that they will not be exercising the option to purchase the terminating stockholder's stock or that they will be exercising such option for less than all of such stock. In the event that the Corporation does not exercise such option, the terminating stockholder may continue to hold such stock, but all other restrictions of this Article V shall continue to apply to such terminating stockholder's stock.

Section 3. RIGHT OF FIRST REFUSAL. Except in the case of any issuance or exchange of any other stock, securities or property pursuant to any recapitalization, reorganization, merger or consolidation, neither any stockholder (whether such stockholder is an officer of the Corporation or otherwise) nor the personal representative of such stockholder's estate shall sell, assign, transfer, give, or otherwise dispose of (but excluding any pledge or encumbrance) all or any stock to any person, trust, association, partnership, firm, corporation or other legal entity, without first giving written notice to the remaining stockholders and the Corporation of (i) the number of shares of stock of which the selling stockholder proposes to dispose, (ii) the proposed transferee thereof, and (iii) the bona fide terms of the proposed transfer. Such notice shall constitute an offer to sell or transfer to the remaining stockholders and the Corporation all, but not less than all, of the stock of which such stockholder proposes to dispose, at the price (net of any commissions or discounts that would have been deducted from the proceeds of the proposed transfer) and on the bona fide terms set forth in the notice; PROVIDED that the remaining stockholders and the Corporation shall have the right to substitute cash, capital shares of Boston Properties, Inc. or other consideration of a similar type and substantially equivalent value if the remaining stockholders and the Corporation cannot practicably pay the consideration offered in the bona fide offer (e.g., the consideration is specific land or interest in a privately-held entity). The remaining stockholders shall have sixty (60) days from the date of receipt of the notice to accept the offer. If collectively the remaining stockholders accept such offer for a greater number of shares than the shares held by the terminated stockholder, the number of shares to be purchased by each such remaining stockholder shall be determined pro rata on the basis of the number of shares of stock owned by such stockholder.

If such offer is not accepted by the remaining stockholders (as a group), or is exercised for less than all of the stock of which the selling stockholder has proposed to dispose, then the Corporation shall have the right (which right shall be assignable to any person who is an officer of the Corporation) to accept such offer within ten (10) days after the earlier of (i) sixty (60) days after the date of receipt by the remaining stockholders of the selling stockholder's notice of proposed sale or (ii) the date on which the remaining stockholders give notice that they will not be exercising the option to purchase the selling stockholder's stock or that they will be exercising such option for less than all of such stock. In the event that the offer is not accepted by the Corporation, then the selling stockholder shall be free to dispose of all, but not less than all, of the stock of which the selling stockholder has proposed to dispose; PROVIDED, HOWEVER, that any such disposition must be consummated within thirty (30) days from the expiration of the period during which the remaining stockholders or the Corporation could have accepted such offer and such disposition must be strictly in accordance with the bona fide terms

of the proposed disposition described in the written notice. If such disposition is not completed within the thirty (30) day period, all such stock shall again be subject to this Article V as though the offer described above had not been made.

Any change in the price or terms of the disposition of the stock from the price and terms described in the written notice shall constitute a new offer for which the selling stockholder must give a new notice and offer with a new sixty (60) day offering period.

Section 4. REPURCHASE RIGHT. Following any transfer of record ownership of capital stock of the Corporation, the Corporation shall have the right (which right shall be assignable to any person who is an officer of the Corporation) to purchase any or all of such stock from the transferee thereof at any time within three hundred sixty (360) days from the date of transfer. The price per share of the stock to be purchased shall be the price per share paid by the transferee, plus interest at a rate of seven percent (7%) per annum from the date of transfer. The Corporation may waive its right to purchase such stock from the transferee in writing at any time before or after the date of transfer.

Section 5. BINDING EFFECT. Any transferee of the stock subject to this Article V shall be bound by all of the provisions of this Article V and the stock in the hands of such transferee will continue to be subject to the provisions hereof. Notwithstanding any other provision of this Article V, any transfer of the stock subject to this Article V shall be conditional on the execution and delivery to the Corporation of a written agreement of the transferee to the effect of the foregoing sentence, and the Corporation shall not be required to recognize any such transfer until it has received such agreement.

Section 6. LEGEND. The certificates representing the stock of the Corporation shall bear a legend referring to this Article V.

Section 7. TERMINATION OF AGREEMENT. The restrictions on transfer described in this Article V shall terminate as to all of the stock, if and when the Corporation has a general public sale of shares of common stock registered under the Securities Act of 1933, as amended, whether primary or secondary.

Section 8. OTHER ACQUISITIONS OF CAPITAL STOCK. Except pursuant to the foregoing provisions of this Article V, the Corporation may not acquire the capital stock of any stockholder (by way of a reverse stock split or otherwise) without that stockholder's written consent.

Section 9. FURTHER ACTIONS. Each stockholder shall execute and deliver or cause to be executed and delivered to the others such further instruments and documents and shall take such other action as may be reasonably required to more effectively carry out the intent and purposes of this Article V and the transactions contemplated hereby.

ARTICLE VI

INDEMNIFICATION OF DIRECTORS, OFFICERS AND OTHERS

Section 1. INDEMNIFIABLE EVENTS; EXTENT OF INDEMNIFICATION.

A. The Corporation shall indemnify, to the fullest extent permitted by the General Corporation Law of the State of Delaware (as presently in effect or as hereafter amended):

(1) Any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action or suit by or in the right of the Corporation) by reason of the fact that he or she is or was a Director or officer of the Corporation, or is or was serving at the request of the Corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with such suit, action or proceeding if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of NOLO CONTENDERE or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the Corporation and, with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

(2) Any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he or she is or was a Director or officer of the Corporation, or is or was serving at the request of the Corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection with the defense or settlement of such action or suit if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless, and only to the extent that, the Court of Chancery of the State of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

(3) To the extent that a Director or officer of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in paragraphs (1) and (2), or in defense of any claim, issue or matter therein, he or she shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection therewith.

B. The Board of Directors, in its discretion, may authorize the Corporation to indemnify:

(1) Any person who was or is a party or is threatened to be made a party to any threatened pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he or she is or was an employee or agent of the Corporation, or is or was serving at the request of the Corporation as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit or proceeding if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of NOLO CONTENDERE or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the Corporation and, with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

(2) Any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he or she is or was an employee or agent of the Corporation, or is or was serving at the request of the Corporation as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection with the defense or settlement of such action or suit if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless, and only to the extent that, the Court of Chancery of the State of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

Section 2. DETERMINATION OF ENTITLEMENT. Any indemnification hereunder (unless required by law or ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the Director, officer, employee or agent is proper in the circumstances because he or she has met the applicable standard of conduct set forth in Section 1 of this Article VI. Such determination shall be made (i) by a majority vote of Directors who are not parties to such action, suit or proceeding, even though less than a quorum, or (ii) if there are no such Directors, or if such Directors so direct, by independent legal counsel in a written opinion, or (iii) by the stockholders.

Section 3. ADVANCE PAYMENTS. Expenses (including attorney's fees) incurred by a Director, officer, employee or agent in defending a civil, criminal, administrative or investigative action, suit or proceeding may be paid by the Corporation in advance of the final disposition of such action, suit or proceeding, only as authorized by the Board of Directors in the specific case (including by one or more Directors who may be parties to such action, suit or proceeding), upon receipt of an undertaking by or on behalf of the Director, officer, employee or agent to repay such amount unless it shall ultimately be determined that he or she is entitled to be indemnified by the Corporation as authorized in this Article VI.

Section 4. NON-EXCLUSIVE NATURE OF INDEMNIFICATION. The indemnification provided herein shall not be deemed exclusive of any other rights to which any person, whether or not entitled to be indemnified hereunder, may be entitled under any statute, bylaw, agreement, vote of stockholders or Directors or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a Director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person. Each person who is or becomes a Director or officer as aforesaid shall be deemed to have served or to have continued to serve in such capacity in reliance upon the indemnity provided for in this Article VI.

Section 5. INSURANCE. The Corporation may purchase and maintain insurance on behalf of any person who is or was a Director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a Director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify him or her against such liability under the provisions of the General Corporation Law of the State of Delaware (as presently in effect or hereafter amended), the Certificate of Incorporation of the Corporation or these Bylaws.

Section 6. NO DUPLICATE PAYMENTS. The Corporation's indemnification under Section 1 of this Article VI of any person who is or was a Director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a Director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise,

shall be reduced by any amounts such person actually receives as indemnification (i) under any policy of insurance purchased and maintained on his behalf by the Corporation, (ii) from such other corporation, partnership, joint venture, trust or other enterprise, or (iii) under any other applicable indemnification provision.

Section 7. AMENDMENT. This Article VI may be amended only so as to have a prospective effect. Any amendment to this Article VI which would result in any person having a more limited entitlement to indemnification may be approved only by the stockholders.

ARTICLE VII

TRANSACTIONS WITH RELATED PARTIES

Section 1. TRANSACTION NOT VOID. No contract or transaction between the Corporation and one or more of its Directors or officers, or between the Corporation and any other corporation, partnership, association, or other organization in which one or more of its Directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the Director or officer is present at or participates in the meeting of the Board of Directors or committee thereof, which authorizes the contract or transaction, or solely because his, her or their votes are counted for such purpose, if:

(1) The material facts as to his or her relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors, or the committee, and the Board of Directors or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested Directors, even though the disinterested Directors be less than a quorum; or

(2) The material facts as to his or her relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or

(3) The contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified, by the Board of Directors, a committee thereof, or the stockholders.

Section 2. QUORUM. Common or interested Directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

Section 3. LIMITATION. Nothing herein contained shall protect or purport to protect any Director or officer of the Corporation against any liability to the Corporation or its security

holders to which he or she would otherwise be subject by reason of his or her willful misfeasance, bad faith, gross negligence, or reckless disregard of the duties involved in the conduct of his or her office.

ARTICLE VIII

MISCELLANEOUS PROVISIONS

Section 1. FISCAL YEAR. The fiscal year of the Corporation shall end on December 31 of each year.

Section 2. SEAL. The Board of Directors shall have power to adopt and alter the seal of the Corporation.

Section 3. EXECUTION OF INSTRUMENTS. All deeds, leases, transfers, contracts, bonds, notes and other obligations to be entered into by the Corporation in the ordinary course of its business without Director action may be executed on behalf of the Corporation by the Chief Executive Officer, the President or the Treasurer, or as the Board of Directors may generally or in particular cases otherwise determine.

Section 4. VOTING OF SECURITIES. Unless the Board of Directors otherwise provides, the Chief Executive Officer, the President or the Treasurer may waive notice of and act on behalf of the Corporation, or appoint another person or persons to act as proxy or attorney in fact for the Corporation with or without discretionary power and/or power of substitution, at any meeting of stockholders of any other corporation or organization, any of whose securities are held by the Corporation.

Section 5. RESIDENT AGENT. The Board of Directors may appoint a resident agent upon whom legal process may be served in any action or proceeding against the Corporation.

Section 6. CORPORATE RECORDS. The original or attested copies of the Certificate of Incorporation, Bylaws and records of all meetings of the incorporator, stockholders and the Board of Directors and the stock and transfer records, which shall contain the names of all stockholders, their record addresses and the amount of stock held by each, shall be kept at the principal office of the Corporation, at the office of its counsel, or at an office of its transfer agent.

Section 7. CERTIFICATE OF INCORPORATION. All references in these Bylaws to the Certificate of Incorporation shall be deemed to refer to the Certificate of Incorporation of the Corporation, as amended and in effect from time to time.

Section 8. AMENDMENTS. These Bylaws may be altered, amended or repealed by the vote of holders of a majority of the shares entitled to vote thereon at any regular or special meeting thereof; or by the vote of a majority of the Board of Directors at any regular or special

meeting thereof, without any action on the part of the stockholders, unless otherwise provided herein; PROVIDED that (i) the Board of Directors may not amend or repeal Article V, Article VI or this Section 8 of Article VIII, nor may it amend or repeal any other provision of these Bylaws to the extent such amendment or repeal requires action by the stockholders, (ii) Article V may only be amended or repealed by unanimous vote of the holders of Class A Common Stock of the Corporation, and (iii) any amendment or repeal of these Bylaws by the Board of Directors and any provision to these Bylaws adopted by the Board of Directors may be amended or repealed by the stockholders.

Form of ZL Hotel LLC Limited
Liability Company Agreement

ZL HOTEL LLC
LIMITED LIABILITY COMPANY AGREEMENT

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ZL HOTEL LLC

LIMITED LIABILITY COMPANY AGREEMENT

This Agreement is made as of _____, 1997 by and between ZL Hotel LLC (the "LLC") and the persons identified as the Managers and Members on SCHEDULE A attached hereto (such persons and their respective successors in office or in interests being hereinafter referred to individually as "MANAGER" or "MEMBER" or collectively as "MANAGERS" or "MEMBERS").

WHEREAS, the LLC has been formed as a limited liability company under the Delaware Limited Liability Company Act (as amended from time to time, the "ACT") on _____, 1997; and

WHEREAS, the Managers and the Members wish to set out fully their respective rights, obligations and duties regarding the LLC and its assets and liabilities; and

WHEREAS, the LLC has entered into (or promptly after the date hereof in accordance with predetermined terms will enter into) (i) a lease agreement with Boston Properties Limited Partnership pursuant to which the LLC will lease two hotel properties and (ii) a management agreement with Marriott Hotels, Inc. pursuant to which Marriott Hotels, Inc. will manage such properties.

NOW, THEREFORE, in consideration of the mutual covenants expressed herein, the parties hereby agree as follows:

ARTICLE I - ORGANIZATION AND POWERS

1.01 ORGANIZATION. The LLC has been formed by the filing of its Certificate of Formation with the Delaware Secretary of State pursuant to the Act. The original Certificate of Formation states that the registered agent and registered office of the LLC in Delaware shall initially be The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware. The Certificate of Formation may be restated by the Managers as provided in the Act or amended by the Managers with respect to the address of the registered office of the LLC in Delaware and the name and address of its registered agent in Delaware or to make corrections required by the Act. Other additions to or amendments of the Certificate of Formation shall be authorized by the Members as provided in Section 2.06. The Certificate of Formation as so amended from time to time is referred to herein as the "CERTIFICATE." The Managers shall deliver a copy of the Certificate and any amendment thereto to any Member who so requests.

1.02 PURPOSES AND POWERS. The principal business activity and purposes of the LLC shall initially be to own or lease hotel properties and to manage or contract for the management of the same, and any business related thereto or useful in connection therewith. However, the business and purposes of the LLC shall not be limited to its initial principal business activity and, unless the Managers otherwise determine, it shall have authority to engage in any other lawful business, purpose or activity permitted by the Act, and it shall possess and may exercise all of the powers and privileges granted by the Act or which may be

exercised by any person, together with any powers incidental thereto, so far as such powers or privileges are necessary or convenient to the conduct, promotion or attainment of the business purposes or activities of the LLC, including without limitation the following powers:

(a) to conduct its business and operations in any state, territory or possession of the United States or in any foreign country or jurisdiction;

(b) to purchase, receive, take, lease or otherwise acquire, own, hold, improve, maintain, use or otherwise deal in and with, sell, convey, lease, exchange, transfer or otherwise dispose of, mortgage, pledge, encumber or create a security interest in all or any of its real or personal property, or any interest therein, wherever situated.

(c) to borrow or lend money or obtain or extend credit and other financial accommodations, to invest and reinvest its funds in any type of security or obligation of or interest in any public, private or governmental entity, and to give and receive interests in real and personal property as security for the payment of funds so borrowed, loaned or invested;

(d) to make contracts, including contracts of insurance, incur liabilities and give guaranties, whether or not such guaranties are in furtherance of the business and purposes of the LLC, including without limitation, guaranties of obligations of other persons who are interested in the LLC or in whom the LLC has an interest;

(e) to appoint one or more managers of the LLC, to employ officers, employees, agents and other persons, to fix the compensation and define the duties and obligations of such personnel, to establish and carry out retirement, incentive and benefit plans for such personnel, and to indemnify such personnel to the extent permitted by this Agreement and the Act;

(f) to make donations irrespective of benefit to the LLC for the public welfare or for community, charitable, religious, educational, scientific, civic or similar purposes; and

(g) to institute, prosecute, and defend any legal action or arbitration proceeding involving the LLC, and to pay, adjust, compromise, settle, or refer to arbitration any claim by or against the LLC or any of its assets.

1.03 PRINCIPAL PLACE OF BUSINESS. The principal office and place of business of the LLC shall initially be 8 Arlington Street, Boston, Massachusetts 02116. The Managers may change the principal office or place of business of the LLC at any time and may cause the LLC to establish other offices or places of business. The Managers shall notify the Members of any such change.

1.04 FISCAL YEAR. The fiscal year of the LLC shall end on December 31 of each year.

1.05 QUALIFICATION IN OTHER JURISDICTIONS. The Managers shall cause the LLC to be qualified or registered under applicable laws of any jurisdiction in which the LLC transacts business and shall be authorized to execute, deliver and file any certificates and

documents necessary to effect such qualification or registration, including without limitation, the appointment of agents for service of process in such jurisdictions.

ARTICLE II - MEMBERS

2.01 MEMBERS. The initial Members of the LLC (which include the initial Managers of the LLC) and their addresses shall be listed on SCHEDULE A and said schedule shall be amended from time to time by the Managers to reflect the withdrawal of Members or the admission of additional Members pursuant to this Agreement. The Members shall constitute a single class or group of members of the LLC for all purposes of the Act, unless otherwise explicitly provided herein. The Managers shall notify the Members of changes in SCHEDULE A, which shall constitute the record list of the Members for all purposes of this Agreement.

2.02 COMPLIANCE WITH SECURITIES LAWS AND OTHER LAWS AND OBLIGATIONS. Each Member hereby represents and warrants to the LLC and acknowledges that (a) it has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of an investment in the LLC and making an informed investment decision with respect thereto, (b) it is able to bear the economic and financial risk of an investment in the LLC for an indefinite period of time and understands that it has no right to withdraw and have its interest repurchased by the LLC, (c) it is acquiring an interest in the LLC for investment only and not with a view to, or for resale in connection with, any distribution to the public or public offering thereof, (d) it understands that the equity interests in the LLC have not been registered under the securities laws of any jurisdiction and cannot be disposed of unless they are subsequently registered and/or qualified under applicable securities laws and the provisions of this Agreement have been complied with and (e) if it is an entity, the execution, delivery and performance of this Agreement do not require it to obtain any consent or approval that has not been obtained and do not contravene or result in a default under any provision of any existing law or regulation applicable to it, any provision of its charter, by-laws or other governing documents (if applicable) or any agreement or instrument to which it is a party or by which it is bound.

2.03 ADMISSION OF NEW MEMBERS. Additional persons may be admitted to the LLC as Members and may participate in the profits, losses, distributions, allocations and capital contributions of the LLC upon such terms as are established by the Managers, which may include the establishment of classes or groups of one or more Members having different relative rights, powers and duties, including without limitation, rights and powers that are superior to those of existing Members, or the right to vote as a separate class or group on specified matters, by amendment of this Agreement under Section 10.05. New Members shall be admitted at the time when all conditions to their admission have been satisfied, as determined by the Managers, and their identity, Membership Interests (as defined in Section 2.06) and Contributions (if any) under Section 6.02 have been established by amendment of SCHEDULE A. Existing Members shall have no preemptive or similar right to subscribe to the purchase of new Membership Interests in the LLC.

2.04 MEETINGS OF MEMBERS.

(a) Meetings of Members may be called for any proper purpose at any time by the Managers. The Managers calling the meeting shall determine the date, time and place of each meeting of Members, and written notice thereof shall be given by the Managers to each Member not less than three (3) business days or more than sixty (60) calendar days prior to the date of the meeting. Notice shall be sent to Members of record on the date when the meeting is called. The business of each meeting of Members shall be limited to the purposes described in the notice. A written waiver of notice, executed before or after a meeting by a Member or its authorized attorney and delivered to the Managers, shall be deemed equivalent to notice of the meeting.

(b) Members holding a majority of the Membership Interests shall constitute a quorum for the transaction of any business at a meeting of Members. Members may attend a meeting in person or by proxy. Members may also participate in a meeting by means of conference telephone or similar communications equipment that permits all Members present to hear each other. If less than a quorum of the Members is present, the meeting may be adjourned by the chairman to a later date, time and place, and the meeting may be held as adjourned without further notice. When an adjourned meeting is reconvened, any business may be transacted that might have been transacted at the original meeting.

(c) A chairman selected by the Managers shall preside at all meetings of the Members unless the Managers determine that the Members shall elect from the Membership a chairman of the meeting. The chairman shall determine the order of business and the procedures to be followed at each meeting of Members.

2.05 ACTION WITHOUT A MEETING. There is no requirement that the Members hold a meeting in order to take action on any matter or that meetings be held annually or at all. Any action required or permitted to be taken by the Members may be taken without a meeting if one or more written consents to such action shall be signed by the holders of the amount of Membership Interests required to approve the action being taken. Such written consents shall be delivered to the Managers at the principal office of the LLC and, unless otherwise specified, shall be effective on the date when the first consent is so delivered.

2.06 VOTING RIGHTS. Unless otherwise required by the Act or specified herein, all actions, approvals and consents to be taken or given by the Members under the Act, this Agreement or otherwise shall require the affirmative vote or written consent of Members holding at least 95% of the percentage interests of Members in the profits and losses of the LLC as specified on MEMBER (herein the "MEMBERSHIP INTERESTS") except for the following matters which shall require the approval of Members or Manager-Members (as defined below) who hold the indicated percentage of the Membership Interests held by all Members or Manager-Members:

(a) Admission of the transferee of a Member's interest in the LLC as a substitute Member under Section 8.02 hereof: a majority of the Membership Interests held by Members who are also Managers ("MANAGER-MEMBERS"), exclusive of the Member whose interest is being transferred;

(b) Continuation of the LLC after its dissolution due to the withdrawal of a Member as provided in Section 9.01(b) hereof: except as otherwise required by law, a majority of the Membership Interests held by the remaining Members; and

(c) Dissolution of the LLC, sale of all or substantially all of its assets not in the ordinary course of its business, or its merger or consolidation with another business entity under the Act: a majority of the Membership Interests held by Manager-Members.

2.07 LIMITATION OF LIABILITY OF MEMBERS. Except as otherwise provided in the Act, no Member of the LLC shall be obligated personally for any debt, obligation or liability of the LLC or of any other Member, whether arising in contract, tort or otherwise, solely by reason of being a Member or Manager of the LLC. Except as otherwise provided in the Act, by law or expressly in this Agreement, no Member (including any Manager) shall have any fiduciary or other duty to another Member with respect to the business and affairs of the LLC, and no Member (including any Manager) shall be liable to the LLC or any other Member for acting in good faith reliance upon the provisions of this Agreement. No Member (including any Manager) shall have any responsibility to restore any negative balance in its Capital Account (as defined in Section 6.01) or to contribute to or in respect of the liabilities or obligations of the LLC or return distributions made by the LLC except as required by the Act or other applicable law; PROVIDED, HOWEVER, that Members are responsible for their failure to make required Contributions under Section 6.02. The failure of the LLC to observe any formalities or requirements relating to the exercise of its powers or the management of its business or affairs under this Agreement or the Act shall not be grounds for making its Members or Managers responsible for the liabilities of the LLC.

2.08 AUTHORITY. Unless specifically authorized by the Managers, no Member that is not a Manager shall be an agent of the LLC or have any right, power or authority to act for or to bind the LLC or to undertake or assume any obligation or responsibility of the LLC or of any other Member.

2.09 NO RIGHT TO WITHDRAW. No Member shall have any right to resign or withdraw from the LLC without the consent of Managers who hold a majority of the Membership Interests held by Manager-Members, which consent may be withheld in their sole discretion, or to receive any distribution or the repayment of its capital contribution except as provided in Section 7.02 and Article IX upon dissolution and liquidation of the LLC.

2.10 RIGHTS TO INFORMATION. Members shall have the right to receive from the Managers upon request a copy of the Certificate and of this Agreement, as amended from time to time, and such other information regarding the LLC as is required by the Act, subject to reasonable conditions and standards established by the Managers, as permitted by the Act, which may include, without limitation, withholding or restrictions on the use of confidential information.

2.11 NO APPRAISAL RIGHTS. No Member shall have any right to have its interest in the LLC appraised and paid out under the circumstances provided in Section 18-210 of the Act, or under any other circumstances.

ARTICLE III - MANAGEMENT

3.01 MANAGERS. Mortimer B. Zuckerman and Edward H. Linde (hereinafter "MESSRS. ZUCKERMAN AND LINDE") are hereby appointed to serve as the initial Managers of the LLC. The names and addresses of the Managers shall be listed on MEMBER and said schedule shall be amended from time to time by the Managers to reflect the resignation or removal of the Managers or the appointment of new or additional Managers pursuant to this Agreement.

3.02 MANAGER RESPONSIBILITY. Each Manager shall devote such time to the business and affairs of the LLC as is reasonably necessary for the performance of the Manager's duties, but shall not be required to devote full time to the performance of such duties and may delegate its responsibilities as provided in Section 3.03.

3.03 POWERS AND DUTIES OF THE MANAGERS. The business and affairs of the LLC shall be conducted by or under the direction of the Managers, who shall have and may exercise on behalf of the LLC all of its rights, powers, duties and responsibilities under Section 1.02 or as provided by law, including without limitation the right and authority:

(a) to manage the business and affairs of the LLC and for this purpose to employ, retain or appoint any officers, employees, consultants, agents, brokers, professionals or other persons in any capacity for such compensation and on such terms as the Managers deem necessary or desirable and to delegate to such persons such of its duties and responsibilities as the Managers shall determine;

(b) to enter into, execute, deliver, acknowledge, make, modify, supplement or amend any documents or instruments in the name of the LLC which the Managers deem necessary or appropriate to achieve the purpose of the LLC, including, without limitation, contracts, agreements, leases, subleases, easements, deeds, notes, mortgages and other documents or instruments of any kind or character or amendments of any such documents or instruments;

(c) to borrow money or otherwise obtain credit and other financial accommodations on behalf of the LLC from individuals, banks and other lending institutions on a secured or unsecured basis as provided in Section 1.02(c), and to perform or cause to be performed all of the LLC's obligations in respect of its indebtedness and any mortgage, lien or security interest securing such indebtedness;

(d) to make elections and prepare and file returns regarding any federal, state or local tax obligations of the LLC, and to designate one of the Managers to serve as the "Tax Matters Partner" of the LLC for purposes of Section 6231(a)(7) of the Internal Revenue Code of 1986 as amended (the "CODE"), with power to manage and represent the LLC in any administrative proceeding of the Internal Revenue Service;

(e) to purchase or lease real and personal property on behalf of the LLC;

(f) to deal in and with the assets of the LLC, including without limitation, selling, leasing, developing, constructing, improving, rehabilitating, operating, maintaining,

mortgaging, encumbering, creating easements or restrictions, and conveying all or any part of any real or personal property of the LLC, and to enter into agreements of merger or consolidation;

(g) to enter into contracts for the construction, development, improvement, servicing, operation, maintenance, repair and rehabilitation of the Property;

(h) to bring, defend, compromise, collect, pay, adjust, arbitrate or otherwise take any action and exercise any remedies with respect to any receivable held by or claim available to or against the LLC;

(i) to pay LLC expenses incurred in the administration and operation of the business and affairs of the LLC;

(j) to procure and maintain, at the expense of the LLC and with responsible companies, such insurance as may be available in such amounts and covering such risks as are appropriate in the sole discretion of the Managers, including, without limitation, insurance policies insuring the Managers against liability arising as a result of any action they may take or fail to take in their capacity as Managers of the LLC; and

(l) to take any other action permitted or required of the Managers under applicable law.

Any action taken by a Manager, and the signature of a Manager on any agreement, contract, instrument or other document on behalf of the LLC, shall be sufficient to bind the LLC and shall conclusively evidence the authority of that Manager and the LLC with respect thereto.

3.04 RELIANCE BY THIRD PARTIES. Any person dealing with the LLC, the Managers or any Member may rely upon a certificate signed by any one Manager as to (i) the identity of any Managers or Members; (ii) any factual matters relevant to the affairs of the LLC; (iii) the persons who are authorized to execute and deliver any document on behalf of the LLC; or (iv) any action taken or omitted by the LLC, the Managers or any Member.

3.05 RESIGNATION AND REMOVAL. Any Manager may resign upon at least sixty (60) days' notice to the Members and the other Managers (unless notice is waived by them).

3.06 COMPENSATION. The Managers shall be entitled to reimbursement for out-of-pocket expenses incurred by them in managing and conducting the business and affairs of the LLC, including a portion of the overhead of a Manager's regular employer that is reasonably allocable to the activities of that Manager relating to the LLC.

3.07 MEETINGS AND ACTION OF MANAGERS. Unless otherwise determined by the Members, all action to be taken by the Managers of the LLC shall be taken by vote or written consent of a majority of the Managers then in office. There is no requirement that the Managers hold a meeting in order to take action on any matter. Meetings of the Managers may be called by any Manager. If no meeting of the Managers has been called to act on a matter, and action is taken on such matter without a meeting by less than all of the Managers, prompt

notice thereof shall be given to any Manager who did not participate in taking such action. If action is to be taken at a meeting of the Managers, notice of the time, date and place of the meeting shall be given to each Manager by an officer or the Manager calling the meeting by personal delivery, telephone or fax sent to the business or home address of each Manager at least 24 hours in advance of the meeting, or by written notice mailed to each Manager at either such address at least 72 hours in advance of the meeting; however, no notice need be given to a Manager who waives notice before or after the meeting, or who attends the meeting without protesting at or before its commencement the inadequacy of notice to him or her. Managers may attend a meeting in person or by proxy, and they may also participate in a meeting by means of conference telephone or similar communications equipment that permits all Managers to hear each other. A chairman selected by the Managers shall preside at all meetings of the Managers. The chairman shall determine the order of business and the procedures to be followed at each meeting of the Managers.

3.08 LIMITATION OF LIABILITY OF MANAGER; CERTAIN RELATED PARTY TRANSACTIONS. No Manager shall be obligated personally for any debt, obligation or liability of the LLC or of any Member, whether arising in contract, tort or otherwise, solely by reason of being or acting as Manager of the LLC. No Manager shall be personally liable to the LLC or to its Members for acting in good faith reliance upon the provisions of this Agreement, or for breach of any fiduciary or other duty that does not involve (i) a breach of the duty of loyalty to the LLC or its Members, (ii) acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; or (iii) a transaction from which the Manager derived an improper personal benefit. The Members as of the date this agreement is initially entered into agree and acknowledge that the LLC will have continuous, on-going and significant business dealings and relationships with entities controlled by or under common control with the Managers (or in which the Managers have a significant interest) and on reliance that the agreement set forth in the next sentence would be entered into. Therefore, all Members agree, on behalf of themselves and their successors in interest, that the Managers shall in no event be liable (for breach of the duty of loyalty, care, disclosure or otherwise) for any contract entered into by the LLC with Boston Properties Limited Partnership or any of its affiliates or any business dealings or relationships between the LLC and any of such entities (a "BPLP RELATED PARTY TRANSACTION"). As such, all Members agree, on behalf of themselves and their successors in interest, that they will bring no act and initiate no proceeding to contest such activities or contracts.

3.09 CHANGE OF CONTROL BY MEMBERS THAT ARE CORPORATIONS. Any Member that is a corporation agrees that it will be a violation of this agreement if the current record and beneficial owners of the capital stock of such corporation dispose of such record or beneficial ownership in any manner without the consent of all of the Managers.

ARTICLE IV - INDEMNIFICATION

4.01 RIGHT TO INDEMNIFICATION. To the fullest extent permitted by law and subject to the provisions of this Article, the LLC shall indemnify each of its Managers against any and all losses, costs, damages, fees, claims, liabilities and expenses incurred by them in connection with any proceeding in which a Manager is involved as a result of serving in such capacity, except that no indemnification shall be provided for a Manager regarding any matter

(other than a BPLP Related Party Transaction) as to which it shall be finally determined that said Manager did not act in good faith and in the reasonable belief that its action was in the best interests of the LLC, or with respect to a criminal matter, that it had reasonable cause to believe that its conduct was unlawful. Subject to the foregoing limitations, such indemnification may be provided by the LLC with respect to a proceeding in which it is claimed that a Manager received an improper personal benefit by reason of its position, regardless of whether the claim arises out of the Manager's service in such capacity, except for matters as to which it is finally determined that an improper personal benefit (other than as a result of a BPLP Related Party Transaction) was received by the Manager.

4.02 AWARD OF INDEMNIFICATION. The determination of whether the LLC is authorized to indemnify a Manager hereunder and any award of indemnification shall be made in each instance (a) by a majority of the Managers who are not parties to the proceeding in question, (b) by independent legal counsel appointed by the Managers or the Members, or (c) by the holders of a majority of the Membership Interests of the Members who are not parties to the proceeding in question. The LLC shall be obliged to pay indemnification applied for by a Manager unless there is an adverse determination (as provided above) within forty-five (45) days after the application. If indemnification is denied, the applicant may seek an independent determination of its right to indemnification by a court, and in such event, the LLC shall have the burden of proving that the applicant was ineligible for indemnification under this Article. Notwithstanding the foregoing, in the case of a proceeding by or in the right of the LLC in which a Manager is adjudged liable to the LLC, indemnification hereunder shall be provided to said Manager only upon a determination by a court having jurisdiction (or, if binding arbitration is agreed to, the arbitration thereof) that in view of all the circumstances of the case, said Manager is fairly and reasonably entitled to indemnification for such expenses as the court shall deem proper.

4.03 SUCCESSFUL DEFENSE. Notwithstanding any contrary provisions of this Article, if a Manager has been wholly successful on the merits in the defense of any proceeding in which it was involved by reason of its position as Manager or as a result of serving in such capacity (including termination of investigative or other proceedings without a finding of fault on the part of the Manager), the Manager shall be indemnified by the LLC against all expenses incurred by the Manager in connection therewith.

4.04 ADVANCE PAYMENTS. Except as limited by law, expenses incurred by a Manager in defending any proceeding, include a proceeding by or in the right of the LLC, shall be paid by the LLC to the Manager in advance of final disposition of the proceeding upon receipt of its written undertaking to repay such amount if the Manager is determined pursuant to this Article or adjudicated to be ineligible for indemnification, which undertaking shall be an unlimited general obligation but need not be secured and may be accepted without regard to the financial ability of the Manager to make repayment.

4.05 DEFINITIONS. For purposes of this Article:

"MANAGER" includes (i) a person serving as an officer of the LLC or in a similar executive capacity appointed by the Managers and exercising rights and duties delegated by the Managers, (ii) a person serving at the request of the LLC

as a director, manager, officer, employee or other agent of another organization, and (iii) any person who formerly served in any of the foregoing capacities ;

"EXPENSES" means all expenses, including attorneys' fees and disbursements, actually and reasonably incurred in defense of a proceeding or in seeking indemnification under this Article, and except for proceedings by or in the right of the LLC or alleging that a Manager received an improper personal benefit, any judgments, awards, fines, penalties and reasonable amounts paid in settlement of a proceeding; and

"PROCEEDING" means any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, and any claim which could be the subject of a proceeding.

4.06 INSURANCE. The LLC shall have power to purchase and maintain insurance on behalf of any Manager, officer, agent or employee against any liability or cost incurred by such person in any such capacity or arising out of its status as such, whether or not the LLC would have power to indemnify against such liability or cost.

4.07 EMPLOYEE BENEFIT PLAN. If the LLC or any Manager sponsors or undertakes any responsibility as a fiduciary with respect to an employee benefit plan, then for purposes of this Article (i) "MANAGER" shall be deemed to include said Manager or any officer of the LLC who serves at its request in any capacity with respect to said plan, (ii) said Manager or officer shall not be deemed to have failed to act in good faith or in the reasonable belief that its action was in the best interests of the LLC if said Manager or officer acted in good faith and in the reasonable belief that its action was in the best interests of the participants or beneficiaries of said plan, and (iii) "EXPENSES" shall be deemed to include any taxes or penalties imposed upon said Manager or officer with respect to said plan under applicable law.

4.08 HEIRS, SPOUSES, CHILDREN AND PERSONAL REPRESENTATIVES. The indemnification provided by this Article shall inure to the benefit of the heirs, spouses, children and personal representatives of each Manager.

4.09 NON-EXCLUSIVITY. The provisions of this Article shall not be construed to limit the power of the LLC to indemnify its Managers, Members, officers, employees or agents to the full extent permitted by law or to enter into specific agreements, commitments or arrangements for indemnification permitted by law. The absence of any express provision for indemnification herein shall not limit any right of indemnification existing independently of this Article.

4.10 AMENDMENT. The provisions of this Article may be amended or repealed in accordance with Section 10.05; however, no amendment or repeal of such provisions that adversely affects the rights of a Manager under this Article with respect to its acts or omissions at any time prior to such amendment or repeal shall apply to said Manager without its consent.

ARTICLE V - CONFLICTS OF INTEREST

5.01 TRANSACTIONS WITH INTERESTED PERSONS. No contract or transaction engaged in by the LLC that constitutes a BPLP Related Party Transaction, and (unless entered into in bad faith) no other contract or transaction between the LLC and one or more of its Managers or Members or between the LLC and any other corporation, partnership, association or other organization in which one or more of its Managers or Members have a financial interest or are directors, partners, Managers or officers, shall be voidable solely for this reason or solely because said Manager or Member was present or participated in the authorization of such contract or transaction if:

(a) the material facts as to the relationship or interest of said Manager or Member and as to the contract or transaction were disclosed or known to the other Managers (if any) or Members and the contract or transaction was authorized by the disinterested Managers (if any) or Members; or

(b) the contract or transaction was fair to the LLC as of the time it was authorized, approved or ratified by the disinterested Managers (if any) or Members; or

(c) the contract or transaction was a BPLP Related Party Transaction;

and no Manager or Member interested in such contract or transaction, because of such interest, shall be considered to be in breach of this Agreement or liable to the LLC, any Manager or Member, or any other person or organization for any loss or expense incurred by reason of such contract or transaction or shall be accountable for any gain or profit realized from such contract or transaction.

5.02 OUTSIDE BUSINESSES. Any Manager or Member may engage or have an interest in other business ventures which are similar to or competitive with the business of the LLC, including, but not limited to, the ownership, financing, leasing, operation, management, syndication, brokerage, or development of real property competitive with real property owned or leased by the LLC, and the pursuit of such ventures, even if competitive, shall not be deemed wrongful or improper or give the LLC, its Managers or the other Members any rights with respect thereto. No Manager or Member shall be obligated to present an investment opportunity to the LLC even if it is similar to or consistent with the business of the LLC, and such Member or Manager shall have a right to take for their own account or recommend to others any such investment opportunity.

ARTICLE VI - CAPITAL ACCOUNTS AND CONTRIBUTIONS

6.01 CAPITAL ACCOUNTS. A separate capital account (a "CAPITAL ACCOUNT") shall be maintained for each Member in accordance with Section 1.704-1(b)(2)(iv) of the U.S. Treasury Regulations (the "REGULATIONS"), and this Section 6.01 shall be interpreted and applied in a manner consistent with said Section of the Regulations. The LLC shall adjust the Capital Accounts of its Members to reflect revaluations of the LLC property whenever the adjustment would be permitted under Regulations Section 1.704-1(b)(2)(iv)(f). In the event that the Capital Accounts of the Members are so adjusted, (i)

the Capital Accounts of the Members shall be adjusted in accordance with Regulations Section 1.704-1(b)(2)(iv)(g) for allocations of depreciation, depletion, amortization and gain or loss, as computed for book purposes, with respect to such property and (ii) the Members' distributive shares of depreciation, depletion, amortization and gain or loss, as computed for tax purposes, with respect to such property shall be determined so as to take account of the variation between the adjusted tax basis and book value of such property in the same manner as under Section 704(c) of the Code. In the event that Code Section 704(c) applies to LLC property, the Capital Accounts of the Members shall be adjusted in accordance with Regulations Section 1.704-1(b)(2)(iv)(g) for allocations of depreciation, depletion, amortization and gain and loss, as computed for book purposes, with respect to such property. In applying clause (ii) of the second preceding sentence and all of the preceding sentence, the provisions of Code Section 704(b) shall apply. The Capital Accounts shall be maintained for the sole purpose of allocating items of income, gain, loss and deduction among the Members and shall have no effect on the amount of any distributions to any Members in liquidation or otherwise. The amount of all distributions to Members shall be determined pursuant to Section 7.01. Notwithstanding any provision contained herein to the contrary, no Member shall be required to restore any negative balance in its Capital Account.

6.02 CONTRIBUTIONS. Each Member shall make the contributions to the capital of the LLC (herein "CONTRIBUTIONS") specified on SCHEDULE A. All Contributions shall be paid in cash unless otherwise specified on SCHEDULE A or agreed to by the Members. Except as set forth on SCHEDULE A, no Member or Manager shall be entitled or required to make any contribution to the capital of the LLC; however, the LLC may borrow from its Members as well as from banks or other lending institutions to finance its working capital or the acquisition of assets upon such terms and conditions as shall be approved by the Managers, and any borrowing from Members shall not be considered Contributions or reflected in their Capital Accounts. The value of all non-cash Contributions made by Members shall be set forth on SCHEDULE A. No Member shall be entitled to any interest or compensation with respect to its Contribution or any services rendered on behalf of the LLC except as specifically provided in this Agreement or approved by the Managers. No Member shall have any liability for the repayment of the Contribution of any other Member and each Member shall look only to the assets to the LLC for return of its Contribution. In no event shall Mortimer B. Zuckerman, Edward H. Linde or any other E-Related Party or Z-Related Party (as defined in the Amended and Restated Certificate of Incorporation of Boston Properties, Inc.) own, in the aggregate, more than 9.8% of the Membership Interests or have a claim to the profits or assets of the LLC in excess of such percentage, and any transaction that would cause such parties to exceed, in the aggregate, such percentage with respect to Membership Interests or claims to the profits or assets of the LLC shall be null and void AB INITIO.

6.03 FAILURE TO CONTRIBUTE. If a Member fails to make a Contribution that he has subscribed for, the LLC may exercise one or more of the following remedies as determined by the Managers after notice to the defaulting Member:

(a) Taking such action, including without limitation court proceedings, as the Managers deem appropriate to obtain payment by the defaulting Member of the Contribution due plus interest at the maximum rate permitted by law and costs of collection, including reasonable attorneys' fees and disbursements, and the defaulting Member consents

for this purpose to service of process, venue and jurisdiction in a court in the state in which the principal office of the LLC is located;

(b) Selling all or any part of the interest of the defaulting Member in the LLC at a public or private foreclosure sale under the procedures permitted by the applicable Uniform Commercial Code to be used by a defaulted secured creditor (the LLC shall be deemed to have been granted a security interest in the interest of the defaulting Member in the LLC for this purpose);

(c) Collecting the Contribution due plus interest and expenses as provided in paragraph (a) by offset against distributions and other amounts due to the defaulting Member pursuant to Section 10.01;

(d) Reduction, forfeiture or elimination of all or part of the interest of the defaulting Member in the LLC;

(e) Subordination of the interest of the defaulting Member in the LLC to the interests of the other Members; and

(f) Arranging for other Members to furnish the Contribution due as a loan to the defaulting Member on such terms and conditions as the Managers deem appropriate, including without limitation, the granting of a security interest in the interest of the defaulting Member to secure such loan; and

(g) Redemption of the interest of the defaulting Member in the LLC or sale of said interest to other Members at its fair value determined by an appraisal procedure or formula which the Managers determine to be appropriate under the circumstances.

Claims against a Member for failure to make a Contribution or to return money or other property paid or distributed to him in violation of the Act or this Agreement may be compromised by the Managers without the consent of the Members.

ARTICLE VII - DISTRIBUTIONS AND ALLOCATIONS

7.01 DISTRIBUTION OF LLC FUNDS. Except as provided subsequently in this Article, all funds and assets of the LLC which are determined by the Managers to be available for distribution shall be distributed to the Members (including the Manager-Members) in proportion to their Membership Interests. No Member shall be entitled to any distribution or payment with respect to its interest in the LLC upon the resignation or withdrawal of such Member except to the extent that the LLC exercises its option to purchase the interest of such Member under Section 9.04. Distributions may be limited and repayable as provided in the Act.

7.02 DISTRIBUTION UPON DISSOLUTION. Proceeds from a sale or liquidation of all or substantially all of the assets of the LLC and amounts available upon dissolution, after payment of, or adequate provision for, the debts and obligations of the LLC, including the expenses of its liquidation and dissolution, and liabilities to its Managers or Members, if any,

other than liabilities to Members for distributions, shall be distributed and applied in the following priorities:

(a) FIRST, to fund reserves to the extent deemed appropriate by the Managers for contingent, conditional, unmatured or other liabilities of the LLC not otherwise paid or provided for, PROVIDED THAT, upon the expiration of such period of time as the Managers shall deem advisable, the balance of such reserves remaining after payment of such liabilities shall be distributed in the manner hereinafter set forth;

(b) SECOND, to Members to satisfy any liabilities for distributions previously determined to be due by the Managers or due under this Agreement; and

(c) THIRD, to Members as provided in Section 7.01.

7.03 DISTRIBUTION OF ASSETS IN KIND. No Member shall have the right to require any distribution of any assets of the LLC to be made in cash or in kind. If the Managers determine to distribute assets of the LLC in kind, such assets shall be distributed on the basis of their fair market value as determined by the Managers. Any Member entitled to any interest in such assets shall, unless otherwise determined by the Managers, receive separate assets of the LLC, and not an interest as tenant-in-common with other Members so entitled in each asset being distributed. Distributions in kind need not be made on a pro-rata basis, but may be made on any basis which the Managers determine to be reasonable under the circumstances.

7.04 ALLOCATION OF PROFITS AND LOSSES.

All items of LLC income, gain, loss and deduction as determined for book purposes shall be allocated among the Members and credited or debited to their respective Capital Accounts in accordance with Regulations Section 1.704-1(b)(2)(iv), so as to ensure to the maximum extent possible (i) that such allocations satisfy the economic effect equivalence test of Regulations Section 1.704-1(b)(2)(ii)(i) (as provided hereinafter) and (ii) that all allocations of items that cannot have economic effect (including credits and nonrecourse deductions) are allocated to the Members in proportion to their Membership Interests unless otherwise required by Code section 704(b) and the Regulations promulgated thereunder. To the extent possible, items that can have economic effect shall be allocated in such a manner that the balance of each Member's Capital Account at the end of any taxable year (increased by such Member's "share of partnership minimum gain" as defined in Regulations Section 1.704-2) would be positive to the extent of the amount of cash that such Member would receive (or would be negative to the extent of the amount of cash that such Member should be required to contribute to the LLC) if the LLC sold all of its property for an amount of cash equal to the book value (as determined pursuant to Regulations Section 1.704-1(b)(2)(iv)) of such property (reduced, but not below zero, by the amount of nonrecourse debt to which such property is subject) and all of the cash of the LLC remaining after payment of all liabilities (other than nonrecourse liabilities) of the LLC were distributed in liquidation immediately following the end of such taxable year in accordance with Section 7.01.

ARTICLE VIII - TRANSFERS OF INTERESTS

8.01 GENERAL RESTRICTIONS ON TRANSFER. No Member may assign, transfer, pledge or grant a security interest in all or any part of its interest in the LLC, directly or indirectly, except with the prior written approval of the Managers, which approval may be withheld or denied for any reason or for no reason. In the event that a Member receives such prior written approval to its transfer of a Membership Interest for value, such proposed transaction shall be subject to the right of first refusal set forth in Section 8.06. If the interest of a Manager-Member is being transferred, the approval of a majority of the other Managers shall be required, or if there are none, the approval of Members holding a majority of the Membership Interests.

The LLC and its Managers and Members shall be entitled to treat the record owner of an interest in the LLC as the absolute owner thereof in all respects, and shall incur no liability for distributions of cash or other property made in good faith to such owner until such time as a written assignment of such interest has been received and accepted by the Managers and recorded on the books of the LLC. The Managers may refuse to accept and record an assignment until the end of the next successive quarterly accounting period of the LLC.

8.02 REQUIREMENTS FOR TRANSFER. Every transfer of an interest in the LLC permitted hereunder shall be subject to the following requirements:

(a) The transferee shall establish that the proposed transfer will not cause or result in a breach of any agreement binding upon the LLC or any violation of law, including without limitation, federal or state securities laws, and that the proposed transfer would not cause the LLC to be an investment company as defined in the Investment Company Act of 1940, as amended;

(b) The transferee shall establish to the satisfaction of the Managers that the transferee is financially responsible and of good character and that the transfer would not adversely affect the classification of the LLC as a partnership for federal tax purposes, terminate its classification as a partnership under Code Section 708, or have a substantial adverse effect with respect to federal income taxes payable by the LLC; and

(c) The transferee shall execute a counterpart of this Agreement and such other documents or instruments as may be required by the Managers to reflect the provisions hereof.

Until the foregoing requirements are met, the LLC need not recognize the transferee for any purpose under this Agreement, and the transferee shall be entitled only to the rights of a transferee who is not a Member under the Act. A transferee shall not be admitted as a Member without the approval of the Manager-Members (exclusive of the Member whose interest is being transferred) as provided in Section 2.06(a).

8.03 EFFECT OF TRANSFER.

(a) If the transferee is admitted as a Member or is already a Member, the Member transferring its interest shall be relieved of liability with respect to the transferred

interest arising or accruing under this Agreement on or after the effective date of the transfer, unless the transferor affirmatively assumes such liability; PROVIDED, HOWEVER, that the transferor shall not be relieved of any liability for prior distributions and unpaid Contributions unless the transferee affirmatively assumes such liabilities.

(b) Any person who acquires in any manner an interest or any part thereof in the LLC, whether or not such person has accepted and assumed in writing the terms and provisions of this Agreement or been admitted as a Member, shall be deemed by the acquisition of such interests to have agreed to be subject to and bound by all of the provisions of this Agreement with respect to such interest, including without limitation, the provisions hereof with respect to any subsequent transfer of such interest.

8.04 PROHIBITED TRANSFERS. Any transfer in violation of any provisions of this Agreement shall be null and void and ineffective to transfer any interest in the LLC and shall not be binding upon or be recognized by the LLC, and any such transferee shall not be treated as or deemed to be a Member for any purpose. In the event that any Member shall at any time transfer its interest in violation of any of the provisions of this Agreement, the LLC and the other Members, in addition to all rights and remedies at law and equity, shall have and be entitled to an order restraining or enjoining such transaction, it being expressly acknowledged and agreed that damages at law would be an inadequate remedy for a transfer in violation of this Agreement.

8.05 RIGHT OF FIRST REFUSAL.

(a) In the event that the Managers consent and thereby grant the prior written approval to a transfer of a Membership Interest for value as required by Section 8.01, and subject to the requirements of Section 8.02, the Member who proposes to transfer such Membership Interest (the "OFFEREE MEMBER") shall be deemed to have granted the LLC a right of first refusal to purchase said interest on the same terms and conditions as are stated in the offer received by the Offeror, which right of first refusal shall be assignable in whole or in part. The Offeree Member shall affirm to the Managers, if requested, that the offer is bona fide, is the result of arms-length negotiations between the Offeree Member and the person who proposes to purchase such interest from the Offeror (the "OFFEROR") and shall set forth the name of the Offeror, the interest to be transferred, the price and other terms of the offer and any other relevant material information available regarding the proposed transfer. The Offeree Member shall deliver copies of the offer to the Managers.

(b) The LLC shall have an option (assignable in whole or in part, including to a Manager) to acquire all or any part of the interest proposed to be transferred at the price, terms and conditions set forth in the offer received by the Offeree Member. The LLC and/or its assign shall have thirty (30) days from receipt of a notice regarding the proposed transfer which contains the terms of the offer received by the Offeree Member in which to notify the Offeree Member of its election to purchase all or a portion of the interest proposed to be transferred.

(c) The closing of the purchase by the LLC or its assigns shall take place on a date not less than ten (10) days nor more than thirty (30) days after all elections to purchase have been made, as specified by the LLC and the purchasing assigns, if any.

(d) If the interest of the Offeree Member is not purchased by the LLC or assigns as provided herein, the Offeree Member may sell such interest to the Offeror upon the terms and conditions set forth in the offer (or other terms and conditions no more favorable to the Offeror), provided that such sale is concluded within ninety (90) days after the expiration of the period in which elections to purchase may be made by the LLC or assigns, and the Offeror complies with all of the provisions of Section 8.02.

(e) No transferee of an interest in the LLC shall be admitted as a Member of the LLC without the consent required under Section 2.06(a) and 8.02.

8.06 TRANSFERS OF INTERESTS BY MANAGER-MEMBER. A transfer of an interest in the LLC by a Manager-Member shall transfer only the economic interests, rights, duties and obligations of the transferor in its capacity as a Member, and no transferee shall obtain as a result of any such assignment any rights as a Manager. A Manager-Member who transfers all (but not less than all) of its interest in the LLC as a Member shall be deemed to have tendered its resignation as a Manager to the LLC effective on the date of such transfer, and such resignation shall be deemed to have been accepted unless it is rejected within thirty (30) days thereafter.

ARTICLE IX - DISSOLUTION, LIQUIDATION, AND TERMINATION

9.01 DISSOLUTION. The LLC shall dissolve and its affairs shall be wound up upon the first to occur of the following:

(a) the written consent of all of the Members;

(b) the entry of a decree of judicial dissolution under Section 18-802 of the Act; or

(c) a consolidation or merger of the LLC in which it is not the resulting or surviving entity.

The Managers shall promptly notify the Members of the dissolution of the LLC.

9.02 LIQUIDATION. Upon dissolution of the LLC, the Managers shall act as its liquidating trustee or the Managers may appoint one or more Managers or Members as liquidating trustee. The liquidating trustee shall proceed diligently to liquidate the LLC, to wind up its affairs and to make final distributions as provided in Section 7.02 and in the Act. The costs of dissolution and liquidation shall be an expense of the LLC. Until final distribution, the liquidating trustee may continue to operate the business and properties of the LLC with all of the power and authority of the Managers. As promptly as possible after dissolution and again after final liquidation, the liquidating trustee shall cause an accounting of the LLC's assets, liabilities, operations and liquidating distributions to be given to the Members.

9.03 CERTIFICATE OF CANCELLATION. Upon completion of the distribution of LLC assets as provided herein, the LLC shall be terminated, and the Managers (or such other

person or persons as the Act may require or permit) shall file a Certificate of Cancellation with the Secretary of State of Delaware under the Act, cancel any other filings made pursuant to Sections 1.01, 1.03 and 1.05, and take such other actions as may be necessary to terminate the existence of the LLC.

ARTICLE X - GENERAL PROVISIONS

10.01 OFFSET. Whenever the LLC is obligated to make a distribution or payment to any Member, any amounts that Member owes the LLC may be deducted from said distribution or payment by the Managers.

10.02 NOTICES. Except as expressly set forth to the contrary in this Agreement, all notices, requests, or consents required or permitted to be given under this Agreement must be in writing and shall be deemed to have been given (i) three (3) days after the date mailed by registered or certified mail, addressed to the recipient, with return receipt requested, (ii) upon delivery to the recipient in person or by courier, or (iii) upon receipt of a facsimile transmission by the recipient. Such notices, requests and consents shall be given (x) to Members at their addresses on SCHEDULE A, or such other address as a Member may specify by notice to the Managers or to all of the other Members, or (y) to the LLC or the Managers at the address of the principal office of LLC specified in Section 1.03. Whenever any notice is required to be given by law, the Certificate or this Agreement, a written waiver thereof, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

10.03 ENTIRE AGREEMENT. This Agreement constitutes the entire agreement of the Members and the Managers relating to the LLC and supersedes all prior contracts or agreements with respect to the LLC, whether oral or written.

10.04 LIMITATION OF LITIGATION; CONSENT TO JURISDICTION. No Member shall be entitled to initiate or participate in a class action on behalf of all or any part of the Members against the LLC, its Managers or any Member, and no Member shall be entitled to initiate or participate in a derivative suit on behalf of the LLC against its Managers or any Member, unless in each case such action or suit has received prior approval of a majority of the Managers and Members holding a majority of the Membership Interests who are not defendant parties to the proposed action or suit, or unless otherwise required by law. No Manager shall be entitled to initiate or participate in any suit on behalf of the LLC against its Managers or any Members unless such suit has received the prior approval of the Managers who are not defendant parties to the proposed suit, unless otherwise required by law. A Member or Manager who initiates an action or suit in violation of this Agreement shall be liable to the LLC and its Managers and any Members who are defendant parties for all damages and expenses which they incur as a result, including without limitation reasonable fees and expenses of legal counsel and expert witnesses and court costs. The parties to this Agreement hereby consent to the non-exclusive jurisdiction of the courts of the State of Massachusetts in connection with any matter or dispute arising under this Agreement or between them regarding the affairs of the LLC.

10.05 AMENDMENT OR MODIFICATION. This Agreement may be amended or modified from time to time only by a written instrument signed by a majority of the Managers and by Members holding a majority of the Membership Interests; PROVIDED, HOWEVER, that (a) an amendment or modification reducing a Member's Membership Interest or changing adversely the rights of a Member with respect to distributions, allocations or voting, (other than to reflect the admission of new Members or changes otherwise provided by this Agreement) shall be effective only with that Member's consent, (b) an amendment or modification to reflect the admission of a new Member may be approved by the Managers alone if the new Member is purchasing an interest from the LLC with rights equivalent to the rights of existing Members, and otherwise shall be subject to approval by Members holding a majority of the Membership Interests; and an amendment or modification to reflect the admission of a new Member who is an assignee of an existing Member, shall be subject to approval as provided in Section 2.06; (c) an amendment or modification increasing any liability of a Member to the LLC or its Managers or Members, or adversely affecting the limitation of the liability of a Member with respect to the LLC, shall be effective only with that Member's consent; (d) an amendment or modification reducing the required percentage of Membership Interests for any consent or vote in this Agreement shall be effective only with the consent or vote of Members having the percentage of Membership Interests theretofore required; and (e) an amendment of this Section shall require the consent of a majority of the Managers and of Members holding two-thirds of the Membership Interests.

10.06 BINDING EFFECT. Subject to the restrictions on transfers set forth in this Agreement, this Agreement is binding on and inures to the benefit of the parties and their respective heirs, legal representatives, successors and assigns.

10.07 GOVERNING LAW; SEVERABILITY. This Agreement is governed by and shall be construed in accordance with the law of the State of Delaware, exclusive of its conflict-of-laws principles. In the event of a conflict between the provisions of this Agreement and any provision of the Certificate or the Act, the applicable provision of this Agreement shall control, to the extent permitted by law. If any provision of this Agreement or the application thereof to any person or circumstance is held invalid or unenforceable to any extent, the remainder of this Agreement and the application of that provision shall be enforced to the fullest extent permitted by law.

10.08 FURTHER ASSURANCES. In connection with this Agreement and the transactions contemplated hereby, each Member shall execute and deliver any additional documents and instruments and perform any additional acts that may be necessary or appropriate to effectuate and perform the provisions of this Agreement and those transactions, as requested by the Managers.

10.09 WAIVER OF CERTAIN RIGHTS. Each Member irrevocably waives any right it may have to maintain any action for dissolution of the LLC or for partition of the property of the LLC.

10.10 NOTICE TO MEMBERS OF PROVISIONS OF THIS AGREEMENT. By executing this Agreement, each Member acknowledges that such Member has actual notice of (a) all of the provisions of this Agreement, including, without limitation, the restrictions on the transfer of Membership Interests set forth in Article VIII and all matters related to BPLP

Related Party Transactions, and (b) all of the provisions of the Certificate. Each Member hereby agrees that this Agreement constitutes adequate notice of all such provisions, and each Member hereby waives any requirement that any further notice thereunder be given.

10.11 THIRD PARTY BENEFICIARIES. The provisions of this Agreement are not intended to be for the benefit of any creditor or other person to whom any debts or obligations are owed by, or who may have any claim against, the LLC or any of its Members or Managers, except for Members or Managers in their capacities as such. Notwithstanding any contrary provision of this Agreement, no such creditor or person shall obtain any rights under this Agreement or shall, by reason of this Agreement, be permitted to make any claim against the LLC or any Member or Manager.

10.12 INTERPRETATION. For the purposes of this Agreement, terms not defined in this Agreement shall be defined as provided in the Act; and all nouns, pronouns and verbs used in this Agreement shall be construed as masculine, feminine, neuter, singular, or plural, whichever shall be applicable. Titles or captions of Articles and Sections contained in this Agreement are inserted as a matter of convenience and for reference, and in no way define, limit, extend or describe the scope of this Agreement or the intent of any provision hereof.

10.13 COUNTERPARTS. This Agreement may be executed in any number of counterparts with the same effect as if all parties had signed the same document, and all counterparts shall be construed together and shall constitute the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement under seal as of the date set forth above.

Managers: _____

Members: _____

ZL HOTEL LLC

Member

Name and Address of Member	Contribution	Membership Interest
ZL Hotel Corp. 8 Arlington Street Boston, MA 02116	\$[_____]	90.2%

Name and Address of manager	Contribution	Membership Interest
Mortimer B. Zuckerman 950 Fifth Avenue NY, NY 10021	\$[_____]	4.9%

Edward H. Linde 265 Country Drive Weston, MA 02193	\$[_____]	4.9%
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5/21/97

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the inclusion in this registration statement on Form S-11 (File No. 333-25279) of our report dated May 1, 1997, on our audits of the combined financial statements and financial statement schedule of the Boston Properties Predecessor Group. We also consent to the references to our firm under the caption "Experts".

Coopers & Lybrand L.L.P.

Boston, Massachusetts

May 27, 1997

CONSENT TO BE NAMED AS A DIRECTOR OF BOSTON PROPERTIES, INC.

I hereby consent to be named as a person to become a director of Boston Properties, Inc., a Delaware corporation (the "Company"), in the registration statement on Form S-11 filed by the Company with the Securities and Exchange Commission with respect to the public offering of Common Stock of the Company.

/s/ Alan Patricof

Name: Alan Patricof
Date: 5/9/97

CONSENT TO BE NAMED AS A DIRECTOR OF BOSTON PROPERTIES, INC.

I hereby consent to be named as a person to become a director of Boston Properties, Inc., a Delaware corporation (the "Company"), in the registration statement on Form S-11 filed by the Company with the Securities and Exchange Commission with respect to the public offering of Common Stock of the Company.

/s/ Ivan Seidenberg

Name: Ivan Seidenberg
Date: May 20, 1997

CONSENT TO BE NAMED AS A DIRECTOR OF BOSTON PROPERTIES, INC.

In hereby consent to be named as a person to become a director of Boston Properties, Inc., a Delaware corporation (the "Company"), in the registration statement on Form S-11 filed by the Company with the Securities and Exchange Commission with respect to the public offering of Common Stock of the Company.

/s/ Martin Turchin

Name: Martin Turchin
Date: 5/11/97

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM COMBINED BALANCE SHEET AS MARCH 31, 1997 AND THE COMBINED STATEMENT OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 1997 OF BOSTON PROPERTIES, INC. AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

3-MOS	DEC-31-1997	JAN-01-1997	MAR-31-1997
			2,980
		0	0
	60,083	0	0
	0	0	0
	0	1,048,210	
	270,077		
	900,063		
	0	1,418,488	
	0	0	0
		0	0
900,063		(575,694)	
		0	0
	63,455		0
	0	0	0
	0	0	0
	27,309		
	222		
	0	0	
	0	0	
		0	0
		96	
		0	
		0	